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ABSTRACT

This paper addresses the agricultural export opportunities that may be opened to Egypt due to the liberalization of world agricultural trade. Specifically, this paper discusses the effects of the key elements (market access, domestic support, and export competition) of the Uruguay Round General Agreement on Tariffs and Trade (GATT) on world agricultural trade in rice, cotton, potatoes, tomatoes, onions, oranges and dates, and the potential trade opportunities that may be made available for countries such as Egypt as a result of implementing the agreement.

THE URUGUAY ROUND OF GATT: POTENTIAL OPPORTUNITIES FOR EGYPT

The agricultural agreement has four main sections: the Agreement on Agriculture; the concessions and commitments GATT members are to undertake on market access, domestic support, and export competition; the Agreement on Sanitary and Phytosanitary Measures; and the Ministerial Decision concerning least-developed and net food-importing developing countries. Discussion in this paper focuses on compliance in the areas of market access, domestic support, and export competition. Market access concessions relate to binding and the reduction of tariffs, to current and minimum access opportunities, and converting all nontariff barriers into tariff equivalents. Domestic support that is deemed to be trade distorting shall be reduced by 20 percent (13 percent for developing countries) over the implementation period, as measured by the total aggregate measure of support. Export competition refers to reducing expenditures for and quantities of subsidized exports according to the commitments shown in table 1. A brief summary of the general commitments, implementation periods, modalities, and base periods are given in Table 1. A more exhaustive discussion of the key elements of the agreement can be found in the CARD Working Paper 94-WP 121, *The Agreement on Agriculture in the Uruguay Round of GATT*. A detailed list of individual country commitments for major commodities can be referenced in CARD publication 94-GATT 22, titled *Uruguay Round Agreement on Agriculture: Summary of Commitments from Selected Country Schedules*.

World Trade

Egypt has a vested interest in closely following the trends in world trade of its major agricultural export commodities. Rice, cotton, potatoes, tomatoes, onions, oranges and dates are some of the major commodities that Egypt exports. With the exception of cotton lint, Egypt has maintained or expanded its share of world exports in these markets. Tables 2 and 3 shows Egypt's share of world exports of these products for both quantities and values of exports for 1982 through 1992.

Table 1. Agreement on agriculture

Policy Area	Modality	Commitments	Base Period	Implementation Period
Market Access	Tariffication with some exceptions	Ordinary custom duties, including those resulting from tariffication shall be reduced by 36% (24% developing countries) on a simple average basis with a minimum reduction of 15% (10% developing countries) for each tariff line.	1986-88	Six-year for developed countries (ten-year for developing countries) commencing in 1995.
Domestic Support	Total Aggregate Measure of Support (AMS)	All domestic support in favor of agricultural producers shall be reduced by 20% (13.3% for developing countries) as measured by total AMS.	1986-88	Six-year for developed countries (ten-year for developing countries) commencing in 1995.
Export Competition	Quantity of subsidized exports and expenditures on export subsidies.	Budgetary expenditures and quantities exported shall be reduced by 36% (24% developing countries) and 21% (14% developing countries)	1986-90 (Where subsidized exports have increased since the base period, 1991-92 may be used as the beginning point of reduction, although the end-point remains that based on 1986-90.)	Six-year for developed countries (ten-year for developing countries) commencing in 1995.

Rice

The world rice market is often referred to as a “thin” market because of the relatively small proportion of world rice production that is traded relative to total world rice production. According to USDA statistics, only 3.9 percent of world rice production was exported in 1982, and by 1992 the share of rice exported had increased to only 4.2 percent of world production. This “thinness” subjects world rice prices to great volatility, as relatively minor changes in import demand of any of a number of countries can cause extreme fluctuations in world prices. World rice production in turn is fairly volatile because of how intensively it is cultivated throughout Asia, and to the unpredictability of the weather for this primarily rainfed crop. In Asia, the timing of the monsoon can determine the crop’s viability for an entire country. In other parts of the world, paddy must be flooded from rivers that depend on seasonal precipitation from rainfall and snow.

