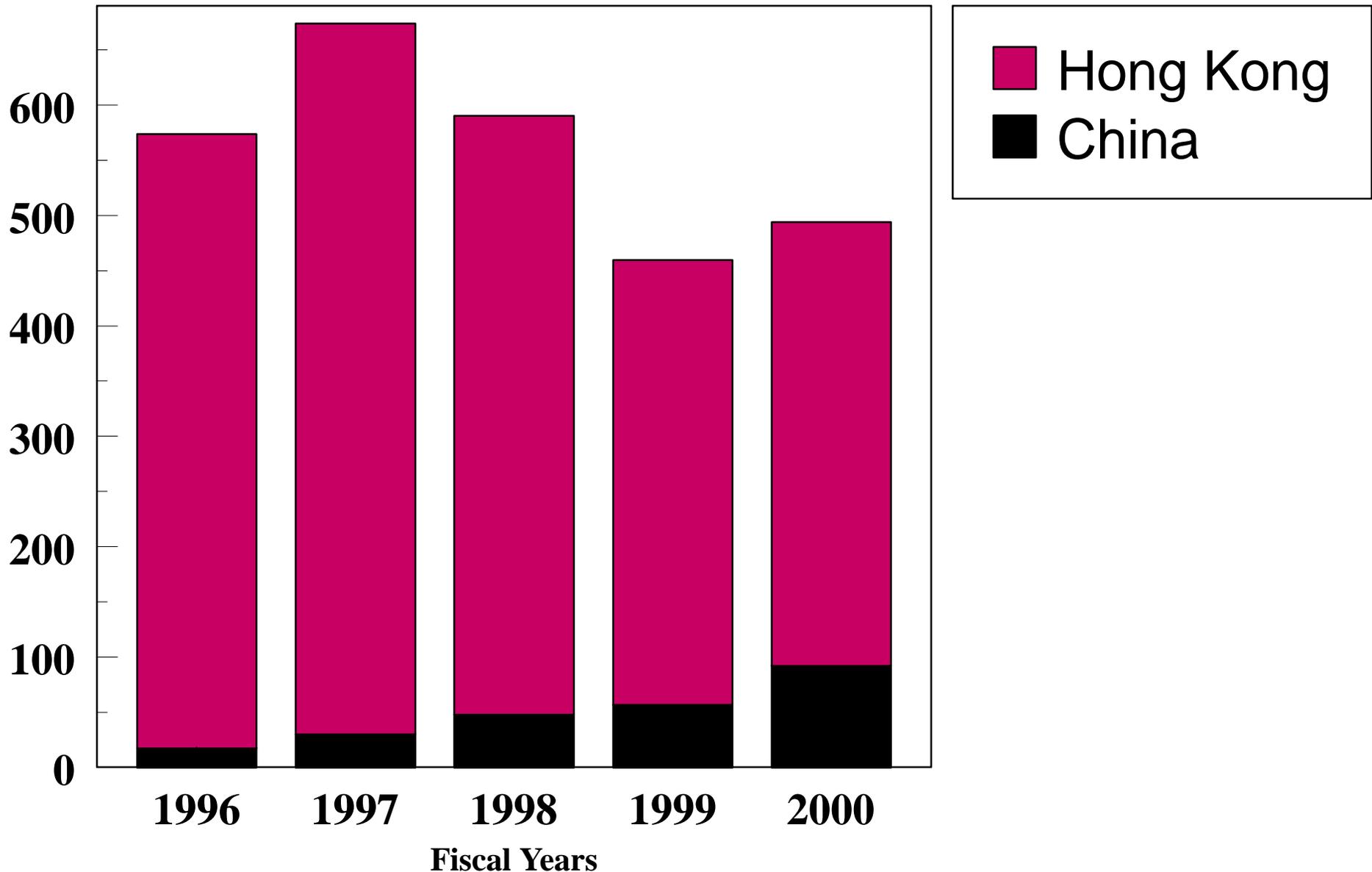


China and Hong Kong: Opportunities and Challenges for U.S. Horticultural Products



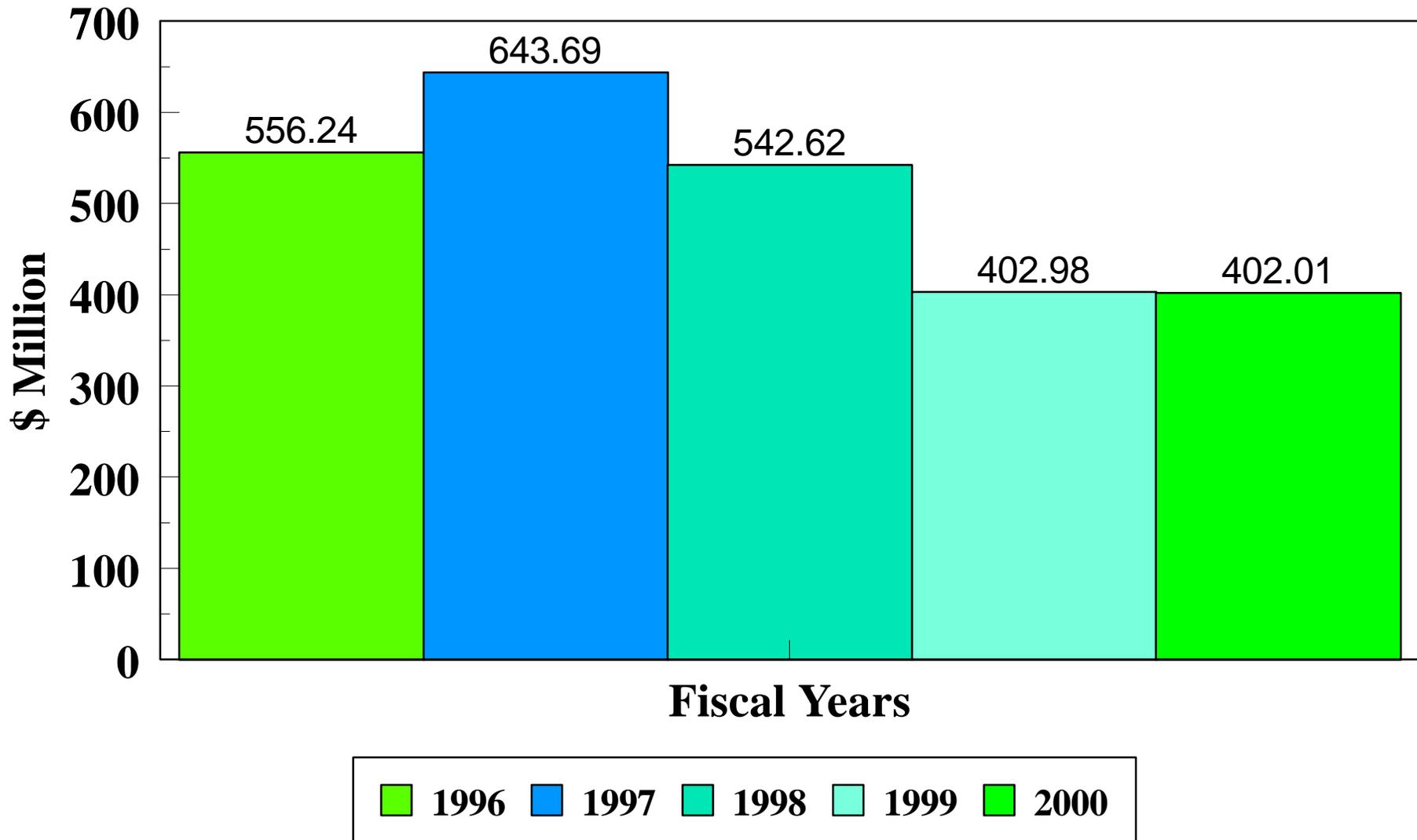
U.S. Horticultural Exports to China & Hong Kong

