WORLD TRADE ORGANIZATION

JOB/AG/147

9 November 2018

(18-7045)

Page: 1/38

Committee on Agriculture
Special Session

Original: English

TARIFF IMPLEMENTATION ISSUES – BOUND VERSUS APPLIED TARIFFS

COMMUNICATION FROM THE UNITED STATES

The following communication, dated 2 November 2018, is being circulated at the request of the delegation of the United States.

1.1. In July 2018, the United States submitted a formal communication to the World Trade Organization (JOB/AG/141) noting the need for more agricultural trade to improve global welfare, help producers, and address the challenges of sustainably feeding a growing world population. The communication also noted that tariffs remain much higher in the agricultural sector than in other sectors, the contribution agricultural tariff reductions have made to the welfare gains from trade, and that locking-in agricultural tariff reductions can contribute further to global welfare.

1.2. The US communication identified six agricultural tariff-related issues warranting further analysis: (i) bound versus applied tariffs, (ii) complex tariffs, (iii) high tariffs (e.g., tariff peaks), (iv) issues with tariff rate quotas (TRQs), (v) special agricultural safeguards (SSGs), and (vi) regional/preferential trade agreements.

1.3. In this communication, the United States aims to provide a deeper understanding of the tariff treatment faced by Members' agricultural products and an analysis of the differences between bound and applied agricultural tariffs. The US analysis uses tariff schedules submitted by Members to the WTO, WTO World Tariff Profiles, and World Integrated Trade Solutions (WITS) data.[1] This analysis considers the issue of tariff overhang by Member, product group[2], and development status[3] with particular focus on 2017's top 20 largest agricultural exporters and top 20 largest agricultural importers (these large agricultural trading Members are henceforth referred to as LATMs).[4]

1.4. While Members' have generally provided greater transparency on agricultural tariffs than on other agriculture-related issues, a number of transparency issues with respect to agricultural tariffs remain, including:

- Bound tariff schedules that are out of date;
- Bound tariff schedules that do not correspond to the Member's most recent schedule of applied rates;
- Applied tariff schedules submitted to the WTO that are out of date;
- Applied rates submitted with a different format than the bound rate (e.g., *ad valorem* vs. specific);

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[1] WITS is a collaboration between the World Bank and the United Nations Conference on Trade and Development in consultation with the WTO, International Trade Centre, and United Nations Statistical Division.

[2] This communication uses product categories first defined in the Tokyo Round and adapted for the Harmonized System in the Uruguay Round. The product group breakdown in this publication is provided in the 2017 WTO World Tariff Profiles (page 32).

[3] Development status is based on self-designation. Use of a Member's self-designated development status should not be taken as agreement with the self-designation.

[4] Top 20 importers and top 20 exporters of agricultural goods (by value): Argentina; Australia; Brazil; Canada; Chile; China; Chinese Taipei; Egypt; European Union; Hong Kong, China; India; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Philippines; Russian Federation; Singapore; South Africa; Switzerland; Thailand; Turkey; Ukraine; the United States; and Viet Nam.

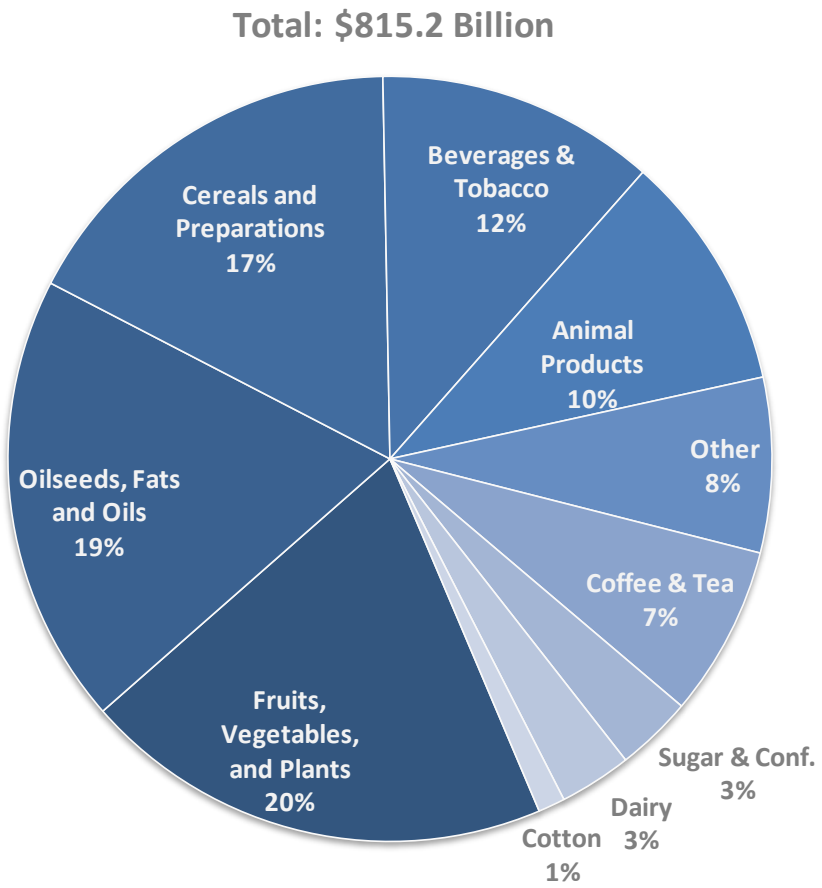
- Absence of tariff concordance information for some Members' schedules;
- Lack of *ad valorem* equivalent (AVE) data for non-*ad valorem* tariffs, including complex tariffs;
- Tariffs applied at different (HS) line levels for each Member;
- Use of arbitrary letters or symbols to denote a tariff;
- Published tariff schedules containing rate differences with corresponding schedules available on Members' official publication website(s).

The United States urges Members to ensure that all WTO notifications relevant to market access are up to date and accurate. This includes Integrated Data Base (IDB) notifications, as well as notifications of regional trade agreements. Resolution of the transparency issues noted above will facilitate even greater Member understanding of the situation with respect to agricultural tariffs and tariff overhang.

Analysis

1.5. In 2016, the global value of imports of agricultural products totalled more than US$815.2 billion.[5, 6] The largest imported product group was "fruits, vegetables, and plants", followed by "oilseeds, fats, and oils", and "cereals and preparations" (Figure 1). Together these three product groups accounted for approximately 56% (or US$457.2 billion) of global imports by value in 2016. "Sugar and confectionary", "dairy products", and "cotton" were the least traded product groups in 2016, totalling approximately 7% (or US$60.6 billion) of global imports.

Figure 1: Share of Agricultural Imports, by Value, in 2016



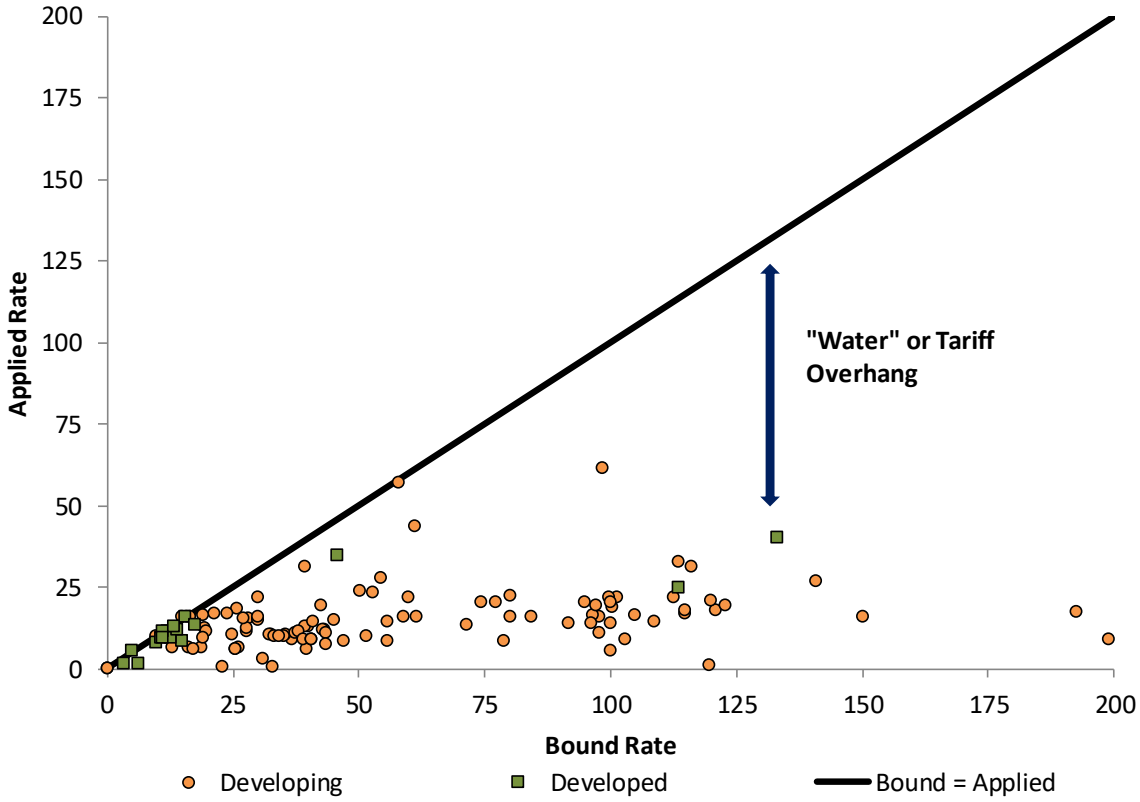
[5] The import values in this paper may include goods imported at a lower or duty-free rate under preference programmes or free trade agreement, or other tariff reducing mechanism.

[6] Data is based on 2016 IHS GTA import figures (accessed 27 July 2018). As Viet Nam data was unavailable, world export data was used to determine the approximate value of imports going into Viet Nam.

1.6. As noted in the analysis submitted by the United States in JOB/AG/141, the average bound rate for WTO Members' agricultural tariff lines was 54.7% compared to an average applied rate of 14.5% in 2016.[7]

1.7. Some Members have bound agricultural tariffs substantially higher than their applied agricultural tariffs. However, other Members' applied agricultural tariffs are at or close to the bound rate – in most instances the average bound agricultural tariff rate for these Members was less than 25%. Approximately 35% of Members, of which nearly all are developing countries, had water in their agricultural tariffs exceeding the average for all Members' agricultural tariffs.[8] While developed Members tend to have much less water in their tariffs than developing Members, a number of developing Members have very little water as well (Figure 2).

Figure 2: Bound Versus Applied Tariffs

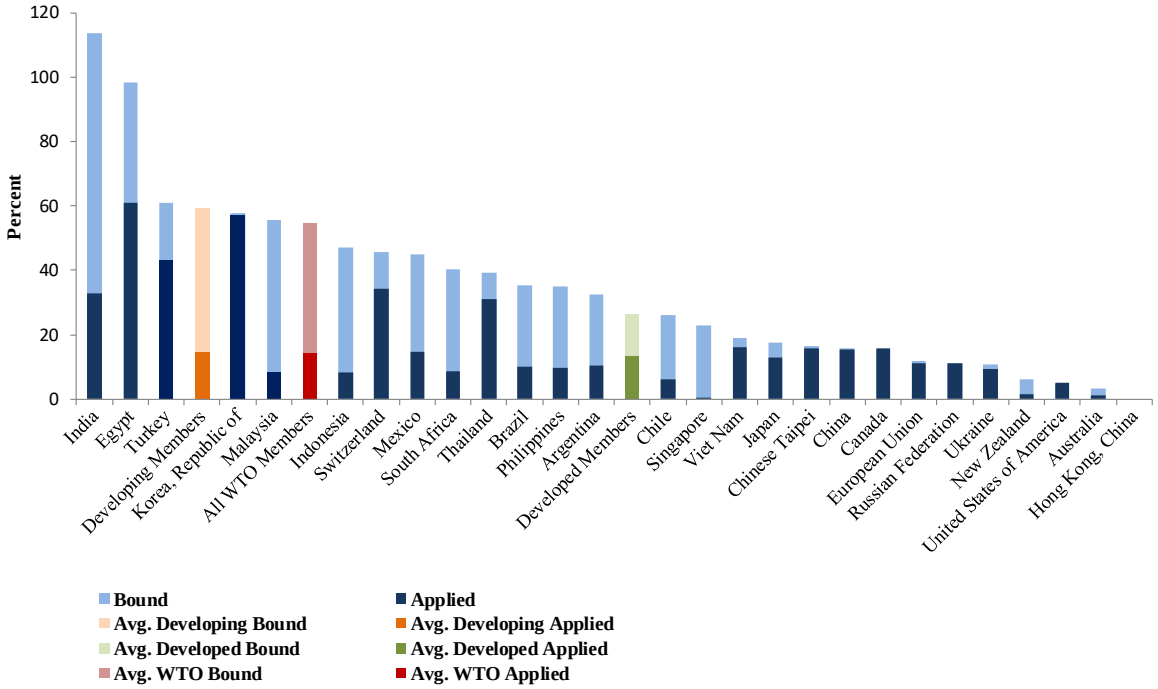


1.8. To illustrate this further, it is useful to consider the situation of LATMs (Figure 3). These Members, on average, maintained applied tariff rates of 16.7%, which is approximately one-half of the 32.9% average of their bound tariff rates. On average, LATMs have significantly less water in their tariffs (on average 16 percentage points) than do all WTO Members (on average 40 percentage points). However, some of the largest traders, such as India, Malaysia, Indonesia, Egypt, South Africa, and Mexico, had an average level of water greater than 30 percentage points. On the other hand, the Republic of Korea; the European Union; China; Hong Kong, China; Chinese Taipei; the Russian Federation; Canada; and the United States all had water of less than one percentage point.