Additionally, the importance of rice as a primary foodstuff throughout Asia and the developing world has led to many countries instituting policies that support producers and consumers in an effort to promote self-sufficiency in production. These policies range from total import bans to excessively high import tariffs, and even export tariffs, in an effort to maintain domestic production and stabilize domestic prices. Self sufficiency policies by their very nature tend to limit the volume of world rice trade. Another factor that greatly affects world rice trade is the many varieties of rice that are produced and consumed around the world, and the unstitutability of the different varieties. The majority of world rice production and trade is in indica rice. Indica rice is a long grain variety that is grown primarily in the tropical climates of South and Southeast Asia, but can also be grown in the subtropics and more temperate climates. Thailand, the United States, Vietnam, and Myanmar are the major exporters of indica rice.

In Japan, South Korea, North Korea, and Taiwan, japonica rice is preferred. Japonica rice is a medium grain rice that is grown in temperate climates. At present, high-quality japonica rice cannot be grown in the tropics, and the medium grain aromatic rice produced in Thailand is not a satisfactory substitute for japonica rice. The United States and Australia are the major exporters of japonica rice. Expansion of area under rice cultivation has not grown adequately to meet increased world demand for rice. Rather it has been the introduction of the high yielding varieties of rice and more extensive use of commercial fertilizers that have allowed and will continue to pace world rice production. The Agreement on Agriculture will make one of its most noticeable impacts by opening

the highly protected rice markets of Japan and South Korea, and thereby increasing the volume of world rice trade.

Cotton

The world cotton market is a very complex market because of the diverse forms in which cotton can be traded, and because of the valued by-products of processed cotton. Cotton can be traded as cotton lint, linters, yarn, fabric, or finished cotton clothing. Cotton lint is primarily used for clothing, linens, and upholstery whereas cotton linters are used for nonwoven fabrics, padding, and as a source of cellulose for synthetic fabrics. Cottonseeds are crushed for their highly valued oil, with the meal being used as a high protein animal feed. Upland cotton is the most commonly grown and traded type of cotton. Extra-long staple (ELS) cotton is a higher quality cotton that is grown and consumed in the United States, Egypt, India, and a few other countries in small quantities, and is a significant export of Central Asian nations. Cotton thrives in hot climates, and will not tolerate either frost or excessive moisture. However, sufficient moisture is critical for boll formation in early growth stages of the plant. The combined timing of both moisture and temperature constraints often make irrigation necessary in the more arid climates where cotton is produced throughout the world.

World cotton area has hovered at just over 3 million hectares over the past 10 years, while production has increase by roughly 24 percent due to the yield response of increased fertilizer application and new varieties that are more pest resistant and generally higher yielding. Uzbekistan and the United States have historically led the world in cotton exports. The United States has maintained its leadership partially because of higher labor costs, which encourage cotton exports as opposed to finished textiles. Severe salinity problems and loss of water suitable for irrigation have caused Uzbekistan to lose about 24 percent of its cotton area between 1987 and 1992. This area is not expected to be regained to any extent, creating significant export opportunities for other major cotton exporting countries. Uzbekistan has traditionally traded most of its cotton within the boundaries of the nations of the Former Soviet Union (FSU). Recent weakening of the economies of non-cotton producing nations of the FSU have allowed Uzbekistan and other Central Asian nations to put cotton on the world market for much needed foreign exchange.

With the exception of Southeast Asia, the major cotton importing countries of the world have steadily decreased consumption since the late 1980s. Between 1988 and 1992, world trade decreased from 39 percent to 29 percent of world consumption. To a certain extent, cotton trade has decreased

only because many cotton producing countries have been processing a larger proportion of their production and exporting the cotton as yarn, fabric, or finished textiles. In the 1970s, Japan, South Korea, Taiwan, and Hong Kong were aggressively building their textile industries and were major cotton importers. Incomes have since increased in these nations, subsequently decreasing their competitiveness in a labor intensive industry. A new group of textile exporters has emerged, including China, Brazil, Pakistan, Thailand, Egypt, and India. The major difference in the two periods of textile industrial growth is that the first group of nations is not cotton producing nations, so their entry into this market caused a dramatic increase in world cotton trade. The second group of countries are major cotton producers and have to some extent been cotton exporters. The increase in textile production in these countries actually decreases world trade in cotton, as more cotton is consumed within a country and exported as textiles, yarn, and other finished products.

The Multifiber Arrangement (MFA) is another factor that has had a visible impact on world cotton trade. The MFA is a set of complex bilateral agreements worked out in 1974 under the auspices of the GATT. The agreement is largely a set of import quotas arranged between developed country textile importers and developing country textile exporters to ease the general decline of the textile industries of developed nations. The Agreement on Agriculture will affect cotton trade largely through the increased trade in cotton textiles, which will be driven by higher world incomes. World cotton trade is not expected to change dramatically because high income countries will actually be importing less cotton and more cotton textiles while developing countries will consume more of their own cotton production and export it as yarn and textiles. In effect it is largely the liberalization of textile trade, as opposed to unprocessed cotton, that will cause changes in international cotton trade.