\$ Millions



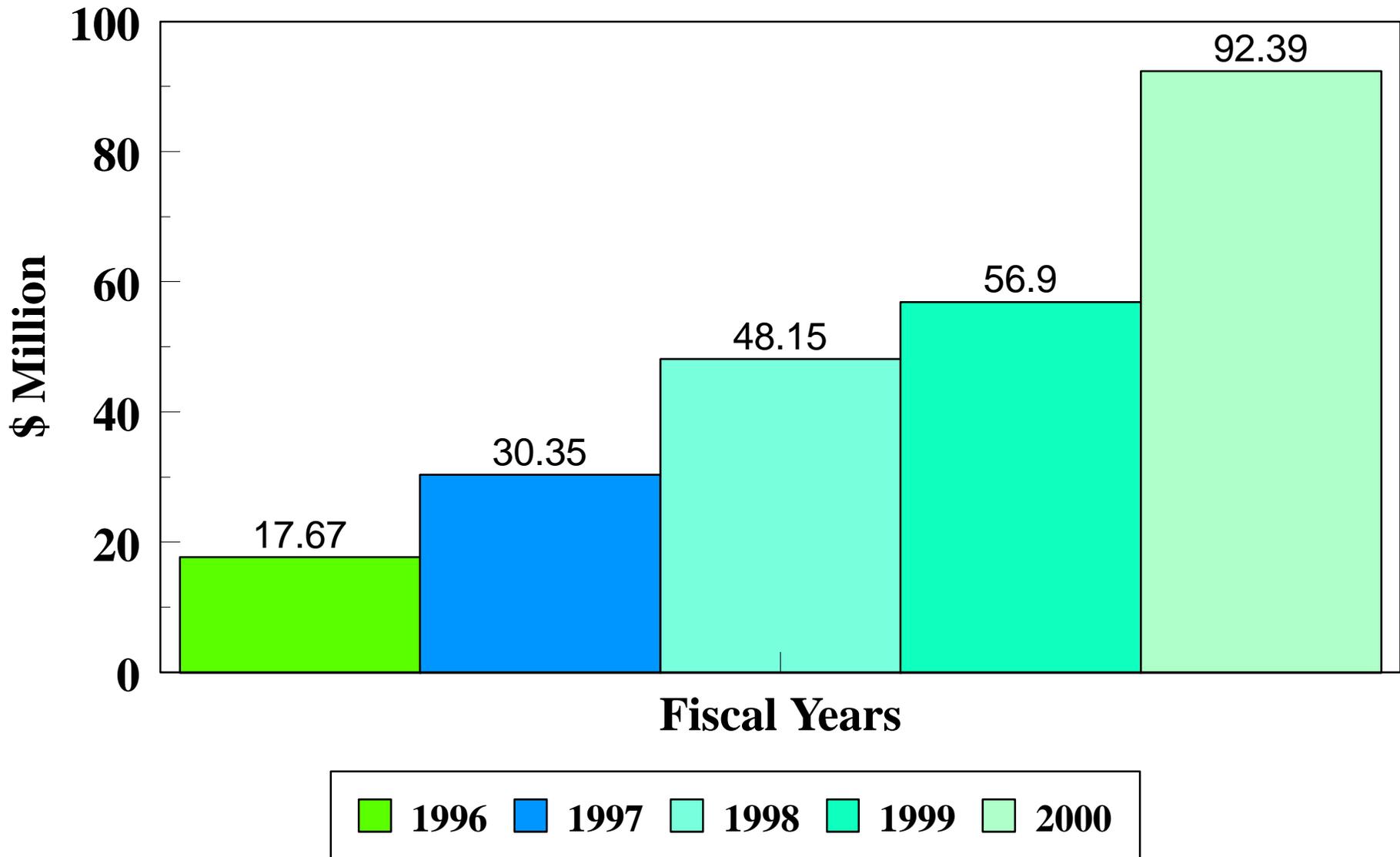
Source: U.S. Bureau of the Census

U.S. Horticultural Exports to Hong Kong



Source: U.S. Department of Commerce, Bureau of the Census

U.S. Horticultural Exports to China



Source: U.S. Department of Commerce, Bureau of the Census

Tariffs: Anticipated reductions with WTO will facilitate imports

Priority Products	Pre-WTO Tariffs (Percent Ad Valorem Duty)	WTO Tariffs after Phase-In Period (Percent Ad Valorem Duty)
Table Grapes	40	13
Frozen Potato Fries	25	13
Wine	65	20
Shelled Almonds	30	10
Pistachio Nuts	35	10
Oranges	40	12
Apples	30	10

Broad implications of WTO

- Lower tariffs and liberalization of licensing will bring more direct imports into China
- Escalation of Chinese investments in research, production, packaging, infrastructure (this is already happening, but will escalate) investing in cold chain

Broad implications of WTO

- Greater role of private sector and adoption of more market-oriented approach will expand opportunities for products that can compete on price and quality with Chinese and third country products
- Modernization of wholesale and retail distribution should facilitate imports

Opportunities for U.S. Horticultural Products

- **Strong consumption of horticultural products**
- **Generally favorable U.S. image – attractive packaging and product**
- **Lack of sufficient domestic product - (citrus), tree nuts, potato fries**
- **U.S. shippers seen as reliable**
- **Fruit is important as gifts for festivals, desserts, links to traditional beliefs**
- **Oranges - significant interest, large potential.**
- **Table Grapes - still strong demand for U.S. product**

Opportunities for U.S. Horticultural Products

- Price and quality consciousness of Chinese consumers
- Limits/growth potential in consumer purchasing power – food makes up almost 50 percent of consumer expenditures
- Consumers becoming more nutrition conscious