[7] Data is available for 150 WTO Members, including 28 members of the European Union. WTO, World Tariff Profiles 2017, pages 16-21, https://www.wto.org/english/res_e/booksp_e/tariff_profiles17_e.pdf. These countries' rates were used to calculate the averages in paragraph 1.8.

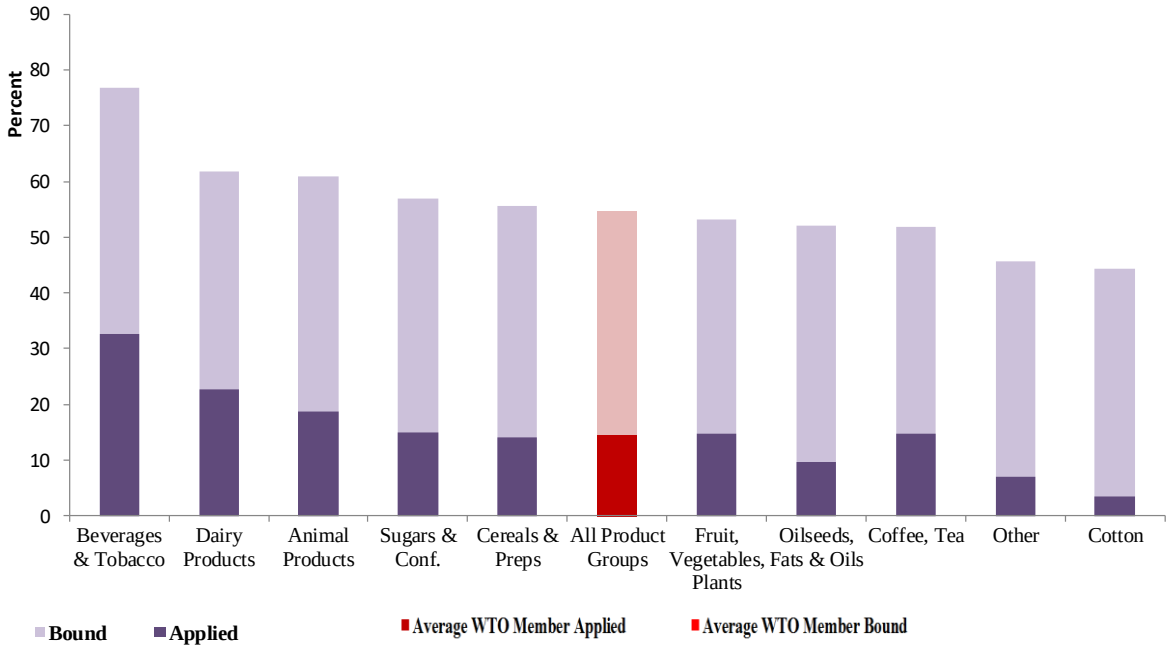
[8] Water or tariff overhang is defined as the difference between Members' bound and applied rates.

Figure 3: Bound and Applied MFN Rates for LATMs, 2016



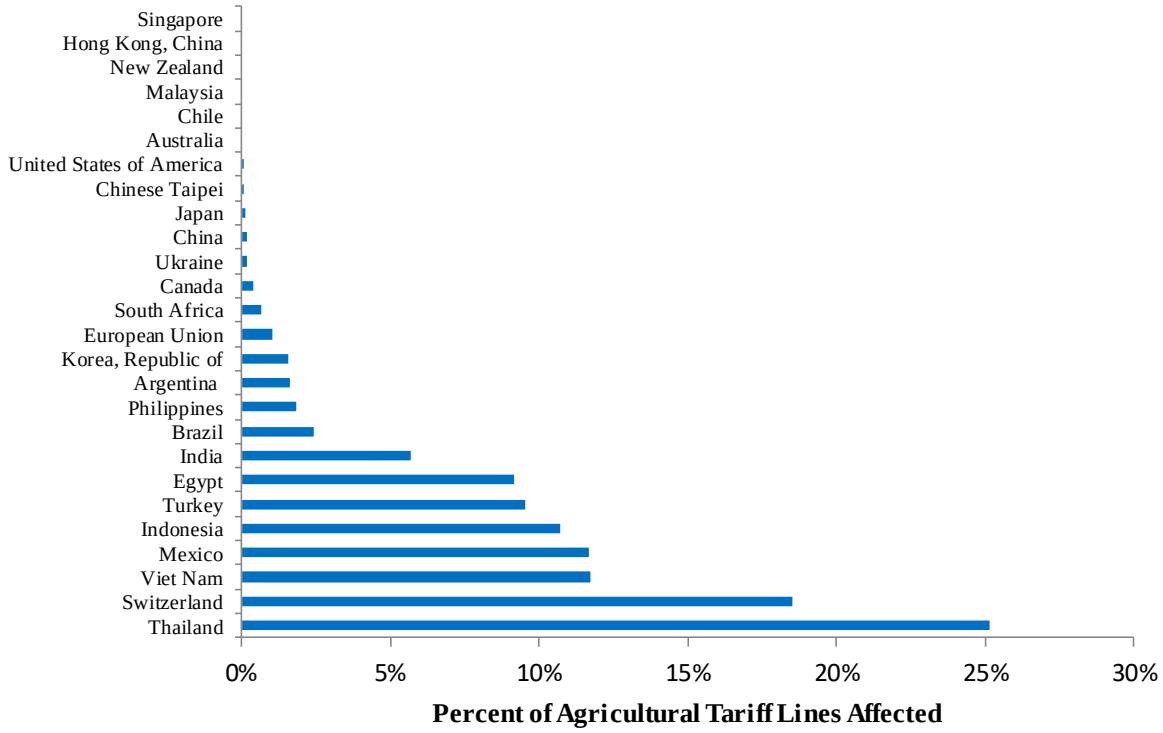
1.9. Looking at bound versus applied tariffs for particular product groups, we see less variation than between Members, with water ranging from 37 to 44 percentage points for different groups (Figure 4). The "Beverages and tobacco" product group had the highest average bound tariffs (76.7%), applied tariffs (32.6%), and water level (44.1%). "Dairy products" and "'animal products" also had relatively high bound and applied tariffs compared to the average of all product groups. Conversely, the "oilseeds, fats, and oils", "Other Agricultural Products" and "cotton" groups had the lowest average applied tariffs, with rates below 10%.

Figure 4: Bound and Applied MFN Rates by Product Group, 2016



1.10. Water in Members' tariffs permits Members to modify tariff rates in response to domestic and international market conditions without notice. Water in Members' schedules due to high bound tariffs, however, also contributes to market uncertainty. A comparison of LATMs' 2016 applied schedules (or latest submitted schedule using HS2012 nomenclature) to the one submitted in 2012 (or earliest submitted schedule using HS2012 nomenclature) at the eight digit level shows that over an approximately five year period, 20 Members had changed at least one applied tariff rate for an agricultural product, and that in total, applied rates had been changed on at least 1,712 agricultural tariff lines.[9] Thailand changed more than a quarter of its agricultural tariffs during this time frame. Switzerland, Viet Nam, Mexico, Indonesia, and Turkey also made changes to at least 10% of their agricultural tariffs (Figure 5). Trade under lines subject to tariff increases in the covered five-year period was worth an average of US$13.7 billion per year. Increases on lines with significant imports occurred in India (largely for "oilseeds, fats and oils" products). Trade under lines subject to tariff decreases in the covered five-year period was worth an average of US$18.4 billion per year. Decreases on lines with significant imports occurred in the EU (for "fruit, vegetable, and plant products" and "cereals and preparations"), Mexico (for "animal products"), and India (for "fruit, vegetable, and plant products") (Figure 6).[10]

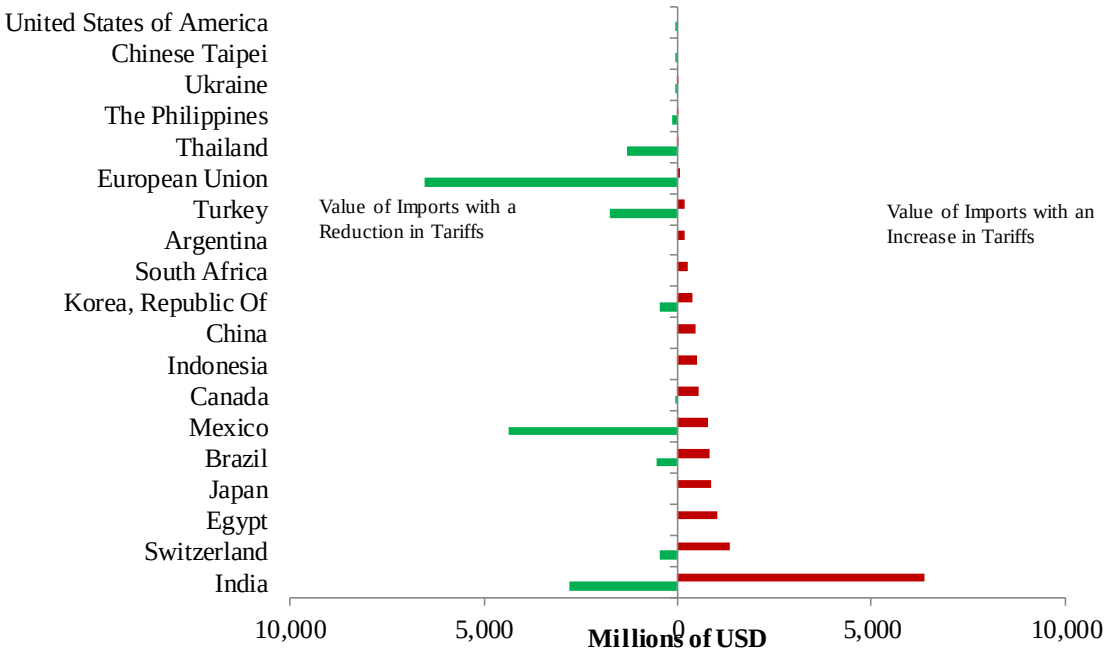
Figure 5: Change in HS8 Tariffs for Largest Importers and Exporters, 2012-2016



[9] Data analysis was done at the HS-8 level for each Member using 2012 and 2016 applied tariff schedule submissions where possible. 2013 tariff schedule submissions were used as the base year for Argentina, Egypt, Indonesia, Malaysia, Mexico, the Philippines, and Turkey. 2014 tariff schedule submissions were used as the base year for Chinese Taipei and Ukraine. The analysis uses 2015 instead of 2016 for China. The Russian Federation was not included in tariff change analysis as it was in the process of implementing WTO accession commitments.

[10] Figures do not include data from Viet Nam, which was not available at the time of the analysis. US$3 billion worth of annual imports where tariff direction could not be determined is not included in the calculations.