Specialty Crops and Products

Specialty crops and products include fresh and processed fruits, vegetables, and pulses for human consumption. In general, international trade of most fresh fruits and vegetables has increased as world disposable incomes have increased. In temperate climates, increased incomes have allowed the purchase of fresh fruits and vegetables year around. In the tropics, increased incomes have allowed the introduction of imports of temperate climate fruits and vegetables, which are treated as delicacies. Additionally, advancements in general technology with respect to planting, harvesting, and storage have allowed more product to be moved to port facilities for export. Also new varieties, which are more disease resistant and less likely to damage during shipping, have been developed along with

improved transportation systems in many developing countries. All these factors have meshed to increase global trade in fresh fruits and vegetables. Fresh fruits and vegetables are generally preferred to preserved fruits and vegetables, but only relatively recently has technology been sufficient to ensure year around supplies of fresh fruits and vegetables throughout the world. Also, recent health concerns in developed countries have done much to promote consumption of fresh fruits and vegetables. Because fresh fruits and vegetables are seasonal in temperate climates, trade is also seasonal for any fruit or vegetable that can be grown in a temperate climate, while purely tropical products are traded more consistently. Likewise tariffs and or quotas tend to be seasonal to protect domestic producers from cheap imports. In the western hemisphere, Mexico and Chile have become major suppliers of off-season fresh vegetables and fruits to the United States and Canada. Among the OECD member nations, fresh potatoes are the most commonly consumed vegetable. World potato and onion exports increased by an impressive 37 percent and 36 percent between 1982 and 1992 (Table 2). Over the same period, world tomatoes and oranges exports increased by 10 percent and 17 percent while world date exports actually decreased slightly. Future increased international trade of fresh fruits and vegetables can be expected to stem from rising incomes, technological advancement, and continued health concerns that advocate increased consumption of fresh fruits and vegetables.

Potential Opportunities

The Agreement on Agriculture will help in many ways to create new market opportunities for Egyptian agriculture. In particular, increased exports of agricultural products will likely occur as tariff and nontariff barriers and export subsidies are reduced in countries such as the European Union (EU). Applying minimum access commitments will benefit the international market for agricultural products. And reforming trade and agricultural policies should benefit developing countries, especially if these countries also liberalize their own agricultural sectors. There are a number of potential opportunities for the Egyptian rice, cotton, and fruits and vegetables sectors.

Rice

The United States will reduce its tariffs by 36 percent in six equal annual installments beginning in 1995. This reduction does not have a significant impact since U.S. tariffs are already very low, with the largest tariff being less than 10 percent. This does not have a significant impact, since U.S. tariffs are already very low (less than 10 percent).

Table 2. World and Egyptian quantity of exports for rice, cotton, potatoes, tomatoes, onion, oranges, and dates

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Rice											
World (1000 MT)	12,059	11,499	12,769	11,536	13,351	13,018	12,238	15,213	12,482	13,096	15,772
Egypt (1000 MT)	23	19	71	17	92	101	71	33	76	151	187
% of world exports	0.19	0.17	0.55	0.14	0.69	0.77	0.58	0.22	0.61	1.15	1.19
Cotton Lint											
World (1000 MT)	4,430	4,272	4,235	4,137	4,697	5,412	4,793	5,896	5,158	4,852	4,954
Egypt (1000 MT)	200	209	174	144	131	130	80	58	39	13	16
% of world exports	4.52	4.89	4.12	3.48	2.79	2.40	1.67	0.99	0.76	0.27	0.31
Potatoes											
World (1000 MT)	5,182	4,783	4,788	5,014	5,481	6,259	6,507	6,761	7,028	7,855	7,074
Egypt (1000 MT)	151	140	133	128	120	123	166	156	136	218	209
% of world exports	2.92	2.92	2.78	2.55	2.19	1.97	2.55	2.30	1.93	2.77	2.96
Tomatoes											
World (1000 MT)	2,166	1,838	2,111	2,263	2,379	2,361	2,300	2,371	2,430	2,461	2,389
Egypt (1000 MT)	9	17	9	14	15	23	15	15	20	23	42
% of world exports	0.40	0.90	0.43	0.62	0.63	0.99	0.66	0.63	0.84	0.95	1.74
Onions											
World (1000 MT)	1,792	1,793	2,001	1,939	2,007	2,087	2,225	2,044	2,258	2,577	2,432
Egypt (1000 MT)	13	35	17	24	21	33	50	51	60	61	57
% of world exports	0.71	1.97	0.87	1.21	1.05	1.57	2.25	2.47	2.65	2.38	2.34
Oranges											
World (1000 MT)	4,955	4,807	5,269	4,968	6,050	5,433	5,270	5,309	5,743	5,513	5,805
Egypt (1000 MT)	102	150	161	161	165	167	97	158	145	111	103
% of world exports	2.05	3.12	3.06	3.24	2.73	3.07	1.85	2.97	2.52	2.02	1.77
Dates											
World (1000 MT)	235	199	143	232	248	300	305	443	333	271	227
Egypt (1000 MT)	0.51	1.06	0.63	0.83	0.90	1.30	0.76	2.92	1.69	3.01	3.05
% of world exports	0.22	0.53	0.44	0.36	0.36	0.43	0.25	0.66	0.51	1.11	1.34