Challenges for U.S. Horticultural Products

- **China as competitor: rapid progress in improving quality, packaging. Investments will improve infrastructure: cold storage**
- **Third Country Competitors: wide variety of fruit from many sources available - much imported through Hong Kong via gray channels (undocumented)**
- **Fruit suppliers: European Union, Egypt, Israel (Citrus), South Africa (counter-seasonal and lower quality - citrus - considered by HK retailers to be very competitive and aggressive), Canada, Chile (grapes, kiwifruit), Australia, New Zealand (apples, kiwifruit), Thailand (mango and other tropical fruit) and processed products, Morocco, Turkey, Malaysia (watermelon)**

Challenges for U.S. Horticultural Products

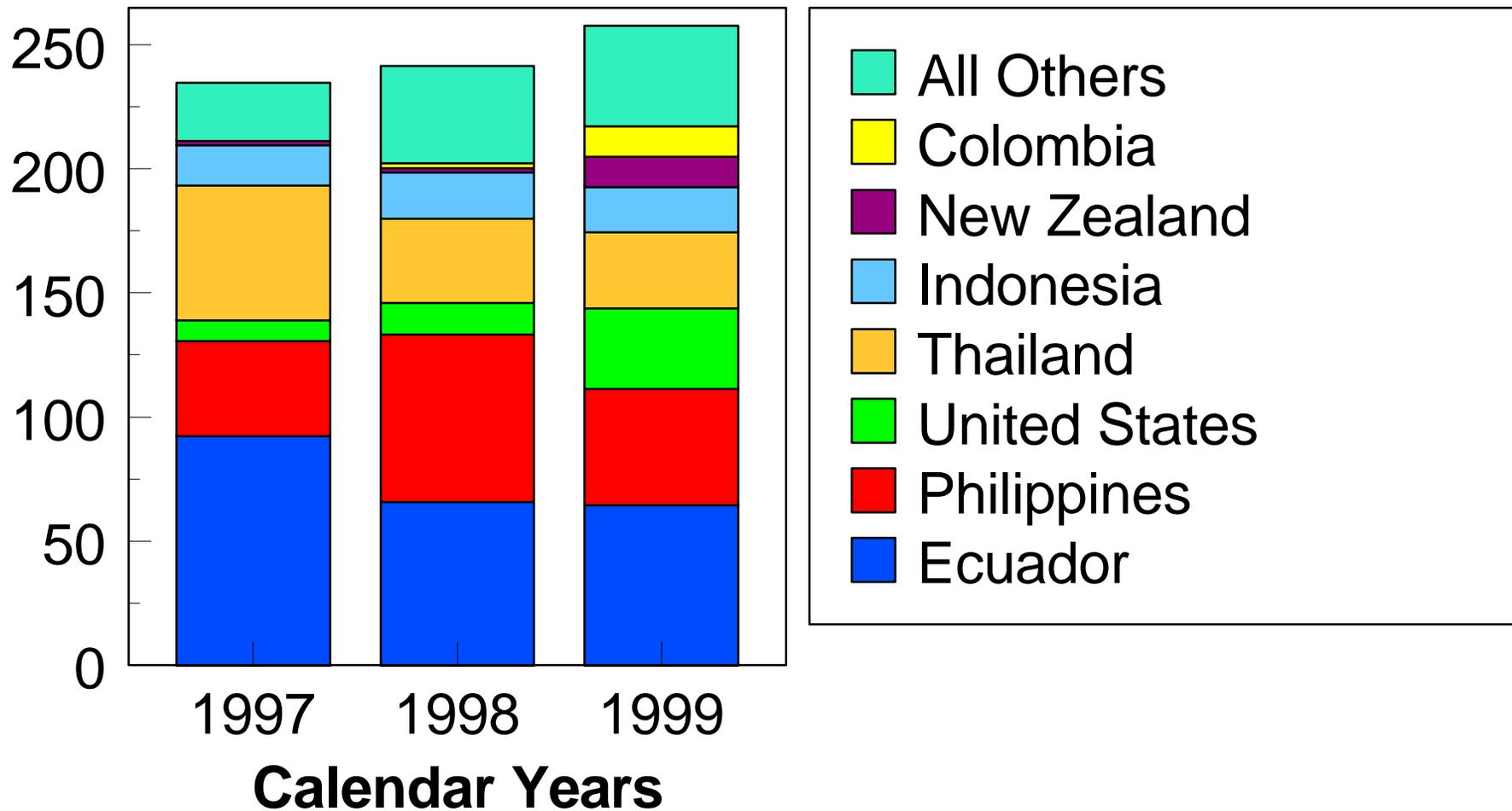
- **Growing popularity of tropical fruit (longan, durian, mangosteen, dragon fruit, lychee, mango, papaya) helped by improvement in transport and cold storage**
- **U.S. industry needs to improve responsiveness to consumer preferences, quality concerns, service, maintaining quality during shipping**

Challenges for U.S. Horticultural Products

- **Non-Tariff barriers still create challenges**
- **Banking: Few private banks, no consumer credit, no trade finance. WTO will lead to major liberalization of banking sector.**
- **Payment: Letters of credit are problematic.**
- **Transport: U.S. shipping rates are competitive, but consolidation of shippers and increasing fuel prices have put pressure on rates**
- **Storage for fresh produce still limited**