Figure 6: Average Annual Value of All Agricultural Imports with Tariff Changes, 2012-2016



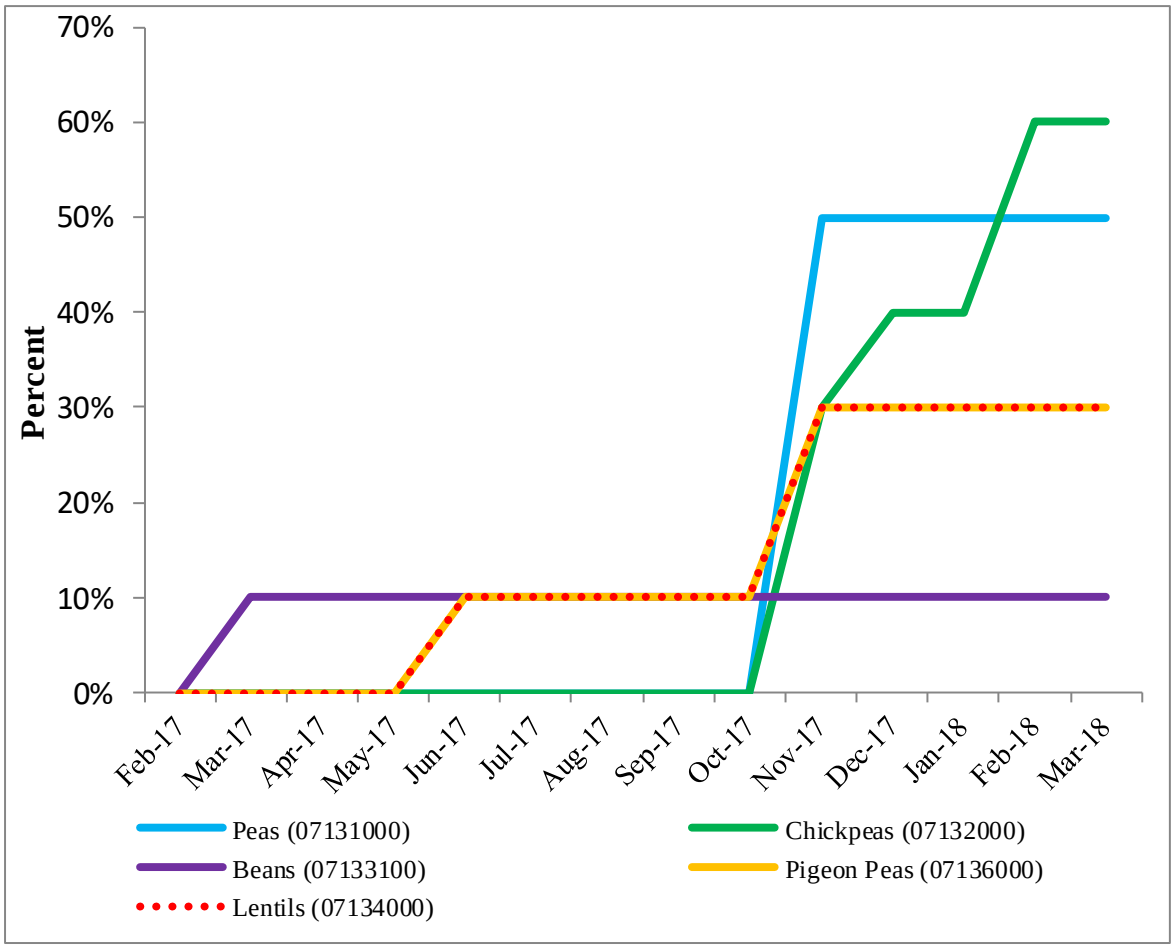
1.11. The figures outlined above only capture a snapshot of two points in time. In reality, Members with a certain level of water sometimes change their applied tariffs multiple times a year. For example, in January 2016, Egypt raised import tariffs on a wide range of agricultural products, including fruits, to encourage domestic production and curb a ballooning trade deficit.[11] In November of the same year, Egypt raised import tariffs for 53 lines of food and agricultural products, including several fruits that were subject to the prior tariff increases.[12] India provides another example as between January 2012 and December 2016, India changed the tariff rate for several leguminous plants, as well as plant and vegetable oils, more than once. Over the period, the tariff rate for crude ground-nut oil, for example, fluctuated between zero % and 100%, (increasing from zero % to 100% before decreasing to 7.5% several years later). In 2017-2018, within a span of four months, India changed its tariff rates on several leguminous vegetables three times (Figure 7).[13]

[11] https://www.reuters.com/article/us-egypt-economy-tariffs/egypt-sharply-increases-customs-duties-as-it-seeks-to-curb-imports-idUSKBN13T0DN

[12] WTO Egypt TPR Report (WT/TPR/S/367), page 48, https://www.wto.org/english/tratop_e/tpr_e/s367_e.pdf, Egypt's Presidential Decree No. 25/2016 and Presidential Decree No. 538/2016.

[13] According to customs notifications available on India's Central Board of Indirect Taxes and Customs http://www.cbic.gov.in/Customs-Notifications.

Figure 7: Tariff Changes in India, 2017-2018



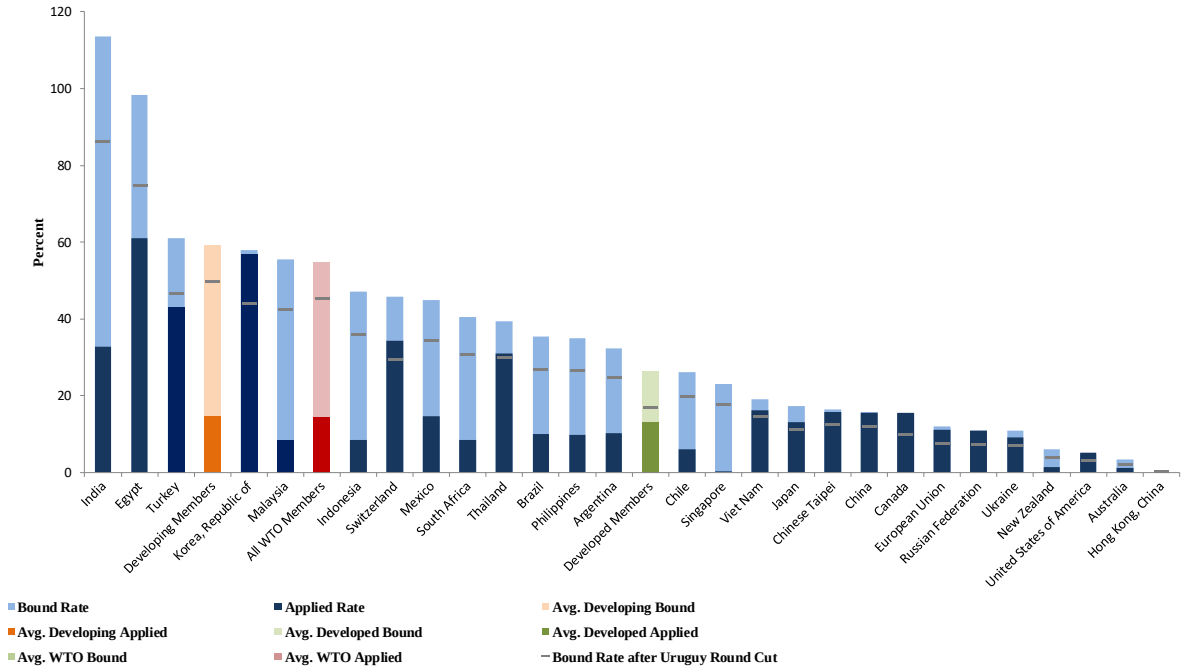
1.12. The disproportionate amount of water maintained by some Members may have other unintended consequences as well. In the Uruguay Round, participants agreed that developed countries would cut agricultural tariffs by an average of 36%, in equal steps over six years. Developing countries would cut agricultural tariffs by an average of 24% over ten years. If a new WTO negotiating round were held today and Members agreed to a Uruguay Round-type of average reduction commitment, only 47 Members would be required to decrease their average applied agricultural tariffs.[14] [15] (Figure 8) The other 71 Members would have to reduce their level of water, but not their applied rates.[16] The average bound rate for all Members' agricultural goods would fall from 54.7% to 45.1%. The average applied rate for all Members' agricultural goods would fall from 14.5% to 14%. As a result, the level of water currently maintained in Members' agricultural tariffs would significantly impact the practical effect of any new negotiation that were to result in bound rate cuts of a size similar to those that occurred in the Uruguay Round.

[14] The calculations are conducted in the paper based on a requirement of a 36% cut in average tariff rather than applying the Uruguay Round modality of an average cut of 36% due to the complexity of the formula. As a result, the overall cuts calculated in this paper may be even more than what would actually be negotiated.

[15] The number includes 28 Members comprising the EU.

[16] Based on Uruguay Round, LDCs would not have to reduce their tariff levels.

Figure 8: Effect of Uruguay Round-Type Cuts on Bound and Applied MFN Rates for LATMs, 2016



Conclusion

1.13. Water is prevalent in all major agricultural product groups. In addition, although differences between bound and applied rates occur for both developed and developing Members and large and small trading economies, the level of water is larger for developing Members and smaller trading economies than it is for most developed Members and large trading economies.

1.14. The United States also notes the issues of transparency specified in the beginning of the paper. The United States once again, requests the Secretariat to compile information and that Members ensure that all WTO notifications relevant to market access are up to date. The United States further urges Members to consider what other data could improve Members' knowledge.

1.15. The United States invites other Members to provide their views and own analysis with respect to the matters covered in this communication and the other areas specified in the July 2018 submission (JOB/AG/141).

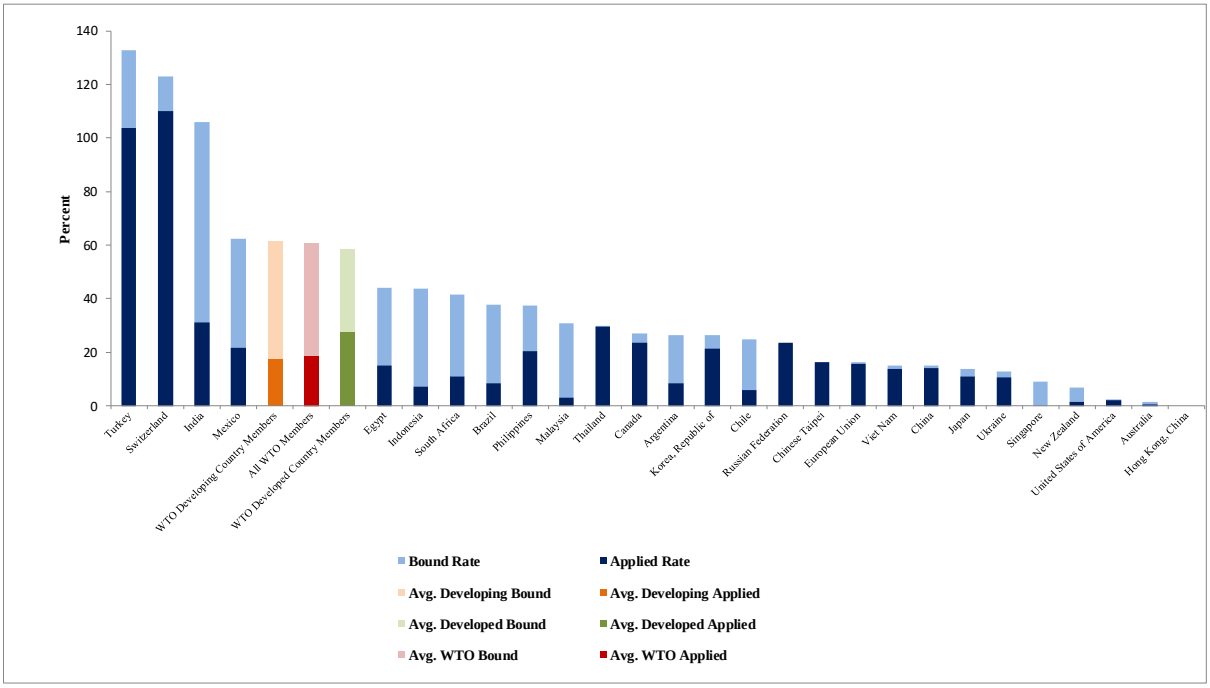
1.16. The United States will continue its own analysis of the identified areas specified in the July 2018 submission (JOB/AG/141) and looks forward to constructive engagement from other Members.

APPENDIX

Animal Products

1.17. In 2016, the "animal products" group accounted for more than US$81.9 billion of global imports.[17] For the same year, developing Members, on average, had an applied rate lower than the average of developed Members (e.g., 17.2% vs. 27.4%) (Figure 9). However, the level of water was significant for both Member groups with developing and developed Members' having average bound rates of 61.3% and 58.3%, respectively. Amongst LATMs, the average applied rate for "animal products" was 19.6% and the average bound rate was 34%. These Members imported US$77.5 billion, comprising 95% of all "animal product" imports in 2016.

Figure 9: "Animal Products" Bound and Applied MFN Rates for LATMs, 2016



1.18. While only a few Members applied "animal product" tariffs at the bound level, five Members (Bangladesh, Lesotho, Nigeria, Iceland and Norway), had water in their animal product tariffs exceeding 125 percentage points, including two developed Members (Iceland and Norway) with water exceeding 200 percentage points. Norway, Switzerland, Turkey, Iceland, and Morocco had the highest applied rates; exceeding 50% (Figure 11).