Source: AGROSTAT and FAO Yearbook, various issues.

Table 3. World and Egyptian value of exports for rice, cotton, potatoes, tomatoes, onion, oranges and dates

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Rice											
World (10,000 \$)	420,736	362,301	389,162	329,879	330,812	343,807	405,435	496,200	415,008	445,386	512,305
Egypt (10,000 \$)	1,162	708	2,252	540	2,750	2,775	1,957	1,796	1,818	3,871	5,731
% of world exports	0.28	0.20	0.58	0.16	0.83	0.81	0.48	0.36	0.44	0.87	1.12
Cotton Lint											
World (10,000 \$)	639,343	649,617	717,104	602,623	532,610	668,922	752,647	859,559	845,955	782,295	661,957
Egypt (10,000 \$)	40,872	44,124	48,595	42,725	35,200	27,213	31,858	29,800	18,609	6,069	5,255
% of world exports	6.39	6.79	6.78	7.09	6.61	4.07	4.23	3.47	2.20	0.78	0.79
Potatoes											
World (10,000 \$)	96,588	80,398	100,162	62,199	82,841	106,498	103,254	127,442	159,172	185,836	146,807
Egypt (10,000 \$)	4,110	3,063	3,679	2,697	2,700	3,630	5,935	5,823	2,243	4,782	4,265
% of world exports	4.26	3.81	3.67	4.34	3.26	3.41	5.75	4.57	1.41	2.57	2.91
Tomatoes											
World (10,000 \$)	99,764	88,946	99,642	96,131	143,106	146,120	158,571	149,857	208,511	202,611	191,044
Egypt (10,000 \$)	425	700	283	359	600	734	551	916	473	627	1,118
% of world exports	0.43	0.79	0.28	0.37	0.42	0.50	0.35	0.61	0.23	0.31	0.59
Onions											
World (10,000 \$)	35,070	33,784	45,089	30,116	35,514	48,482	53,704	47,200	62,813	72,926	67,536
Egypt (10,000 \$)	529	1,172	571	850	820	1,773	2,344	2,099	1,285	1,151	1,163
% of world exports	1.51	3.47	1.27	2.82	2.31	3.66	4.36	4.45	2.05	1.58	1.72
Oranges											
World (10,000 \$)	175,847	162,333	164,152	171,204	222,505	229,646	231,958	225,080	267,646	288,232	305,468
Egypt (10,000 \$)	5,282	7,378	7,640	8,654	9,340	15,826	9,284	15,809	4,910	4,448	3,254
% of world exports	3.00	4.54	4.65	5.05	4.20	6.89	4.00	7.02	1.83	1.54	1.07
Dates											
World (10,000 \$)	15,405	14,185	12,602	18,773	18,798	18,766	19,298	23,452	21,932	22,245	22,035
Egypt (10,000 \$)	53	97	35	25	40	129	48	229	90	151	161
% of world exports	0.34	0.68	0.28	0.13	0.21	0.69	0.25	0.98	0.41	0.68	0.73

Source: AGROSTAT and FAO Yearbook, various issues.