China's Imports of Fruits and Nuts by Country of Origin

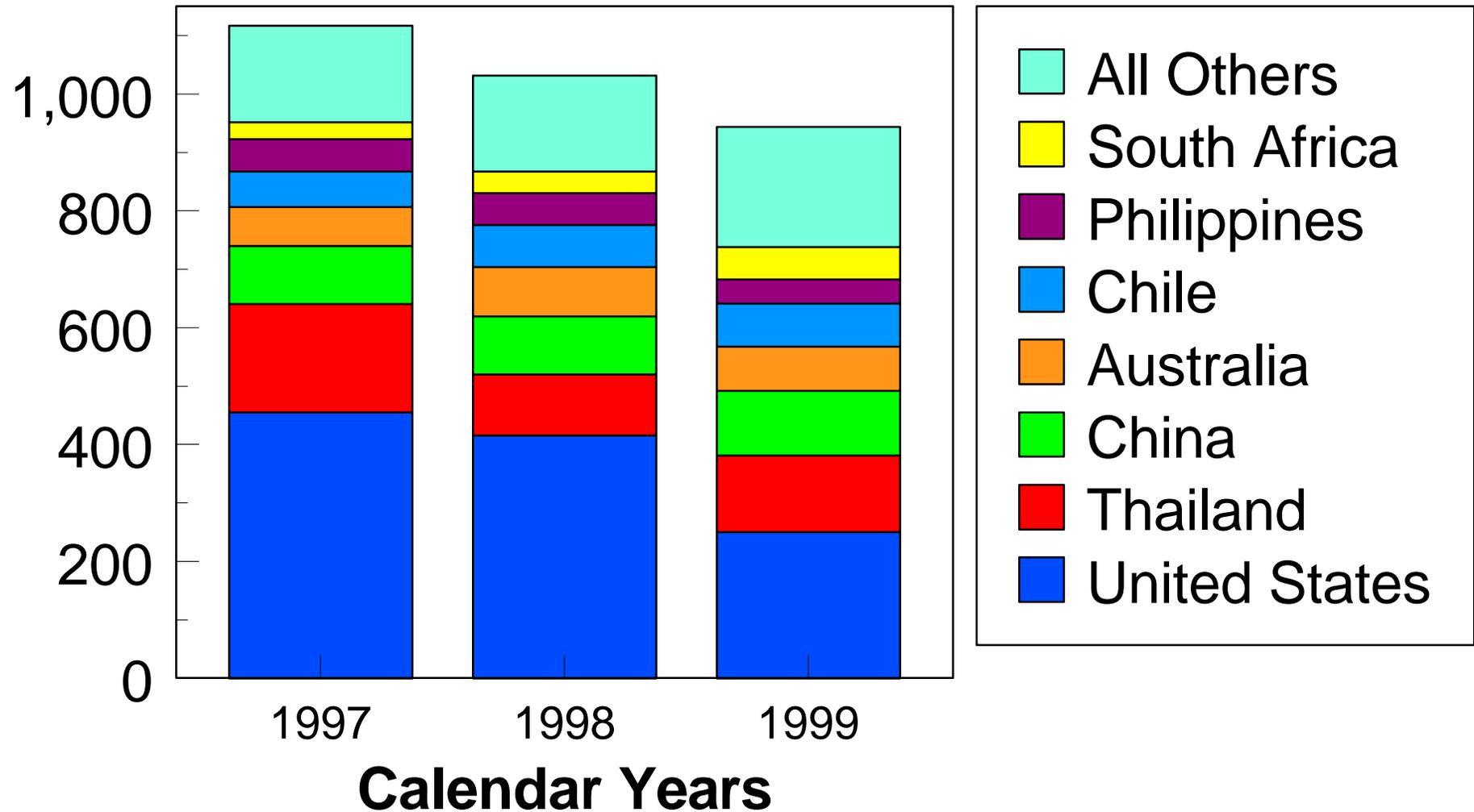
\$ Millions



Source: World Trade Atlas

Hong Kong's Imports of Fruits and Nuts by Country of Origin

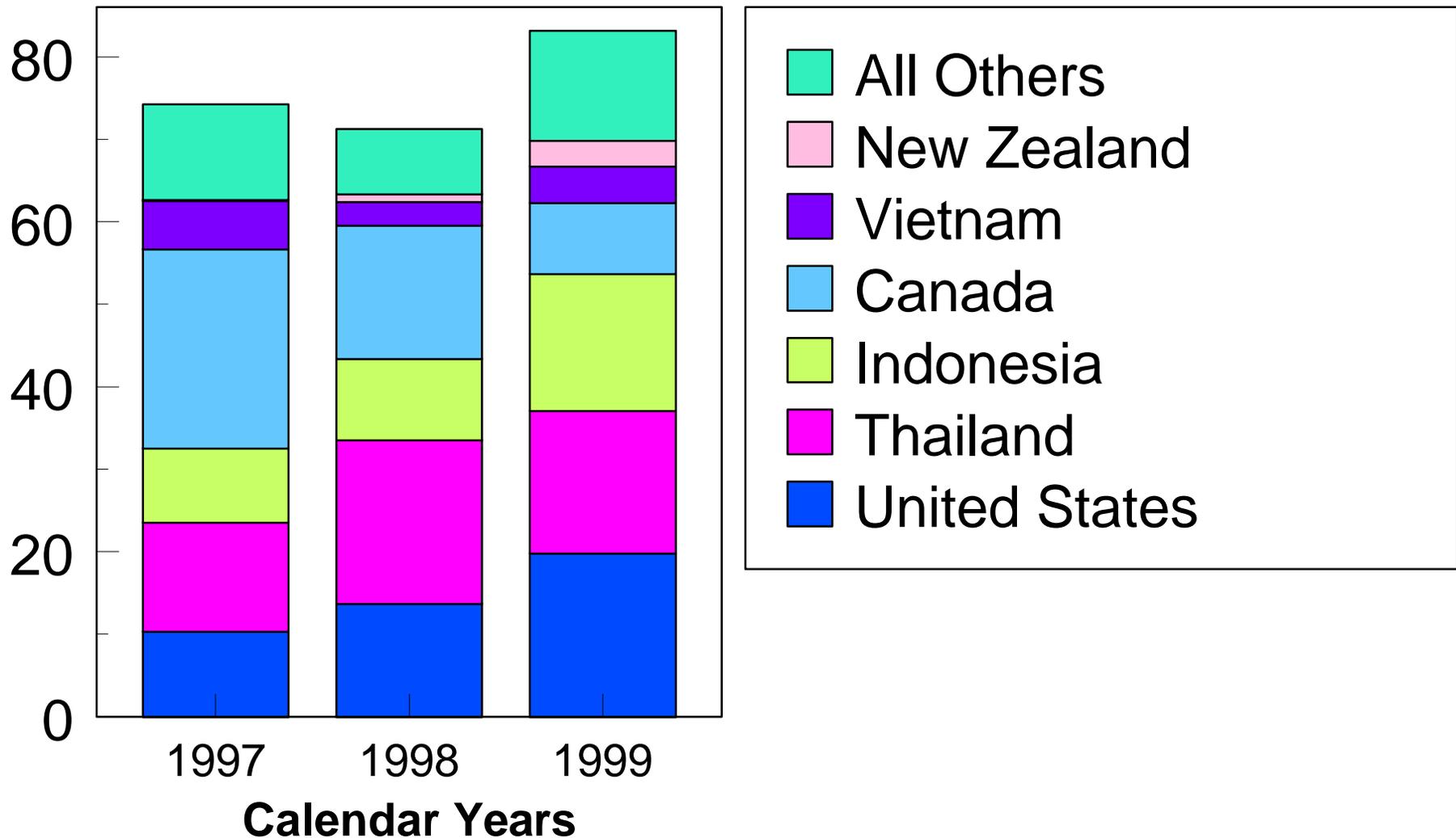
\$ Millions



Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