1.19. Developing Members had more water than developed Members. Of the LATMs, India, Mexico, Indonesia, and South Africa had the highest level of water. The Russian Federation; Hong Kong, China; the United States; Chinese Taipei; the European Union; and Thailand had the lowest amount of water. A comparison of the 2012 and 2016 applied tariff schedules of LATMs found that ten Members had changed their applied tariffs in this category, with changes affecting a total of 97 tariff lines: decreases occurred on lines with US$1.2 billion worth of average annual imports and increases occurred on lines with US$0.6 billion in average annual imports (Figure 10).[18] Mexico decreased tariffs for 32 lines in this category, with an average decrease of 88 percentage points. Mexico's reductions had a significant effect on poultry product imports, covering poultry product lines with an average of US$1.2 billion worth of imports annually; 28% of Mexico's annual imports of "animal products". During the same period, Indonesia increased tariffs for 22 processed meat product lines by an average of 25 percentage points. This potentially affected US$0.2 billion worth of imports annually or 2% of Indonesia's annual imports of "animal products".

[17] 2016 IHS GTA import value (accessed 20 July 2018). "Animal products" incorporate HS Chapter 1, Chapter 2 and HS 1601 and 1602.

[18] Figures do not include data from Viet Nam, which was not available at the time of the analysis.

Figure 10: Average Annual Value of Imports with Tariff Changes, "Animal Products", 2012-2016

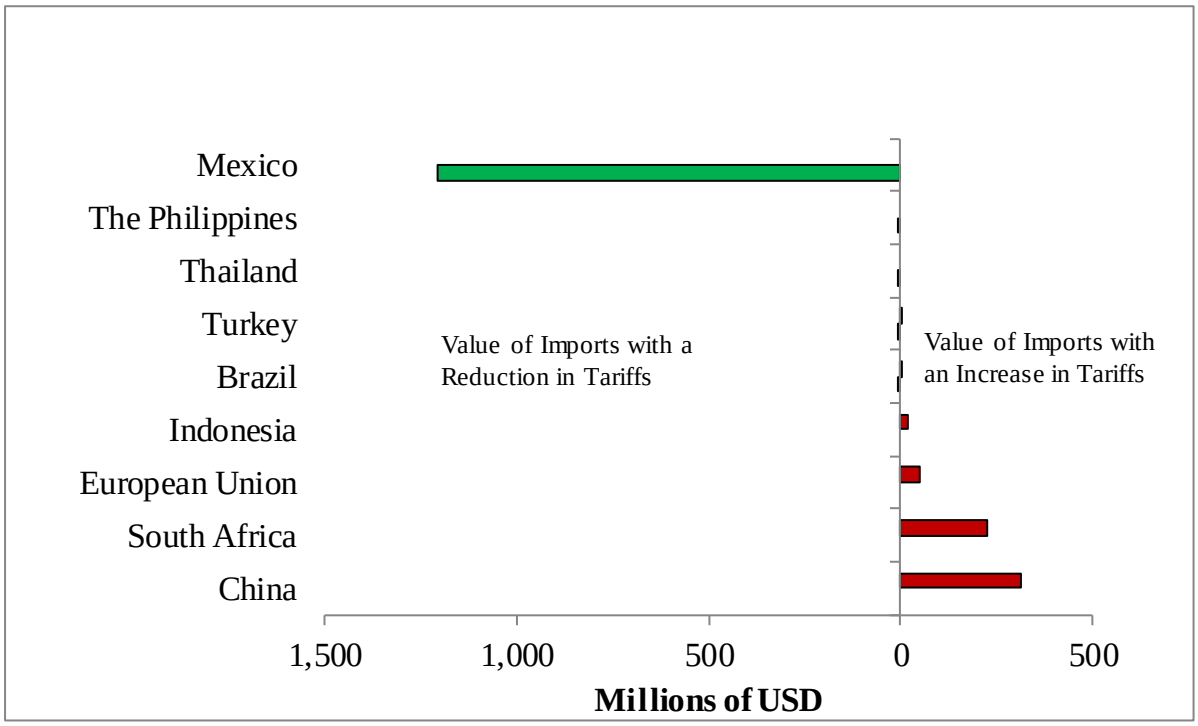
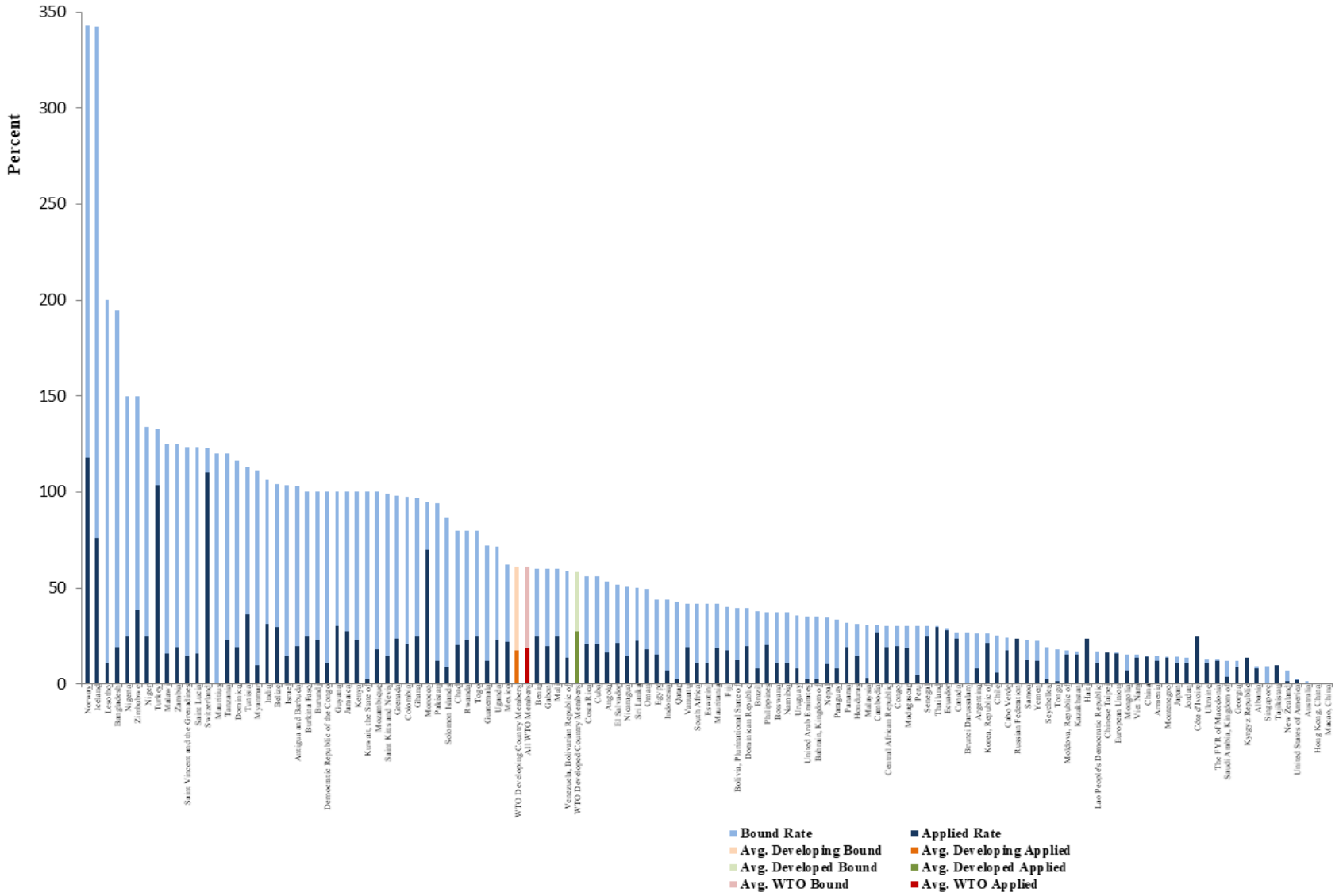


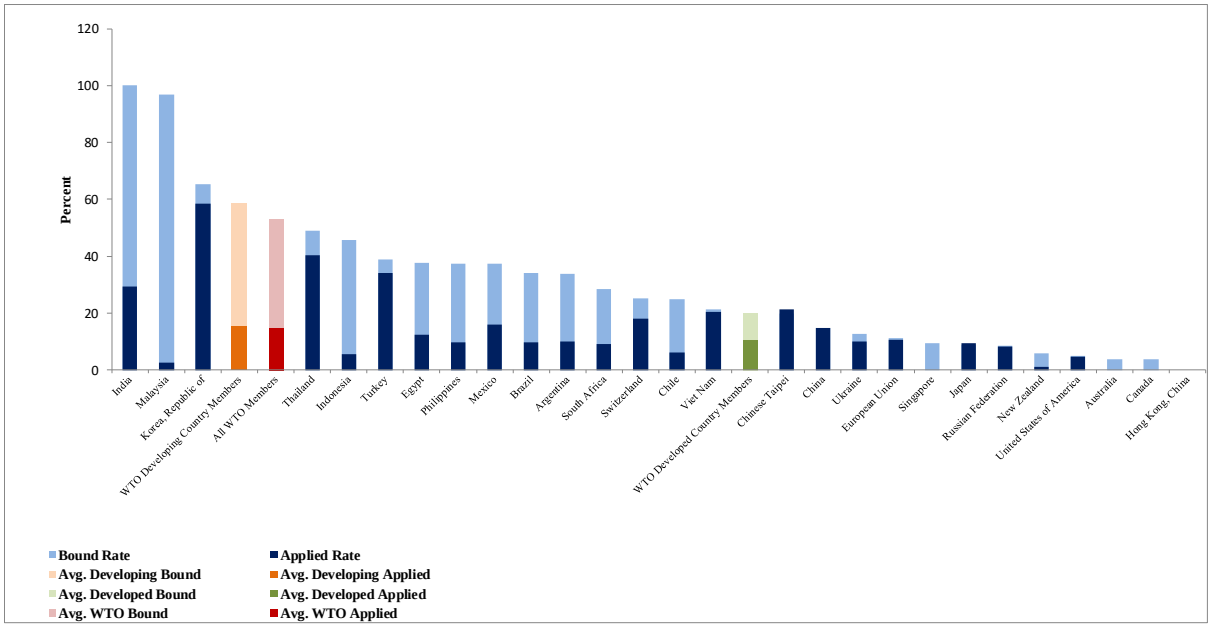
Figure 11: "Animal Products" Bound and Applied MFN Rates, 2016



Fruits, Vegetables, and Plants

1.20. In 2016, "fruit, vegetable, and plant products" were the largest agricultural product group imported, accounting for more than US$162.5 billion of global imports (20% of agricultural imports).[19] Developing Members, on average, had an applied rate higher than the average of developed Members (e.g., 15.4% vs. 10.4%) (Figure 12). The level of water was also more pronounced for developing Members than developed Members with the average bound rate of 58.6% for developing Members compared to the bound rate of 20.1% for developed Members. Amongst LATMs, the average applied rate was 13.6% and the average bound rate was 28.9%. These Members imported US$151.6 billion, comprising 93% of all "fruit, vegetable and plant product" imports in 2016.

Figure 12: "Fruits, Vegetables, and Plant Products" Bound and Applied MFN Rates for LATMs, 2016



1.21. Most Members had bindings greater than applied rates for "fruit, vegetable, and plant products". While only a few Members applied tariffs at the bound level, three of the Members, (Lesotho, Bangladesh, and Nigeria), had water in their fruit, vegetable, and plant product tariffs exceeding 125 percentage points. Only two developed Members, Norway and Iceland, had a tariff overhang greater than the WTO Member average. Republic of Korea was the only Member with applied rates over 50% for the product group (Figure 14).

1.22. Developing Members also had higher levels of water than developed Members. Of all LATMs, Malaysia, India, and Indonesia had the highest level of water. Chinese Taipei; Japan; Hong Kong, China; and China had the lowest amount of water. A comparison of LATMs' past applied tariff schedules has found that 17 Members had changed their applied tariffs in this category, with changes affecting a total of 419 tariff lines. The number of tariff line changes was more than four times that for "animal products". The average annual value of imports potentially affected was also significantly higher: decreases occurred on lines with US$9.3 billion worth of average annual imports and increases occurred on lines with US$2.6 billion of average annual imports.[20] (Figure 13) Thailand decreased 111 of its tariffs in this category, with an average decrease of 15 percentage points (potentially affecting US$0.3 billion worth of imports annually or 20% of its annual imports of "fruit, vegetable, and plant products"). During the same period, Egypt increased 88 of its tariffs on most types of fruit and certain plant products by an average of 10 percentage points (potentially affecting

[19] 2016 IHS GTA import value (accessed 20 July 2018). "Fruit, Vegetable, and Plant" products incorporate HS Chapter 7, Chapter 8, Chapter 13, Chapter 14, HS 1105-1106, HS 2001-2008, HS 0601-0603, and HS 1211.