<u>Rice</u>	<u>Base Duty</u>	<u>Reduced to</u>
In husk	2.8 Cents/kg	1.8 cents/kg
Basmati, husked	1.3	0.83
Brown, husked	3.3	2.1
Milled/semi-milled	2.2	1.4
Broken	0.69	0.44

- The United States has agreed to limit the quantity of subsidized exports and subsidized export expenditures for rice. The commitments are the required 21 percent and 36 percent reductions from the 1986-90 base for the quantity expenditure commitments, starting from the 1991-92 average levels. The annual allowable subsidized quantities and expenditures will be as listed in the shaded box.

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
	(1,000 metric tons)					
Quantity	272	225	178	132	85	39
	(\$1,000)					
Expenditure	15,706	13,038	10,371	7,704	5,036	2,369

- Japan has agreed to an initial import quota of 379,000 tons of rice in 1995, increasing to 758,000 tons by 2000.
- Korea has agreed to an initial import quota of 51,307 metric tons in 1995. In addition, they will double the quota by 1999 and double it again by 2004 with total import access of 205,228 metric tons.

- Currently, Malaysia has no duty on rice, and agrees to permanently bind this duty at zero.
- The European Union will reduce its rice tariff of 650 ECUs/mt on milled rice by 36 percent to 416 ECUs per metric ton, a significant cut from the levies of the 1986-88 base period. There is also a 413 ECUs/ mt tariff on husked rice, and 200 ECUs per metric ton tariff broken rice that will be reduced by 36 percent. The European Union will ensure that there will not be higher protection than what the European Union had originally proposed, should support prices be reduced in order to maintain the relationship between the duty-paid import price and the support price.
- Major rice-producing Asian countries have agreed to not introduce additional trade-distorting domestic support.
- Thailand is not expected to bring significantly more area into rice production; however, yield growth potential is sufficient to allow Thailand to maintain its position as the world's leading rice exporter throughout the implementation period.
- Although Vietnam is projected to moderate area growth for rice production and diversify into other crops, continual yield growth along with slow growth in domestic consumption translates into a solid export position for long-grain rice.
- Chinese rice area, which has been reduced recently due to higher relative grain and oilseed prices, is not expected to return to historic levels. Despite higher world prices, China is not expected to return to producing low-quality rice, but the possibility for expanding rice area into japonica rice is increased because of the import commitments of Japan and Korea.

Cotton

The United States has agreed to replace the Section 22 quota with tariff equivalents equal to 36.9 cents/kg for cotton and 9.2 cents/kg for cotton waste. These tariffs will be reduced by the required minimum of 15 percent in 1995, to 31.4 cents/kg for cotton and 7.8 cents/kg for cotton waste in the year 2000. The United States has agreed to establish a tariff-rate quota for cotton of 51,927 tons, increasing to 86,545 tons by 2000. The in-quota tariffs will be the same as for the current quota, which ranges from 1.5 cents/kg to 4.4 cents/kg depending on the length of the fiber.

- Currently Malaysia has no duties on cotton and agrees to bind its tariff at zero.
- Thailand has agreed to reduce its tariff on cotton from 5 percent to 4.5 percent.

- Currently Hong Kong has no duties on cotton and agrees to permanently bind its tariff for cotton at zero.
- Korea will reduce its current tariff of 10 percent to 2 percent by the year 2004.

Citrus

The United States will reduce a number of tariffs on citrus products, and will begin implementing them in equal annual installments over a six-year period beginning in 1995 (Table 4).

Table 4. U.S. Tariff Reductions

Percent	Products
15	Oranges, mandarins, grapefruit, other citrus, orange juice, grapefruit juice, and concentrated lemon juice
20	Lemons and limes
36	Lime juice and unconcentrated lemon juice
55	Essential oils of orange, lemon, and grapefruit

- The European Union will reduce its quantity and budgetary outlay for export subsidies from the current 21 percent and 36 percent. In 2000, the European Union's maximum annual allowable amount of subsidized exports of fresh fruit and vegetables, including citrus, will be 906,900 tons and processed fruit and vegetables will be 158,600 tons.
- The European Union has agreed to decrease the tariff for frozen orange juice of single-strength from 19 percent to 12.2 percent, and for frozen grapefruit juice of single from 15 percent to 12 percent.
- Japan has agreed to reduce the tariff on fresh oranges that enter the country from June through November from 26.6 percent to 16 percent, while the tariff on fresh oranges that enter the country from December through May will be reduced from 53.1 percent to 32 percent. Japan will also remove nontariff barriers on grapefruit and reduce the year-round duty on fresh grapefruit to 10 percent by 2000.
- Korea's quota for oranges will be set at 15,000 metric tons in 1995, 20,000 metric tons in 1996, and 25,000 metric tons in 1997. The quota will be expanded by 12.5 percent annually.