China's Imports of Vegetables by Country of Origin

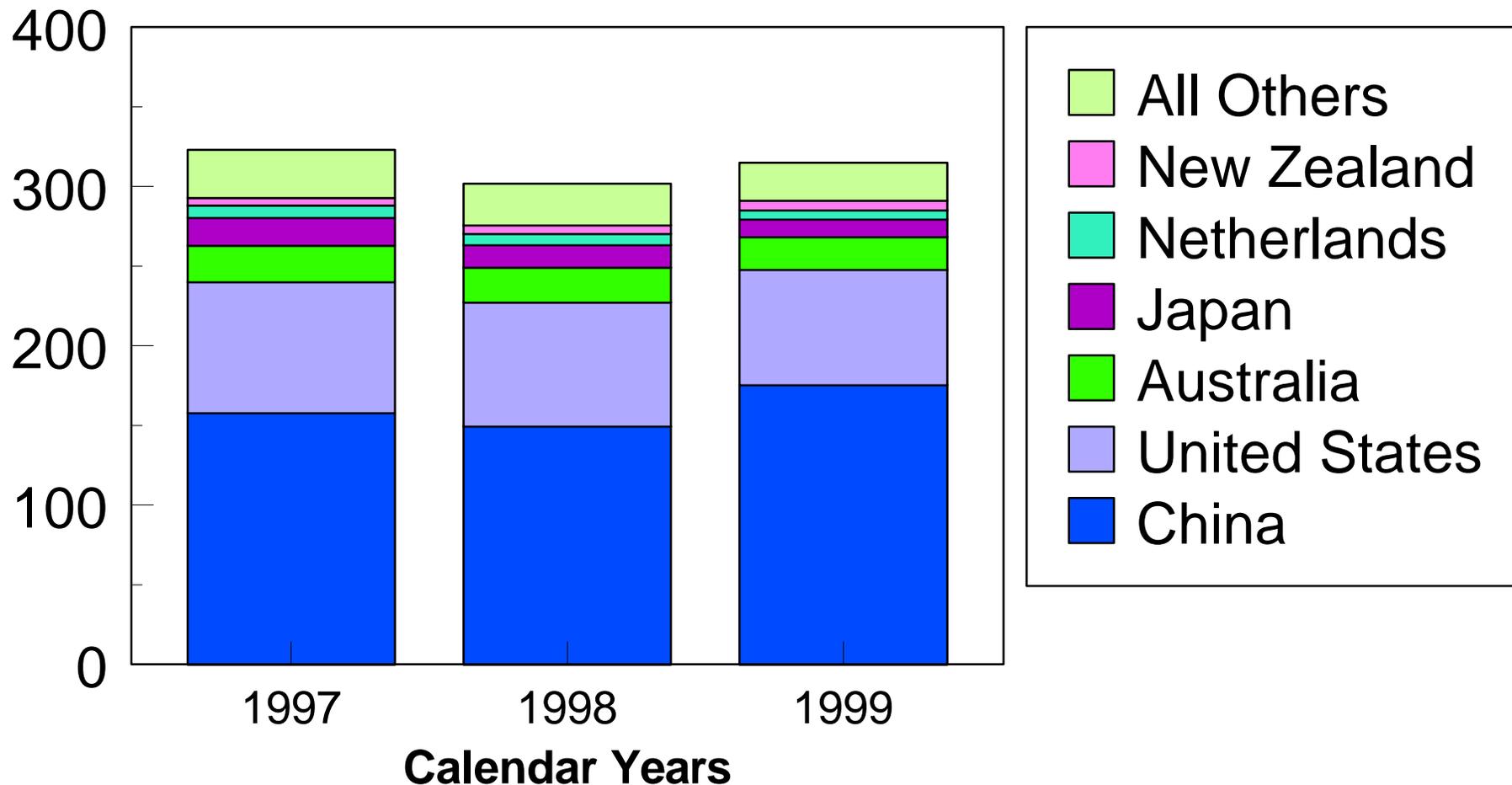
\$ Millions



Source: World Trade Atlas

Hong Kong's Imports of Vegetables by Country of Origin

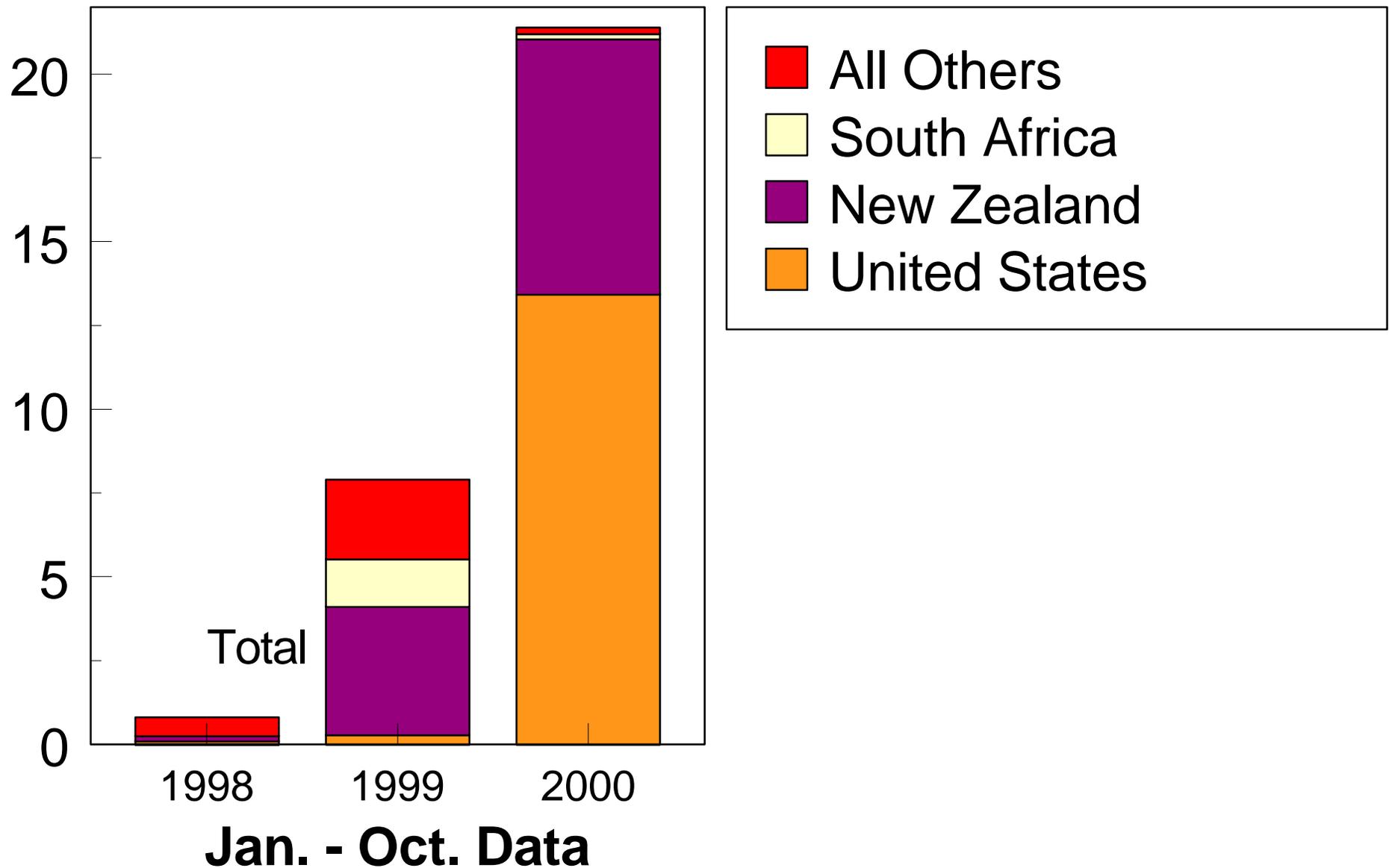
\$ Millions



Source: FAS' Global Agricultural Trade System
using data from the United Nations Statistical Office