[20] Figures do not include data from Viet Nam, which was not available at the time of the analysis.

US$0.5 billion worth of imports annually or 44% of its annual imports of "fruit, vegetable, and plant products").

Figure 13: Average Annual Value of Imports with Tariff Changes, "Fruit, Vegetables, and Plant Products"', 2012-2016

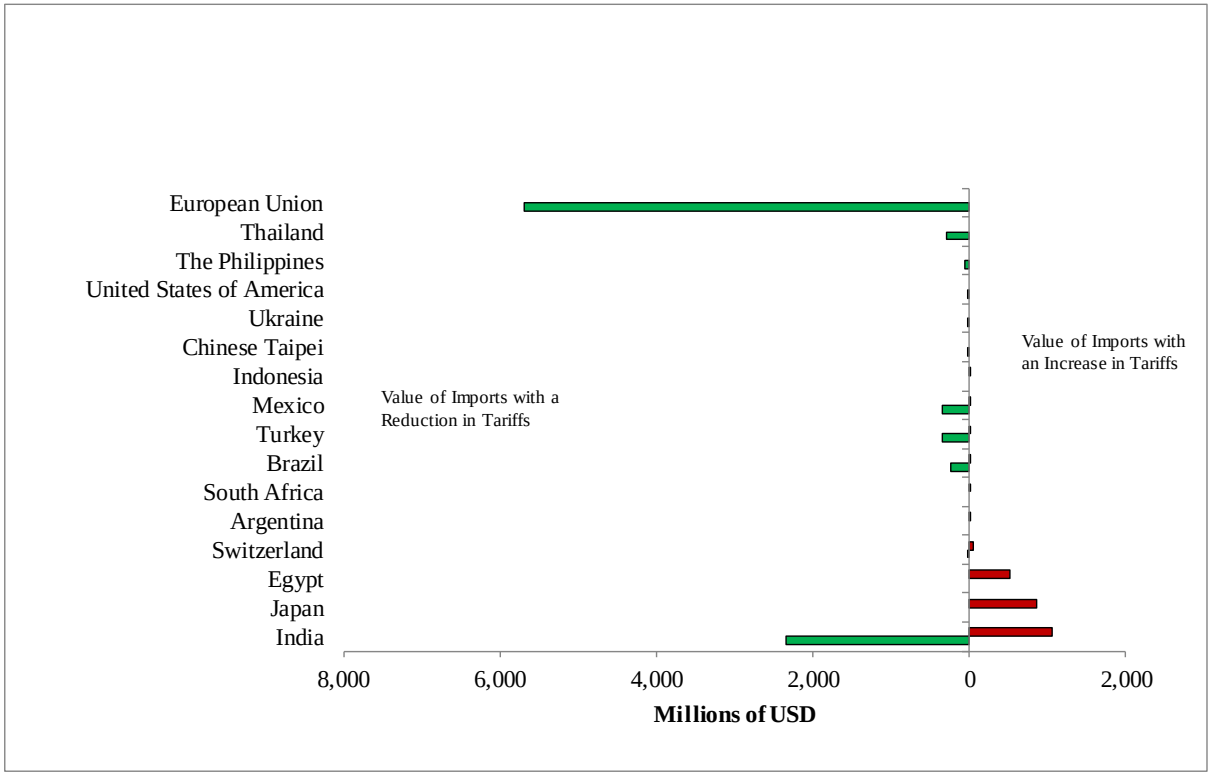
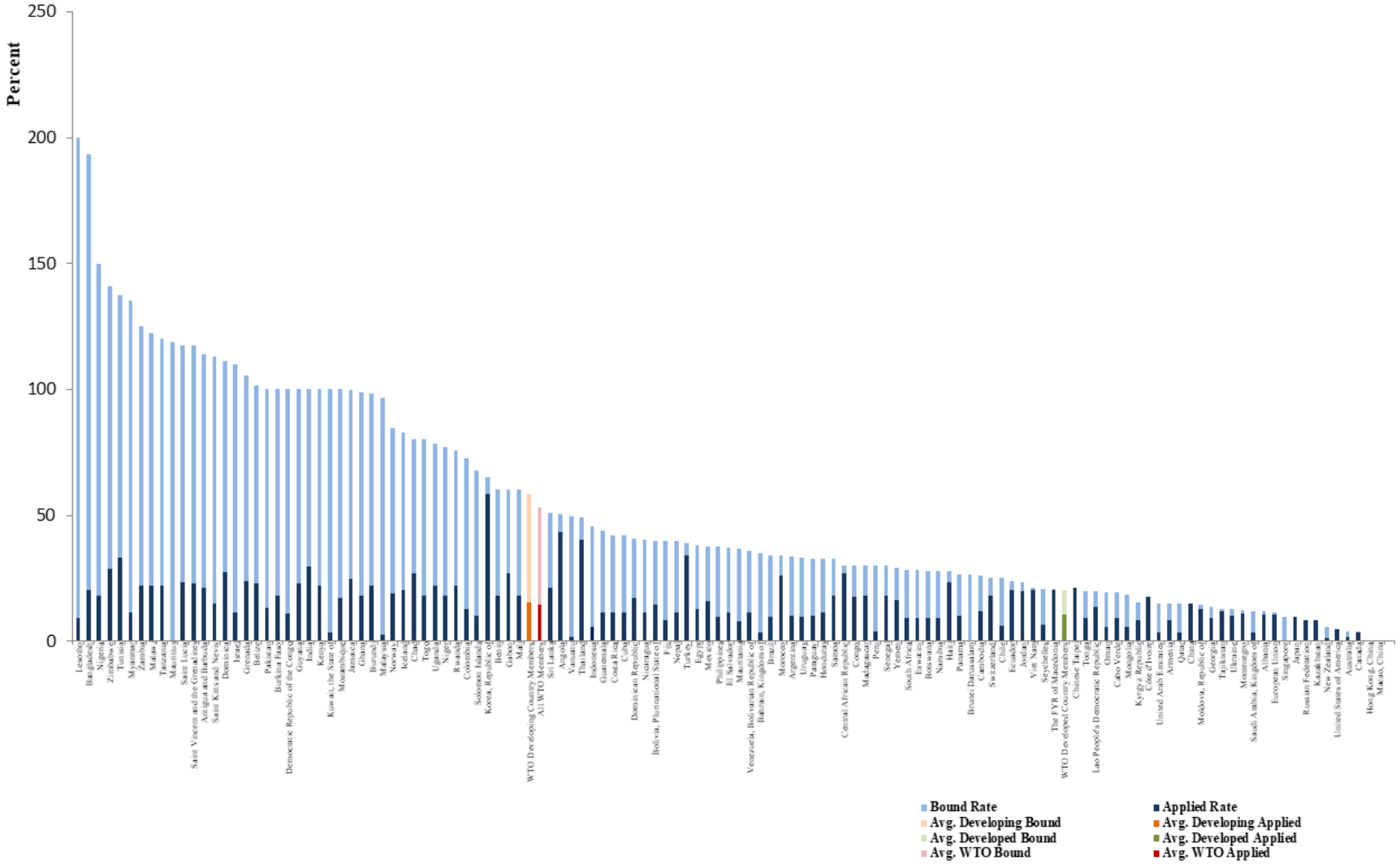


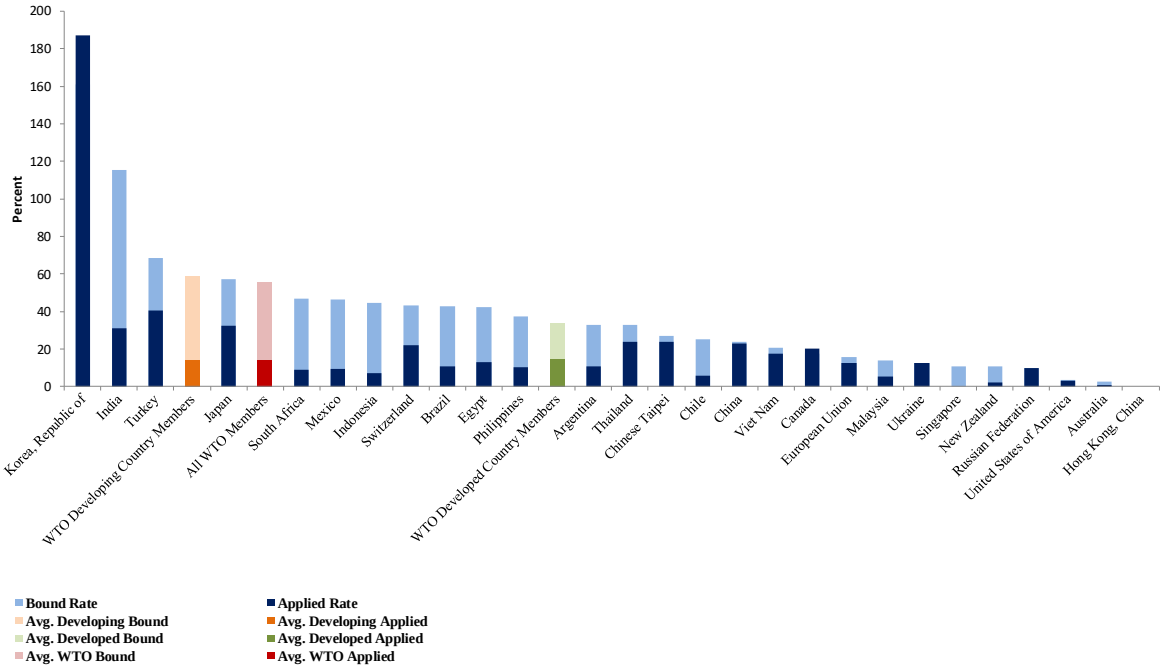
Figure 14: "Fruit, Vegetables, and Plant Products" Bound and Applied MFN Rates, 2016



Cereals and Preparations

1.23. In 2016, "cereals and preparations" product group accounted for more than US$139.4 billion of global imports.[21] Developing Members, on average, had an applied rate lower than the average of developed Members (e.g., 14.1% vs. 14.4%) (Figure 15). Similarly, the level of water was significant for both Member groups, although the amount of water for developed Members having an average bound rate of 33.7% was less than that of developing Members having an average bound rate of 59.1%. For LATMs, the average applied rate was 20.2% and the average bound rate was 35.8%. These Members imported US$111.9 billion, comprising 80% of all goods in the "cereals and preparations" product group in 2016.