through 2004, to a final quota of 57,017 metric tons, with an in-quota duty of 50 percent. On July 1, 1997, there will be a Korean out-of-quota tariff for oranges of 89 percent. This tariff shall be reduced to no more than 50 percent by 2004. Korea will completely liberalize orange juice imports in July 1997. Until then, quotas for orange juice will be set at 50,000 tons in 1995, 55,000 tons in 1996, and 30,000 tons for the first six months of 1997.

- Korea has agreed to reduce by 40 percent the tariffs on lemons, limes, grapefruit, and grapefruit juice. This will result in a 30 percent binding tariff rate for these products by 2004.
- Switzerland will remove its tariff on frozen concentrated grapefruit juice by 2000.
- Thailand will reduce by 50 percent its tariff for sweet oranges and grapefruit.

Vegetables and Noncitrus Fruit

The United States will reduce its tariffs on imported fruits and vegetables. The reductions, at least 15 percent, will be implemented in equal annual installments over six years, beginning in 1995.

- The United States will establish a ceiling for subsidized exports and expenditures for subsidized exports of canned fruit based on the 1991-92 average base levels of 2,094 tons and \$227,939. These subsidies will be phased to zero by 2000.
- The European Union also has agreed to reduce both its budgetary outlay and quantity for export subsidies. In 2000, their maximum allowable subsidized fresh fruit and vegetable quantity will be 906,000 tons and processed fruit and vegetables will be 158,600 tons. The European Union will also reduce how much subsidized wine may be exported by 1,106,000 hectoliters from the 1991-92 average.
- The European Union has agreed to reduce the tariff on fresh onions from 12 percent to 9.6 percent, and on fresh dates from 12 percent to 7.7 percent. Tariff reductions by the European Union also include cuts of 75 percent from their current duty on fresh foliage and 50 percent on shelled almonds, in-shell walnuts, and apples from January through March. They will also reduce by 36 percent tariffs for fresh asparagus, shelled walnuts, fresh grapes, apples from August through December, roasted almonds, roasted pistachios, and potato chips.
- Japan has agreed to reduce the duty for fresh potatoes from 5 percent to 4.3 percent and for fresh onions from 10 percent to 8.5 percent. Dates currently enter Japan free and will continue to enter free. Japan has also agreed to reduce a number of other duties: for canned peaches, from 14.4 percent to 8 percent; for fruit cocktail, from 11.2 percent to 6 percent; and for

frozen peaches the duty will be reduced to 7 percent from its current level. The duty on prune juice will be reduced from 22.5 percent to 14.4 percent. The frozen sweet corn duty will decline from 12.5 percent to 7.5 percent and the canned sweet corn duty will be reduced from 12 percent to 10 percent.

- Korea has agreed to lift its import ban on fresh apples, fruit drinks, and grape juice in 1995 and on fresh grapes and apple juice in 1996. The duty on dates will be reduced from 59.2 percent to 45 percent.
- Korea will reduce tariffs 40 percent below the 1993 applied rates for a number of products: almonds, to 21 percent; walnuts, to 30 percent; raisins, to 21 percent; fresh cherries and prunes, to 24 percent. Korea also will remove its ban on fresh potatoes and potato flour, meal, pellets, and flakes, and will reduce the in-quota rate on flour, meal, pellets, and flakes from 9 percent, the current rate, to a final rate of 5.4 percent.
- Korea has set the 1995 and 2004 import quotas for fresh potatoes at 11,286 metric tons and 18,810 metric tons, with an in-quota tariff rate of 30 percent. The 1995 and 2004 import quotas for fresh onions is set at 12,369 metric tons and 20,645 metric tons, with an in-quota tariff rate of 50 percent.
- The Philippine tariffs on fresh grapes, pears, cherries, prunes, garlic, fresh potatoes, canned peaches, and canned fruit mixtures will be lowered from 50 percent to 35 percent. The tariff for raisins, apples, and canned sweet corn will decline from 50 percent to 45 percent and the tariff on onions will drop from 50 percent to 15 percent.
- Malaysia has agreed to reduce its tariffs on almonds, walnuts, hazelnuts, chestnuts, and pistachios from just over 5 percent to zero. It will cut from 20 percent to 10 percent the tariffs on grapes, raisins, apples, and pears.
- Thailand will halve its tariffs for walnuts, grapes, raisins, roasted almonds, tomato juice, french fries, canned sweet corn, pears, kiwifruit, frozen peaches, fruit juice mixtures, and vegetable juice mixtures.
- Switzerland has agreed to eliminate its tariffs for fresh cranberries, raisins, prunes, and dried pears and to shorten its protected period for green asparagus by 1.5 months and to eliminate its tariff for the unprotected period. Switzerland has also agreed to eliminate import duties over six years on processed sweet corn. For various other vegetables, Switzerland will expand its seasonal import period by 1.5 months and increase access commitments by 14,000 tons.