China's Orange Imports Ready to Take Off

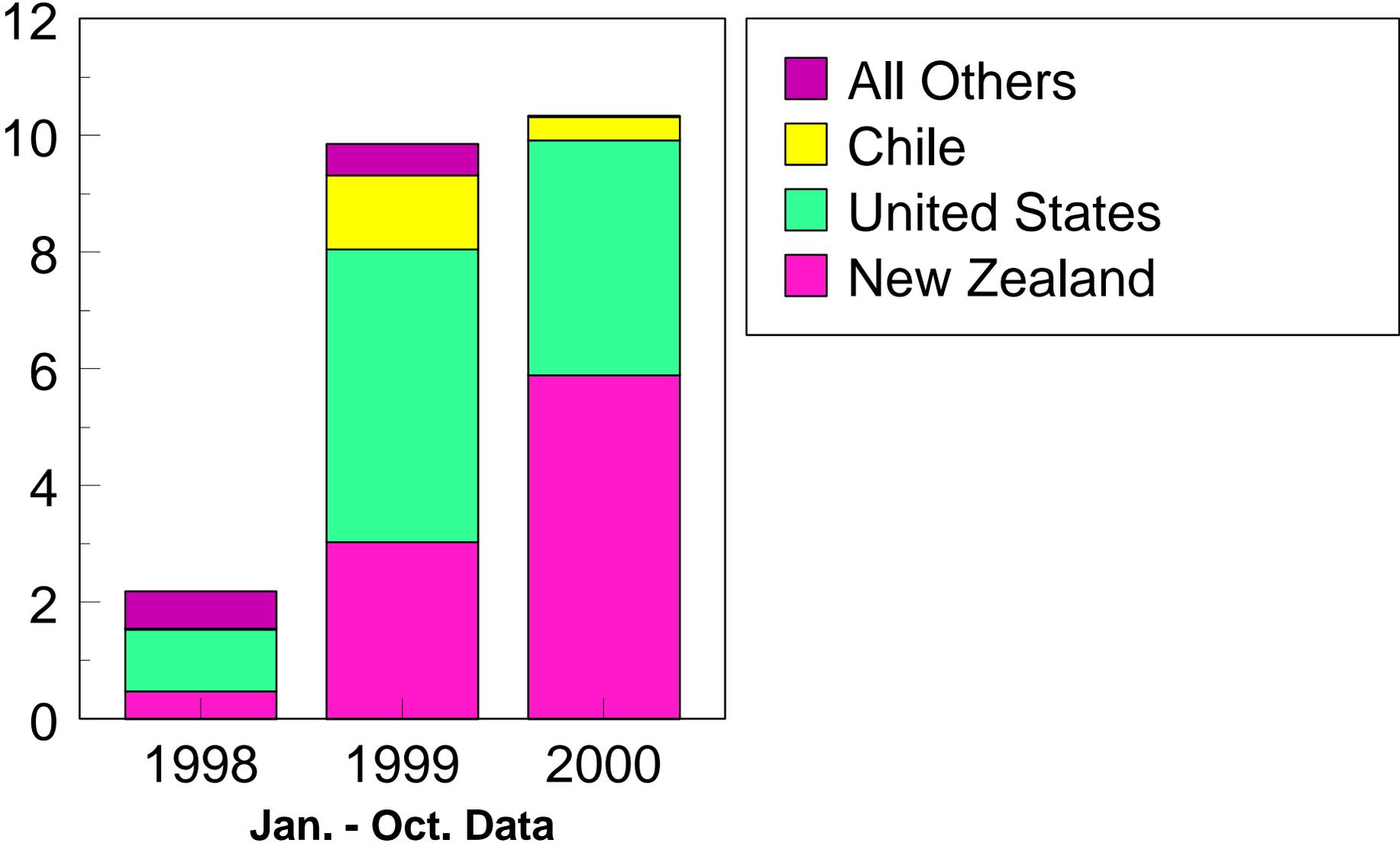
\$ Million



Source: World Trade Atlas

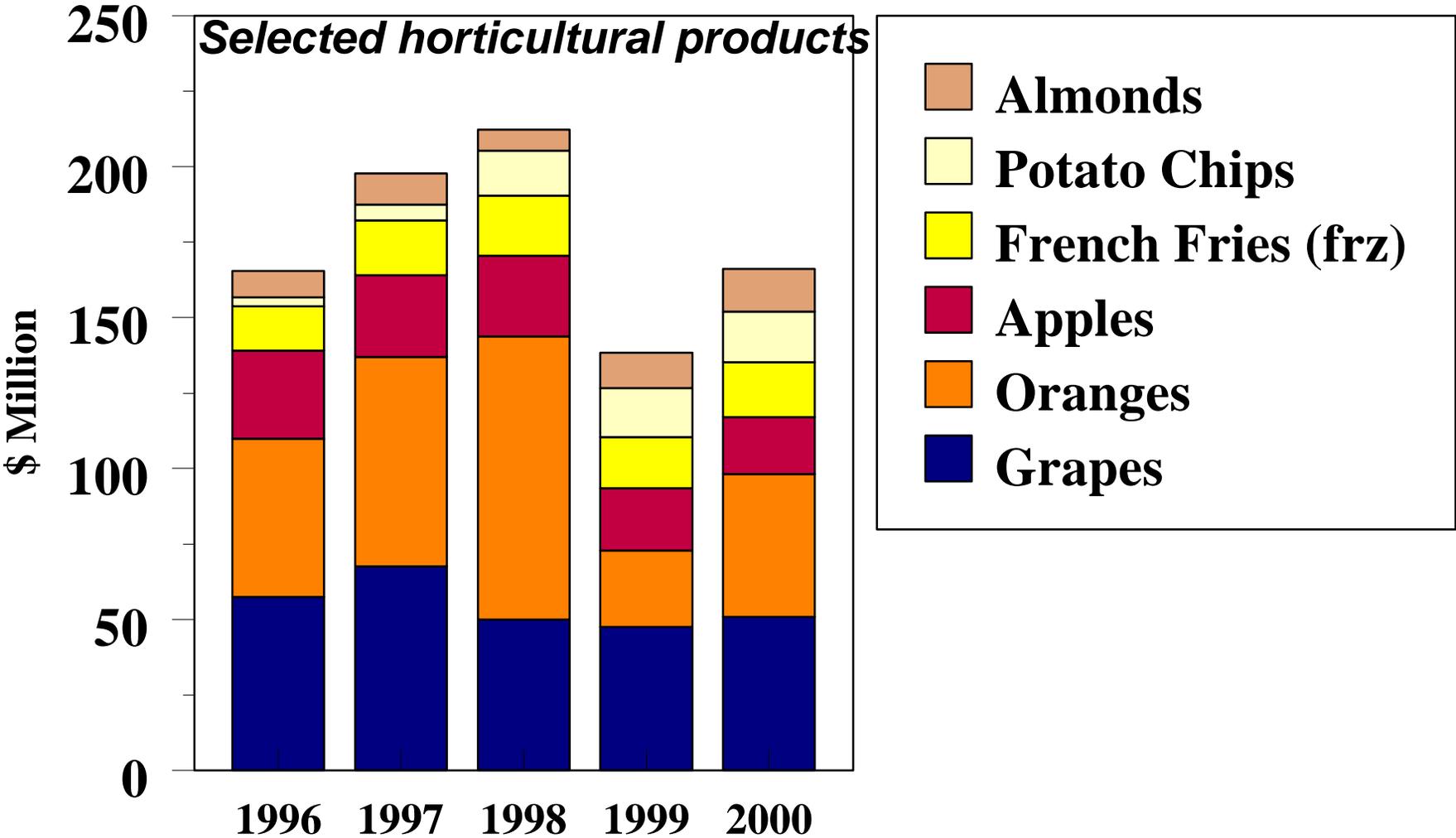
China's Apple Import Market is Competitive