Figure 15: "Cereals and Preparations" Bound and Applied MFN Rates for LATMs, 2016



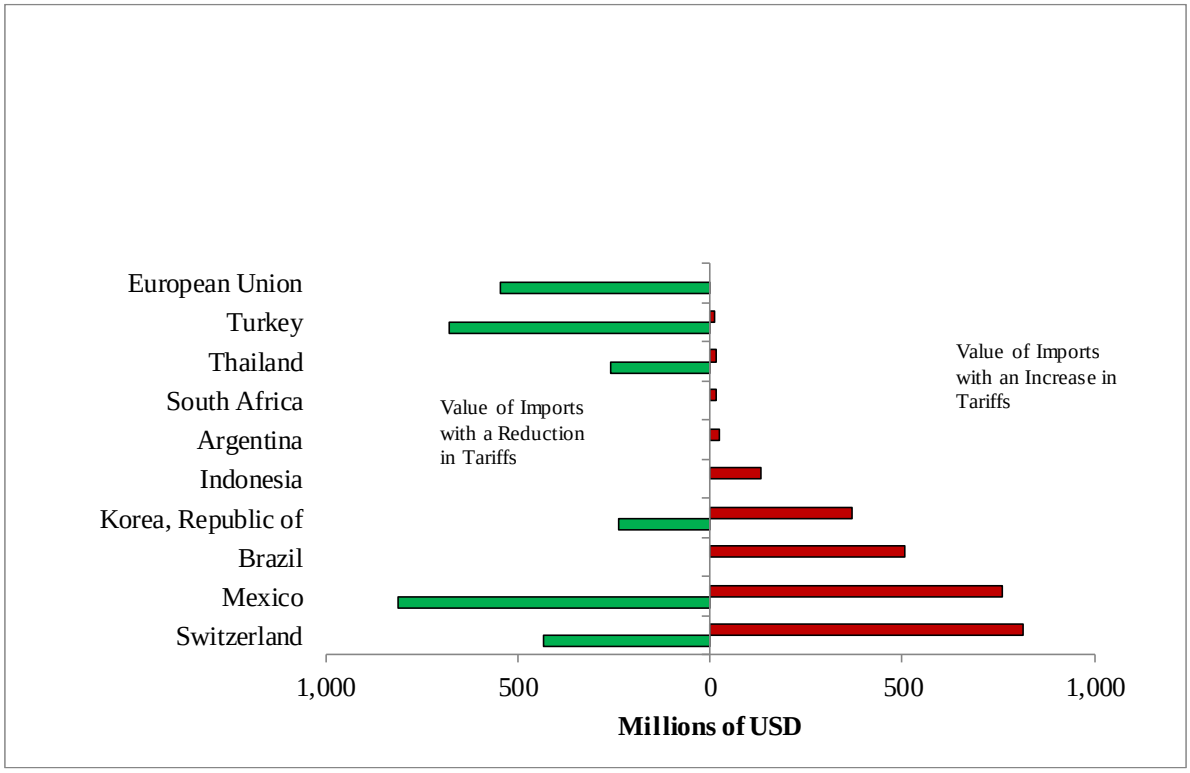
1.24. Members had bindings greater than applied rates for "cereals and preparations" product group. However, only a few Members apply tariffs at the bound level. Five of the Members, (Lesotho, Bangladesh, Norway, Nigeria, and Zimbabwe), had water in their cereals and preparations product tariffs exceeding 125 percentage points. As with the "animal product" group, only two developed Members, Norway and Iceland, had a tariff overhang greater than the WTO Member average. Republic of Korea was the only developing Member with applied rates over 50% for the product group (187.1%) (Figure 17).

1.25. Developing Members also had higher levels of water than developed Members for this product group. Of all the LATMs, India, South Africa, Indonesia, and Mexico had the highest level of water. Hong Kong, China; Ukraine; Russian Federation; and the United States had the lowest amount of water. A comparison of LATMs' past applied tariff schedules has found that 11 Members had changed their applied tariffs in this category, with changes affecting a total of 543 tariff lines. Switzerland increased tariffs for 162 of its tariff lines (potentially affecting US$0.8 billion worth of imports annually or 40% of its annual imports of "cereals and preparations"). Turkey decreased tariffs, over the same period, for 104 of its tariff lines (potentially affecting US$0.6 billion worth of imports annually or 16% of its annual imports of "cereals and preparations"). Altogether, an average of US$3 billion worth of annual imports of "cereals and preparations" product group had a decrease in tariffs and an annual average of US$2.7 billion worth of the product group had an increase in tariffs.

[21] 2016 IHS GTA import value (accessed 20 July 2018). "Cereal and preparation" products incorporate HS Chapter 10, Chapter 19, HS 0407-0410, HS 1101-1104, HS 1107-1109, HS 2102-2106, HS 2209.

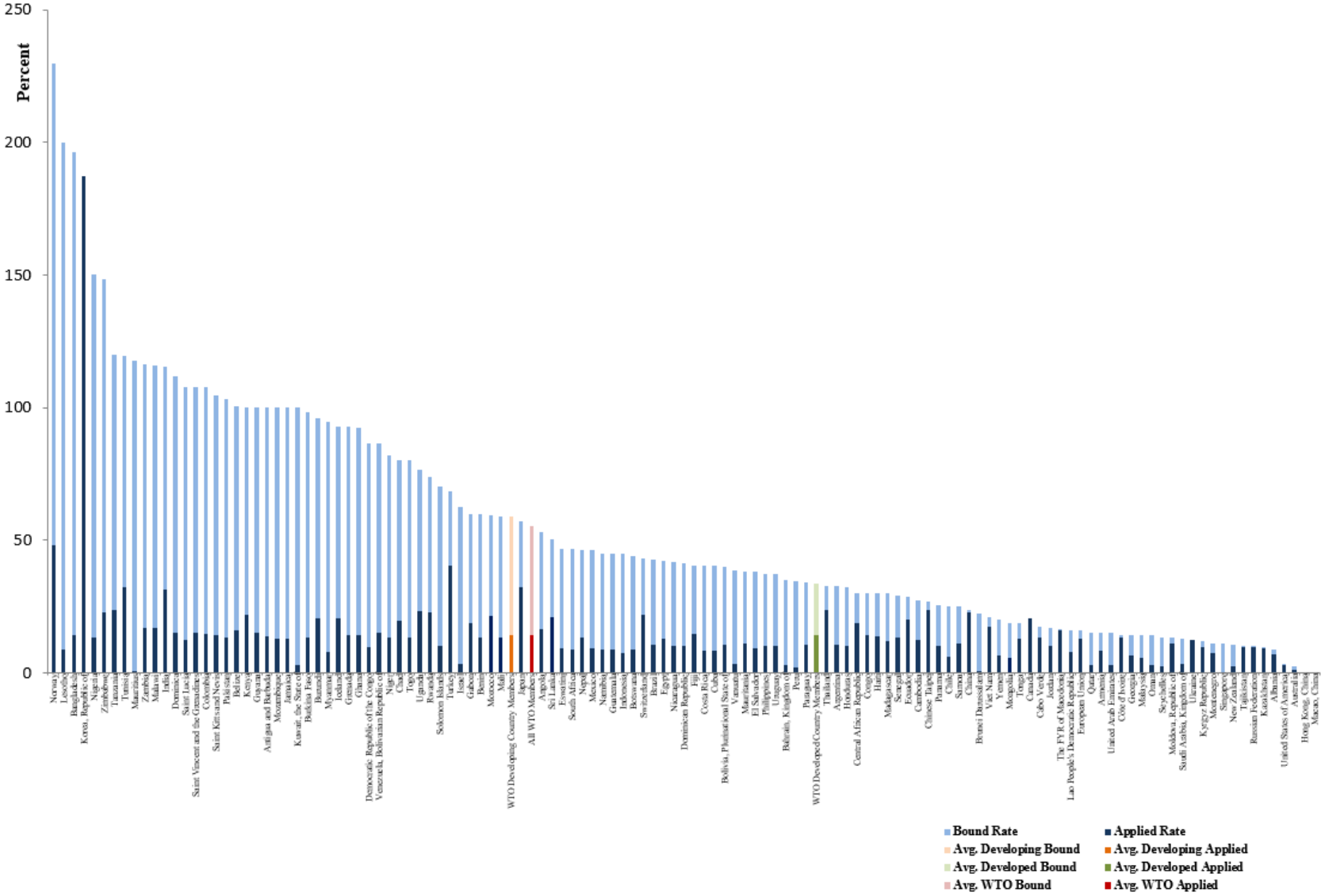
Although the European Union had 8 lines that saw a decrease in tariff levels, the value of annual imports potentially affected was US$547 million (Figure 16).[22]

Figure 16: Average Annual Value of Imports with Tariff Changes, "Cereals and Preparations", 2012-2016



[22] Figures do not include data from Viet Nam, which was not available at the time of the analysis.

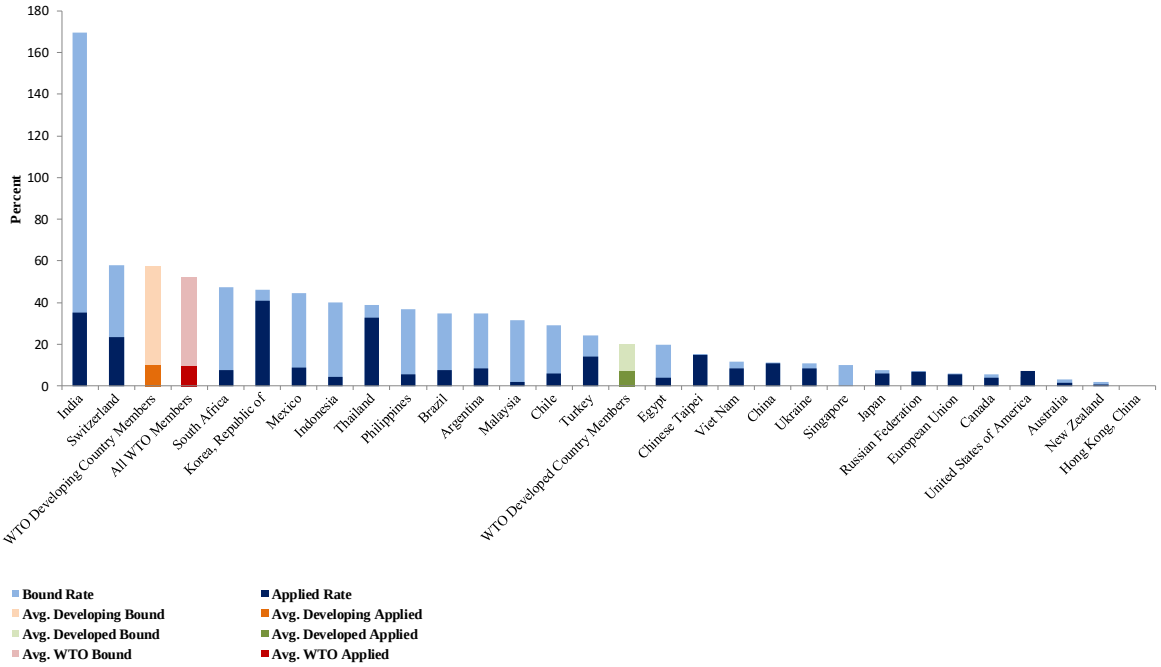
Figure 17: "Cereal and Preparations Products" Bound and Applied MFN Rates, 2016



Oilseeds, Fats, and Oils

1.26. In 2016, "oilseeds, fats, and oils" product group accounted for more than US$155.4 billion of global imports.[23] For the same year, developing Members had an average applied rate of 10.1%, just above the average applied rate of developed Members of 7.2%. The level of water in the product group was also more pronounced for developing Members than developed Members with the bound rate 57.4% compared to the bound rate of 20% for developed Members (Figure 18). For LATMs, the average applied rate was 10.1% and the average bound rate was 27.8%. These Members imported US$143.6 billion, consisting 92% of all goods in the "oilseeds, fats, and oils" product group in 2016.

Figure 18: "Oilseeds, Fats, and Oils" Bound and Applied MFN Rates for LATMs, 2016



1.27. Members had bindings greater than applied rates for "oilseeds, fats and oils" product group. However, as in the case of other product groups, only a few Members applied tariffs at the bound level. Six of the Members, (Bangladesh, Colombia, India, Lesotho, Nigeria, and Zimbabwe), had water in their oilseeds, fats, and oils product tariffs exceeding 125 percentage points. Similarly to "animal products" and "cereals and preparations" product groups, only two developed Members, Iceland and Norway, had a tariff overhang greater than the WTO Member average. Republic of Korea also had the highest applied rate (40.7%) for the product group (Figure 20).

1.28. Developing Members also had significantly higher levels of water than developed Members for this product group. Of all the LATMs, India, Indonesia, Mexico and South Africa had the highest level of water. Hong Kong, China; the United States; China; and the European Union had the lowest amount of water. A comparison of LATMs' past applied tariff schedules has found that ten Members had changed their applied tariffs in this category, with changes affecting a total of 221 tariff lines. India increased tariffs for 35 of its tariff lines (potentially affecting US$5.1 billion worth of imports annually or 46% of their annual imports of "oilseeds, fats, and oils"). Turkey decreased tariffs, over the same period, for 104 of its tariff lines (potentially affecting US$0.43 billion worth of imports annually or 9% of their annual imports of "oilseeds, fats, and oils"). Altogether, an average of US$1 billion worth of imports of "oilseeds, fats, and oils" product group had a decrease in tariffs and US$5.3 billion worth of the product group had an increase in tariffs.[24] Of the four product groups, "oilseeds, fats, and oils" was the only product group to see more goods (by value) potentially affected by an increase in tariffs than a decrease (Figure 19).

[23] 2016 IHS GTA import value (accessed 20 July 2018). "Oilseeds, fats and oils" products incorporate HS 1201-1208, HS Chapter 15 (except 150410, 150420), HS 2304-2306, HS 3823.

[24] Figures do not include data from Viet Nam, which was not available at the time of the analysis.