- Norway will convert its import regime to tariffs for apples and pears, lower its off-season and in-quota duties by between 70 and 95 percent, and establish tariff-rate quotas to increase access to the Norwegian market during peak seasons.
- Austria will reduce by 50 to 54 percent its duties on shelled almonds, walnuts, and fresh foliage.
- Uruguay will cut its tariff for prunes from 15 percent to 12 percent.

Potential export opportunities will exist for a number of agricultural commodities. However, competition for these opportunities will be based on price, quality, continuity and consistency of supply, and related marketing factors.

GATT Impacts

In June 1994, the Food and Agricultural Policy Institute (FAPRI) of the Center for Agricultural and Rural Development (CARD) conducted a study to evaluate the effects of Uruguay Round commitments on domestic support, export subsidies, import access, and tariffication on world agricultural commodity markets. A baseline was compared with two GATT scenarios: one in which income increases due to the Uruguay Round were assumed, and one in which no GATT-induced income increases were incorporated. The GATT scenario assumptions are based on submitted country schedules of commitments for Uruguay Round agricultural disciplines. Although negotiated reference values sometimes supplant discipline description amounts, these commitments are generally based on the Dunkel text with revisions and adjustments as specified in the Blair House agreement of November 1992.

The highlights for rice and cotton are drawn from the FAPRI analysis and pertain only to the GATT-induced income scenario. The effects of Uruguay Round commitments on selected specialty products is taken from an analysis by the U.S. Department of Agriculture in March 1994, because FAPRI has not yet incorporated these commodities into their international commodity market models.

Impacts of the Uruguay Round on Rice

The largest direct impact of the Uruguay Round on the world rice situation is expected to be from Japanese minimum access commitments of more than 750,000 metric tons by 2000/01. This amounts to 8 percent of domestic demand in the 1986-88 reference period. This proportion of domestic market access differs from other current access commitments because a higher access quantity was

negotiated as a trade-off for no tariffication of nontariff barriers through 2000, and is subject to further negotiation after that time. The Republic of Korea has also agreed to open its domestic market to rice imports. Although access quantities for Korea are much smaller than for Japan, the opening of the domestic market is a significant shift in rice import policy.

Although more than 500 million metric tons of rice worldwide (rough basis) are produced each year, relatively little is traded. Because of the thinness of the world rice market, increased market access in countries such as Japan, the Republic of Korea, and to a lesser extent the European Union, are expected to have a substantial impact on world prices. Prices of substitute food grains, such as wheat, also put upward pressure on rice prices. Finally, the income increases, assumed largest for Asian countries because they are major rice consuming nations, also contribute to increased demand and lead to higher prices. World rice prices are projected to increase by 10 percent during the 2000-02 period.

Although there has been some evidence of Thailand's increasing production of other crops on former rice area, the price increases expected with implementation of the Uruguay Round commitments will likely return some of this land to rice production. Countries that can produce japonica varieties are expected to be the main beneficiaries of the opening of new rice markets. Producers in the United States, especially California, will likely increase production. China can also be expected to increase production and exports of japonica rice, but higher income is expected to increase consumption more than production and China will actually export less rice under this situation. Because of access commitments, producers of high-quality japonica rice such as Australia, the United States and Egypt are expected to gain some exports, while producers of indica rice such as Vietnam and Myanmar are expected to gain exports due to generally higher world prices and increased rice trade from higher income. Pakistan is expected to maintain exports of just over 1 million metric tons, due to stable domestic consumption, no loss of area, and continued world demand for Basmati rice.