\$ Million



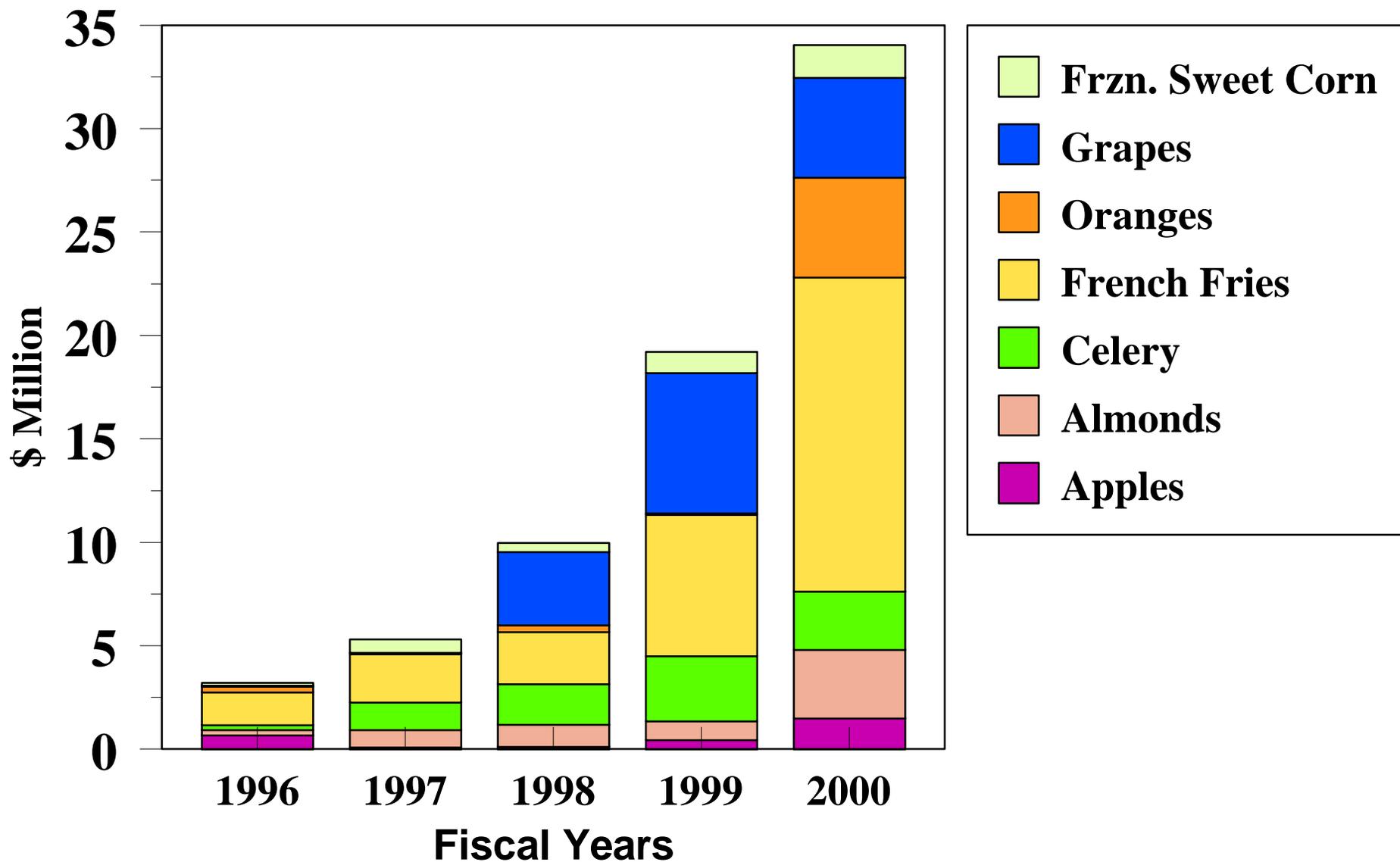
Source: World Trade Atlas

Hong Kong: U.S. Exports of Horticultural Products



Source: U.S. Department of Commerce, Bureau of the Census

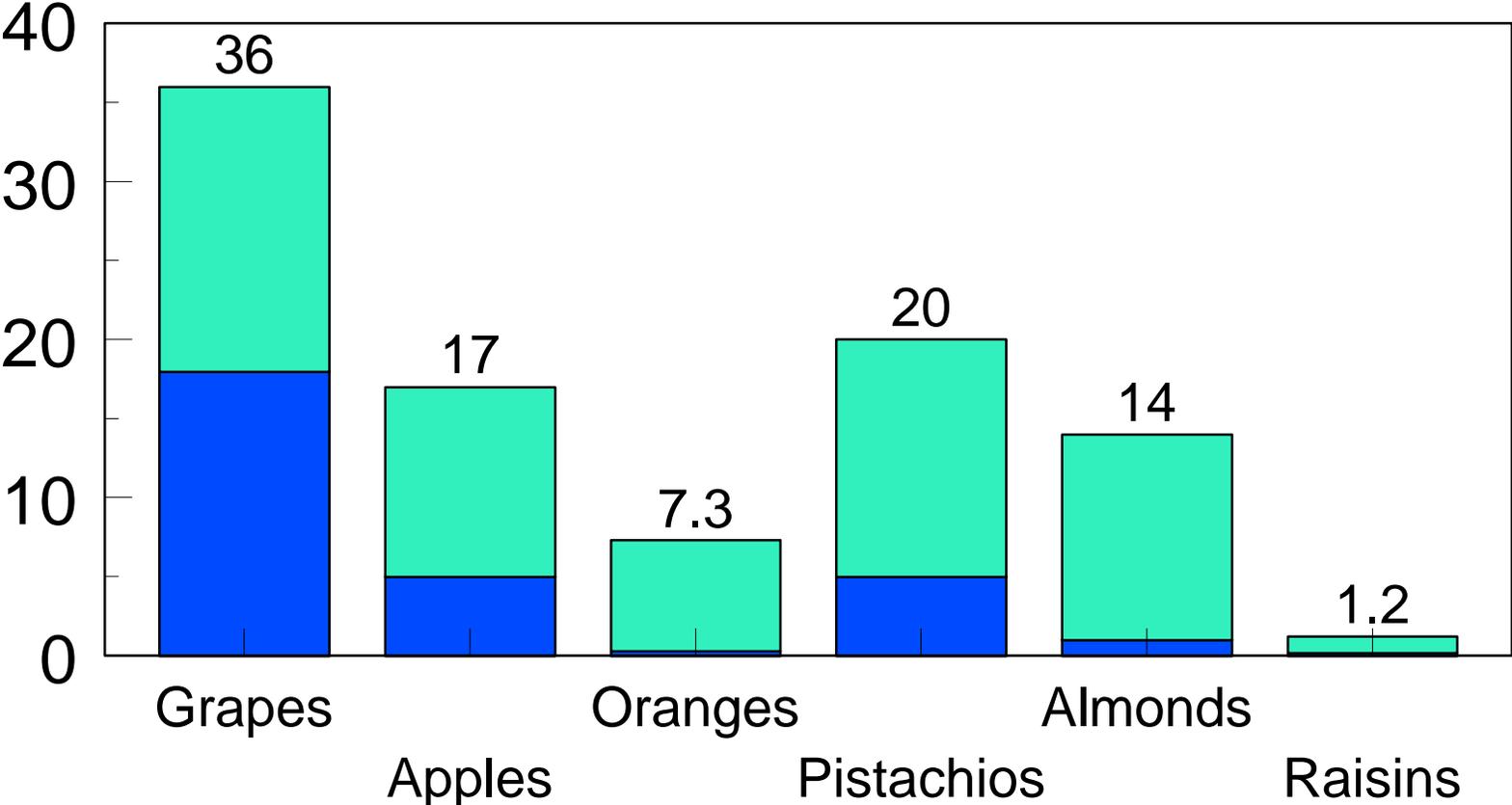
China: U.S. Horticultural Exports Continue to Expand



Source: U.S. Department of Commerce, Bureau of the Census

China's Imports Through Hong Kong and Rest of World

\$ Million

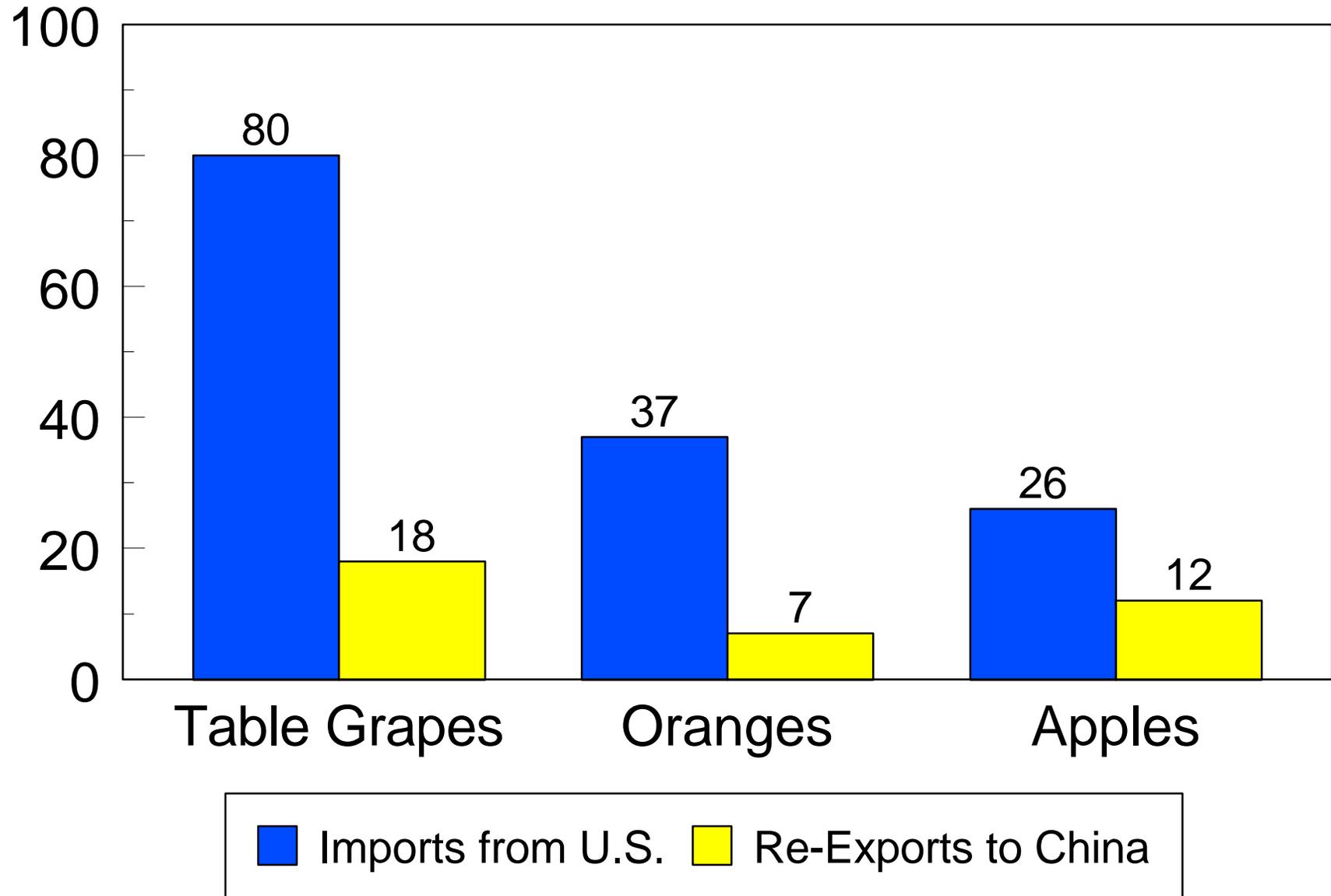


■ China's Direct Imports ■ Hong Kong Re-exports to China

Source: Hong Kong Census & Statistics, and Chinese Customs Service

Hong Kong Re-Exports to China , 1999

\$ Million



Source: ATO Hong Kong

WTO will change Hong Kong's role as Transshipment point

- **In 1999, 44% of Hong Kong's agricultural imports from the U.S. were re-exported to Mainland China.**
- **Transport will shift, with boats going to Shanghai, Dalian, Tianjin, at first, by existing players.**
- **New trade relationships will develop.**
- **Financing, connections, marketing skills, communications - Hong Kong's strength, but China will evolve.**
- **Mainland China's continuing restrictions on issuance of foreign exchange will help Hong Kong retain a middleman's role**
- **Time period for shift toward direct sales?**