Figure 19: Average Annual Value of Imports with Tariff Changes, "Oilseeds, Fats, and Oils", 2012-2016

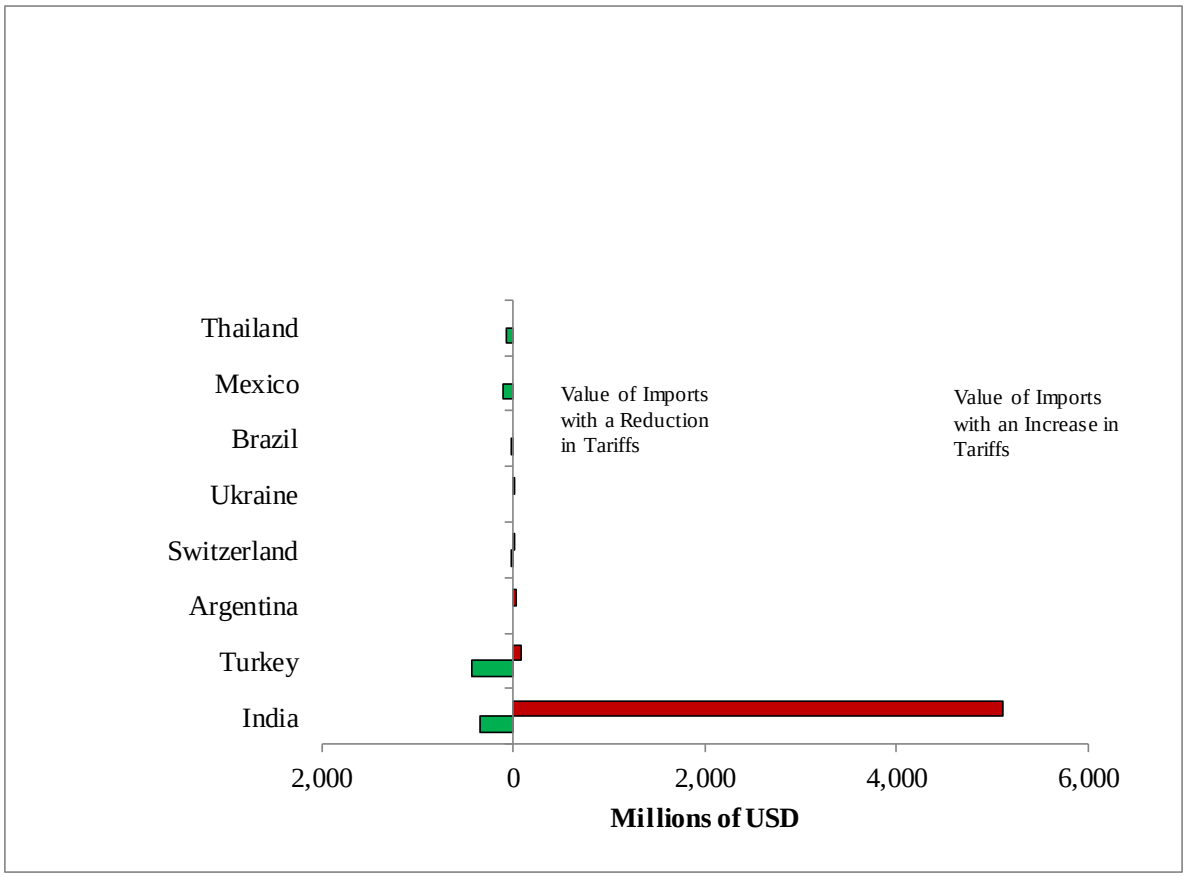
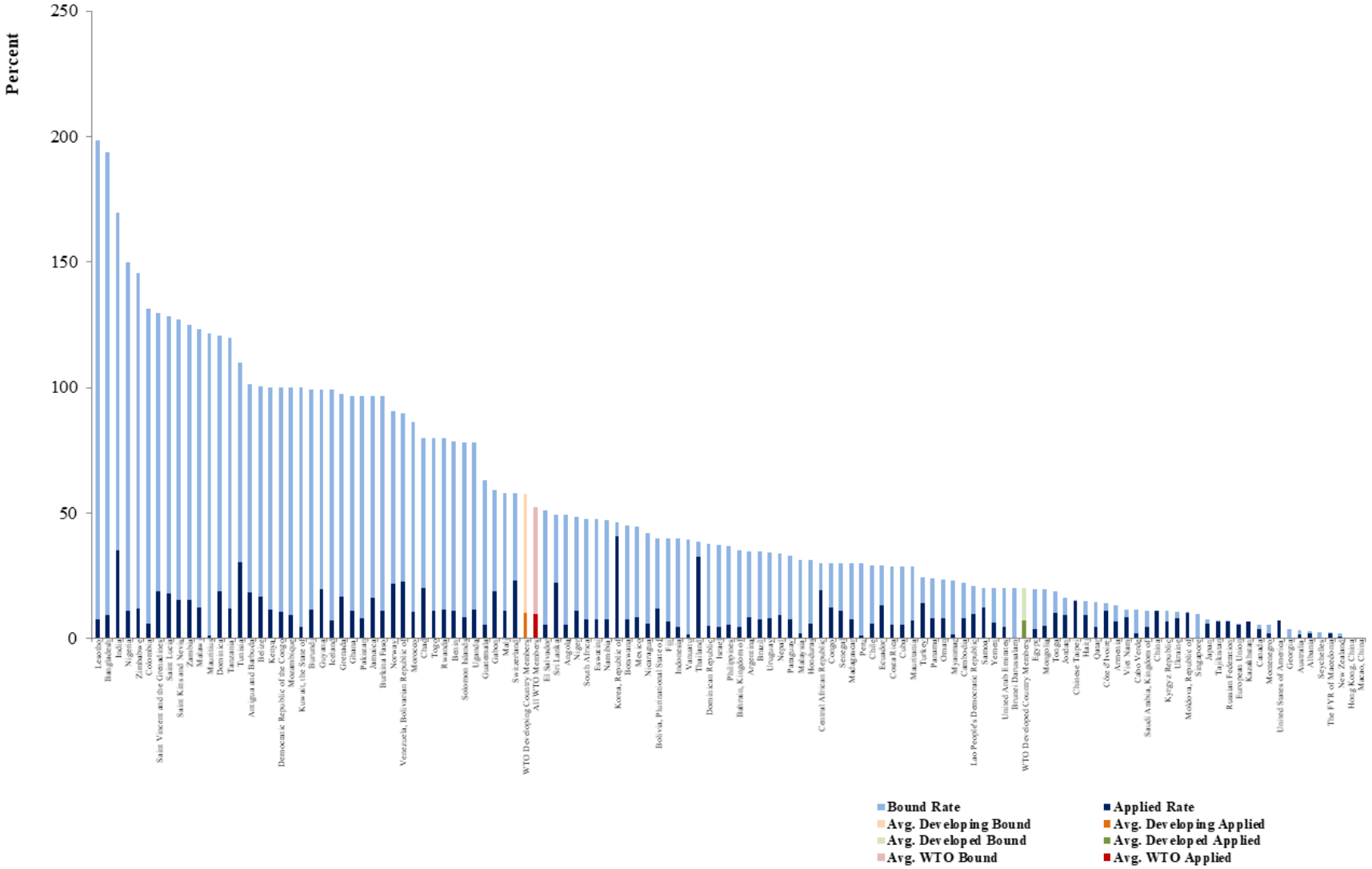


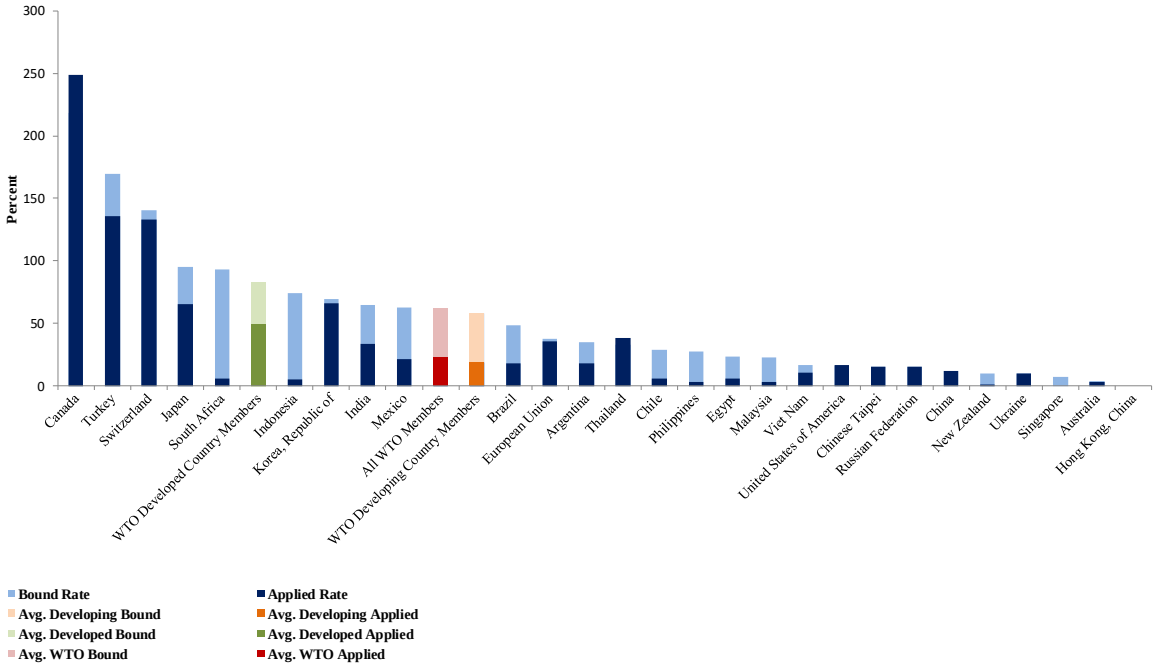
Figure 20: "Oilseeds, Fats, and Oils" Bound and Applied MFN Rates, 2016



Dairy Products

1.29. In 2016, the "dairy products" group accounted for more than US$24.9 billion of global imports.[25] For the same year, developing Members, on average, had an applied rate significantly lower than the average of developed Members (e.g., 18.4% vs. 49.3%) (Figure 21). However, the level of water was significant for both Member groups with developing and developed Members' having average bound rates of 58.3% and 82.9%, respectively. Amongst LATMs, the average applied rate for "dairy products" was 34.4% and the average bound rate was 50%. These Members imported US$20.9 billion, consisting 84% of all "dairy product" imports in 2016.

Figure 21: "Dairy Products" Bound and Applied MFN Rates for LATMs, 2016



1.30. Again, only a few Members applied "dairy product" tariffs at the bound level. Six Members, (Iceland, Norway, Lesotho, Israel, Bangladesh, and Nigeria), had water in their dairy product tariffs exceeding 125 percentage points. Canada had the highest applied rate (248.9%), followed by Turkey (135.9%), Switzerland (133.2%), Norway (120.9%), and Iceland (86.6%) (Figure 23).

1.31. Developing Members had slightly more water than developed Members. Of all the LATMs, South Africa, Indonesia, and Mexico had the highest level of water. Russian Federation; Hong Kong, China; Ukraine; the United States; Chinese Taipei; China; and Thailand had no water. A comparison of the 2012 and 2016 applied tariff schedules, finds that LATMs had changed their applied tariffs in this category, with changes affecting a total of 53 tariff lines: decreases occurred on lines with US$1.1 billion worth of average annual imports and increases occurred on lines with US$17.6 million in average annual imports (Figure 22).[26] Mexico decreased the tariffs for 8 lines by an average of 45 percentage points, including on cheese (potentially affecting US$1 billion worth of imports annually or 60% of its annual imports of "dairy products"). During the same period, Switzerland increased tariffs for 6 lines affecting yogurt and sour cream by an average of 38 Fr./100 kg (potentially affecting US$0.4 billion worth of imports annually or 4% of its annual imports of "dairy products").

[25] 2016 IHS GTA import value (accessed 20 July 2018). "Dairy products" incorporate HS 0401-0406.
[26] Figures do not include data from Viet Nam, which was not available at the time of the analysis.