Impacts on Cotton

Presently, trade in textiles and clothing is subject to unilateral quotas negotiated separately under the Multifibre Agreement (MFA). A new Agreement on Textiles and Clothing will bring these sectors fully under the GATT in phases by 2005. Uruguay Round impacts on the world cotton market are linked as much to commitments on textiles as to direct commitments on cotton imports or

exports. Increasing market access from the Agreement on Textiles and Clothing will generally reduce textile and apparel prices in developed countries where these products have been protected to varying degrees. However, most of the impacts will be relatively small until after 2000/01.

Lower textile and apparel prices will reduce mill use of cotton in countries where these industries are currently insulated from world prices. Mill use of cotton, as well as textile and apparel production, are expected to shift to developing countries, especially those that produce cotton. Pakistan and India should benefit from increased export opportunities for clothing as a result of higher income growth. These countries will also increase mill use of cotton and domestic cotton production.

High transportation costs and prices of quality cotton are expected to constrain imports by the United States. Small declines in mill use are projected to slightly increase exportable surpluses of cotton. Cotton prices are expected to increase approximately 2 percent during the 2000-02 period as income growth offsets the price weakening effects of the agreement on textiles and clothing.

Impacts on Fruits and Vegetables

Fresh fruits and vegetables are traded in large volume around the world, generally between countries in the northern hemisphere and their southern neighbors. In the case of the United States, most trade barriers have already been eliminated by the North American Free Trade Agreement (NAFTA) and the Caribbean Basin Initiative (CBI). The European Union trades among its European, Mediterranean and North African neighbors for the seasonal fresh fruits and vegetables that it requires. The European Union will need to make major cuts in seasonal import duties that it imposes on some fresh fruits, vegetables, and tree nuts. These import duties, like the tariff and nontariff barriers of Korea and Japan on fruits, vegetables, and tree nuts, are generally not being imposed on tropical products, so growers in temperate climates will gain the most from these reduced trade barriers.

Conclusion

Arriving at an international trade agreement that includes agriculture, even a compromise agreement, is the first step in what promises to be a long process toward achieving real trade liberalization for one of the world's most protected industries. The impacts of the Uruguay Round will certainly include some surprises and where the agreement fails to remove trade barriers, it at least ends the possibility of any new barriers being instituted. As the actual impacts of the Uruguay

Round begin to unfold toward the end of the 1990s, countries will adjust their expectations and their negotiating positions for future rounds. There will be more international pressure to reduce trade distortions just as certainly as there will be continued domestic pressures to maintain protection. Egypt has made dramatic progress in fortifying its agricultural base in recent years, and is poised to take full advantage of any new and improved trade opportunities that may arise due the UR negotiations. Egypt, like many other developed and developing countries, may be pleasantly surprised by opportunities not foreseen and then again, may be greatly disappointed by opportunities that do not develop. However, the Uruguay Round ended with agriculture included, and future rounds will likely build on what has been accomplished to this point. This is perhaps the greatest achievement of the Uruguay Round.

Table 5. Impact on world prices under a GATT scenario, 2000

Commodity	Baseline	GATT	Change	Change
	U.S. dollars per metric ton			percent
Grains				
Wheat (FOB Gulf)	134	138	3.7	2.8
Wheat (Australian Export)	109	114	5.6	5.2
Corn (FOB Gulf)	102	104	2.5	5.2
Barley (FOB Gulf)	114	116	1.3	1.2
Sorghum (FOB Gulf)	98	100	2.1	2.1
Rice (FOB Bangkok)	287	314	26.8	9.3
Oil Seeds				
Soybeans (FOB Gulf)	228	234.11	6.1	2.7
Meal (FOB Decatur)	200	203.95	3.5	1.7
Oil (FOB Decatur)	498	517.96	20.0	4.0
Sugar (FOB Caribbean)	236	242.00	6.0	2.5
Cotton (Cotlook A Index)	1,457	1,494.00	37.0	2.5
Dairy				
(FOB N. Europe)				
Butter	1,359	1,367.20	8.2	0.6
Cheese	1,826	1,903.60	77.6	4.2
Nonfat Dry Milk	1,647	1,736.70	89.7	5.4
Livestock and Poultry				
Beef (Omaha Steer Price)	1,583	1,613.82	30.4	1.9
Pork (U.S. Barrows & Gilts)	1,017	1,044.68	27.8	2.7
Broiler (U.S. 12-City)	1,220	1,249.89	29.9	2.4

Source: CARD 1994.

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