

## Chile Entering NAFTA: Implications for U.S. Horticultural Trade

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After NAFTA was enacted between Canada, the United States, and Mexico, Chile was the first country to ask for consideration to be included. The U.S. horticultural industry has not voiced any opposition to Chile's inclusion. Chilean fruit already enters freely into U.S. markets. A free trade agreement could open Chilean markets for U.S. horticultural products, which now have only limited access.

Chilean noncitrus fruit and U.S. fruit production schedules are complementary. Chilean noncitrus fruit has shown a growing presence in the U.S. market, especially during the winter months when tariff rates are at their lowest due to the lack of direct competition.

Chile harvests much of its fruit from November through March, and these winter imports have allowed the United States to have a year-round supply of fresh noncitrus fruit. The United States has become a major market for a number of Chilean products, such as grapes, cherries, peaches, pears, nectarines, plums, apricots, avocados, and apple juice.

As a result of its seasonal advantage, Chile is a major supplier to the United States of winter fresh fruit and an important supplier of juices. Fresh and frozen fruit imports from Chile totaled 504,888 tons and fruit juice imports totaled 41.8 million gallons in 1996/97. On average, Chile provides 19 percent of the total volume of U.S. fresh and frozen fruit imports, with nearly three quarters arriving between November and March. Chile does not supply the U.S. market with many vegetable products. Mexico and other South American countries provide the bulk of these imports.

Chilean fruit sales (fresh and processed, including wine) to the United States more than doubled from \$262.7 million in fiscal 1988/89 to \$613.1 million in 1996/97. Despite yearly fluctuations during the 9-year period, the volume of imports has increased 31 percent for fresh and frozen fruit, more than tripled for fruit juices (353 percent), and increased more than 15 times for wine (1,462 percent).

U.S. trade disputes with other countries and periods of bad weather have helped expand the U.S. market for Chilean fruit. The U.S. anti-dumping action against New Zealand's kiwifruit exporters, which began in 1992, resulted in Chile's share of U.S. kiwifruit imports increasing from 5 percent in 1988/89 to 74 percent in 1996/97, making Chile the largest foreign supplier for the United States.

In addition, Chile has been a major supplier of avocados to the U.S. market. While Mexico is the world's largest avocado producer, 66 percent of U.S. fresh avocado imports come from Chile. Phytosanitary restrictions have kept Mexican fresh avocados from entering the United States since 1914. Beginning in July 1993, Mexican shipments were allowed into Alaska, and in November 1997 to 19 Northeastern and Midwestern States during the winter months. Chilean avocado exporters now face increased competition from Mexico with the partial lifting of this ban.

Increases in Chilean imports due to bad weather in the United States are, by nature, temporary. Increased shipment of Chilean oranges maintained U.S. fresh-orange supplies when a hard freeze in California in December 1990 reduced the 1990/91 U.S. crop 40 percent from the previous season. A similar situation with the U.S. avocado crop in 1989/90 largely accounted for the sharp rise in Chilean avocado imports that year.

U.S. exports of fruits and vegetables to Chile have been minimal. Despite having grown more than 20-fold in the past 9 years, U.S. fresh fruit exports to Chile totaled only 297 tons in fiscal year 1996/97. Fruit juice exports increased from 1,230 gallons in 1988/89 to 386,603 gallons in 1996/97. The United States had a horticultural trade deficit of \$622 million with Chile in fiscal 1996/97.

Until mid-1997, Chile maintained phytosanitary trade restrictions that effectively limited U.S. fresh fruit exports into its country. In preparation for the talks to

enter NAFTA, however, Chile lifted certain bans. Beginning in November 1997, it has allowed five California-produced fruits—table grapes, kiwifruit, oranges, grapefruit, and lemons—to be imported. Chile still limits access to most other fresh fruit from the United States.

Because of the present disparity in horticultural trade between the United States and Chile, U.S. horticultural products would most likely benefit from a free trade

agreement. Because of its small population, Chile would remain a small market for U.S. horticultural products, but could still provide some marketing opportunities for fresh U.S. summer and fall fruit producers. If Chile would further open its markets, U.S. growers could sell stone fruit—peaches, plums, nectarines, cherries—as well as apples to Chile during its winter months. Chilean consumers could benefit from year-round availability.