Figure 22: Average Annual Value of Imports with Tariff Changes, "Dairy Products", 2012-2016

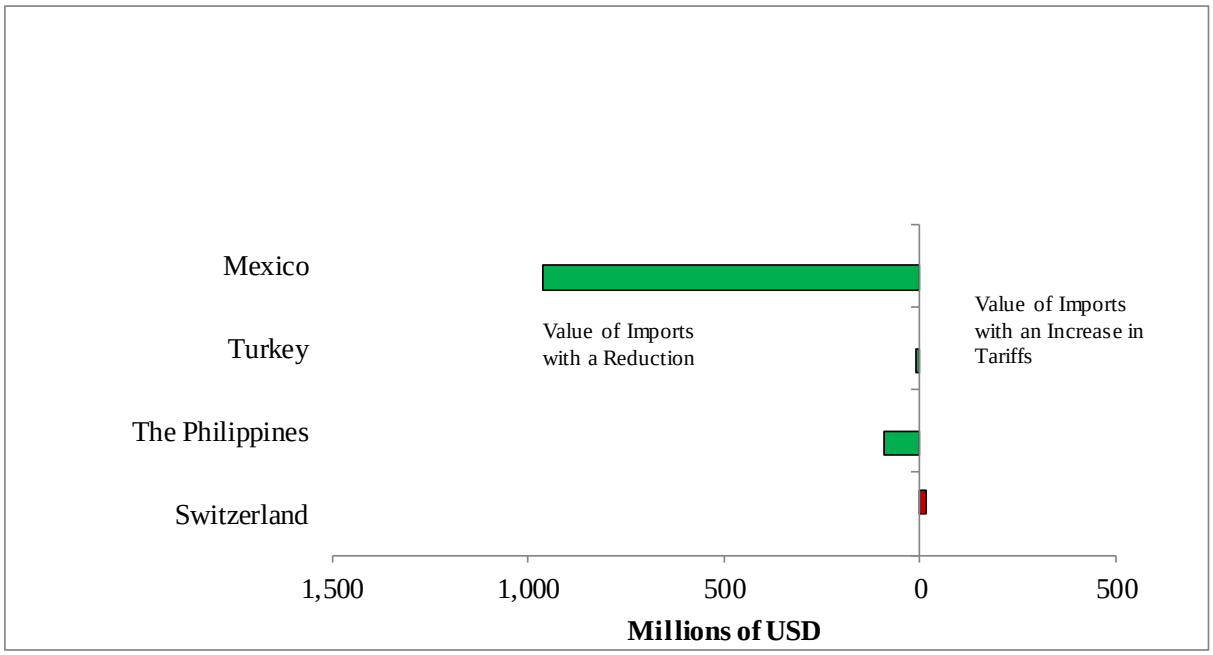
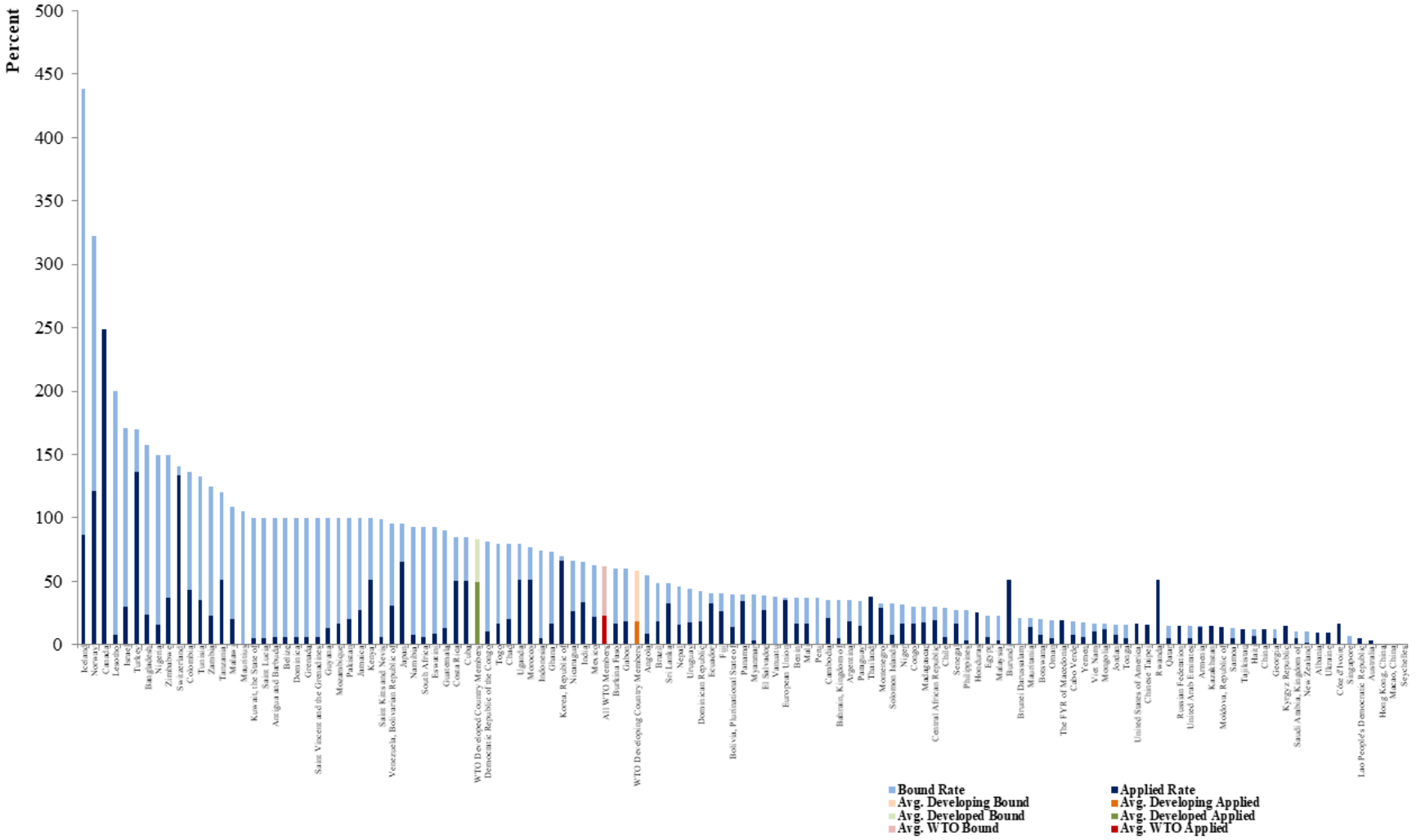


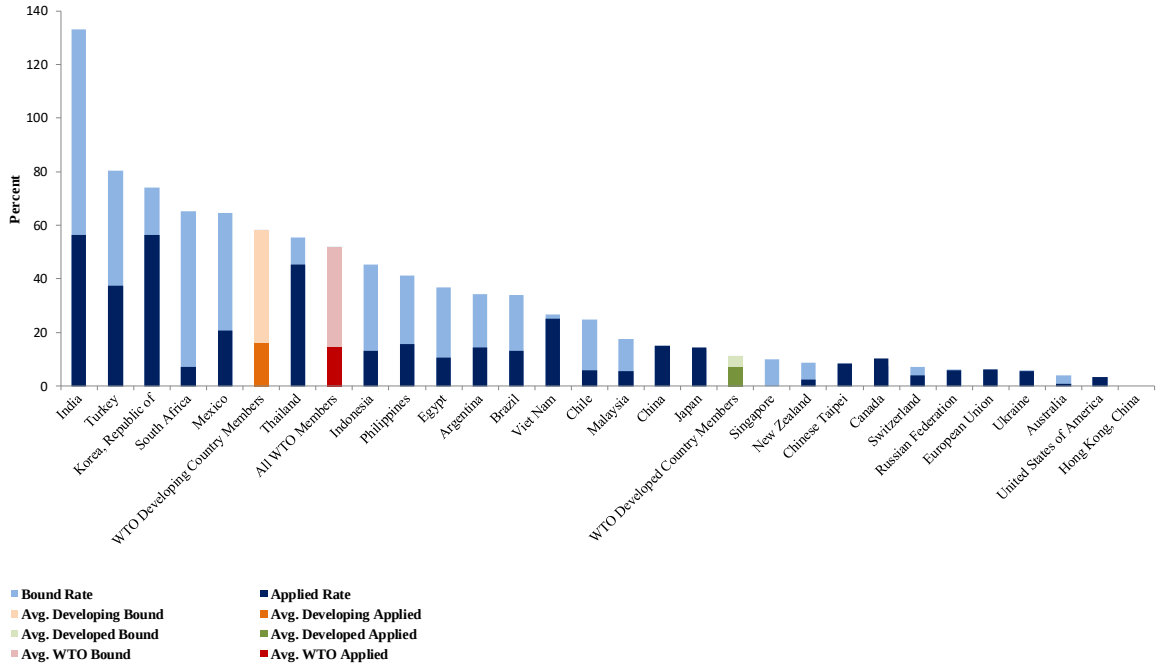
Figure 23: "Dairy Products" Bound and Applied MFN Rates, 2016



Coffee, Tea

1.32. In 2016, the "coffee and tea" product group accounted for approximately US$58.9 billion of global imports.[27] For the same year, developing Members, on average, had an applied rate higher than the average of developed Members (e.g., 15.9% vs. 7.1%) (Figure 21). The level of water was also more pronounced for developing Members than developed Members with the average bound rate of 58.4% for developing Members compared to the bound rate of 11.4% for developed Members. Amongst the LATMs, the average applied rate for "coffee and tea" products was 15% and the average bound rate was 30.7%. These Members imported US$57.1 billion consisting 97% of all "coffee and tea" imports in 2016.

Figure 24: "Coffee and Tea" Bound and Applied MFN Rates for LATMs, 2016



1.33. As with other product groups, only a few Members applied "coffee and tea" tariffs at the bound level. Four Members, (Lesotho, Bangladesh, Myanmar, and Nigeria), had water in their coffee and tea product tariffs exceeding 125 percentage points. Republic of Korea had the highest applied rate (56.4%), followed by India (56.3%), and Thailand (45.3%) (Figure 26).

1.34. Developing Members had more water than developed Members. Of all the LATMs, India, South Africa, Mexico, and Turkey had the highest level of water. China; Hong Kong, China; the European Union; the United States; Chinese Taipei; Japan; and Canada had no water. A comparison of the 2012 and 2016 applied tariff schedules of LATMs found that seven Members had changed their applied tariffs in this category, with changes affecting a total of 125 tariff lines; decreases occurred on lines with US$0.4 billion worth of average annual imports and increases occurred on lines with US$0.5 billion in average annual imports (Figure 25).[28] Mexico decreased the tariffs for 13 lines (coffee and cocoa products) by an average of 29 percentage points (potentially affecting US$0.2 billion worth of imports annually or 30% of its annual imports of "coffee and tea"). During the same period, Switzerland increased tariffs for 36 lines affecting mostly chocolate preparations by an average of 25 Fr./100 kg (potentially affecting US$0.3 billion worth of imports annually or 18% of its annual imports of "coffee and tea" products).

[27] 2016 IHS GTA import value (accessed 20 July 2018). "Coffee and Tea" incorporate HS 0901-0903, HS Chapter 18 (except HS 1802), HS 2101.

[28] Figures do not include data from Viet Nam, which was not available at the time of the analysis.

Figure 25: Average Annual Value of Imports with Tariff Changes, "Coffee and Tea", 2012-2016

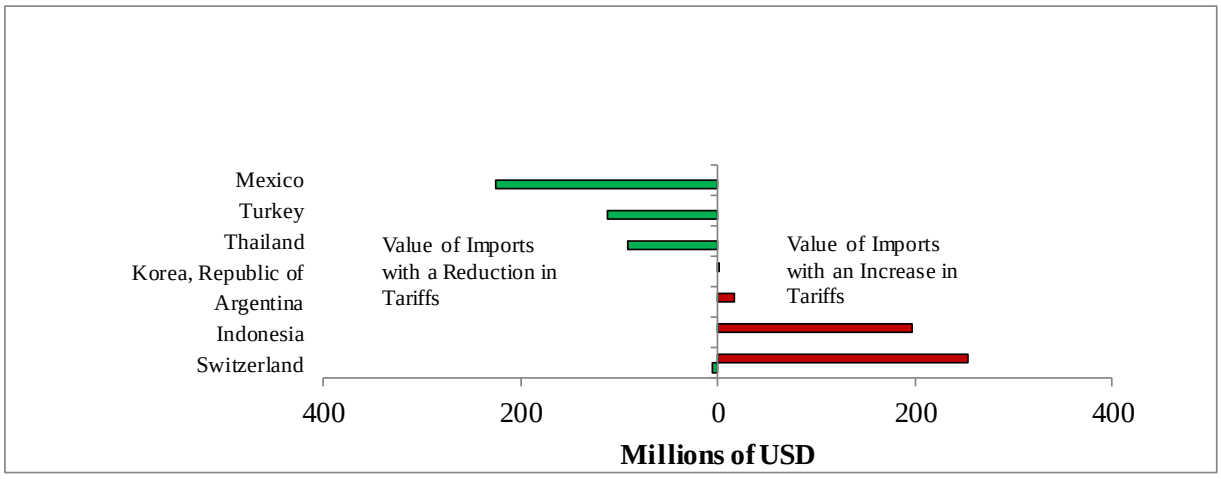
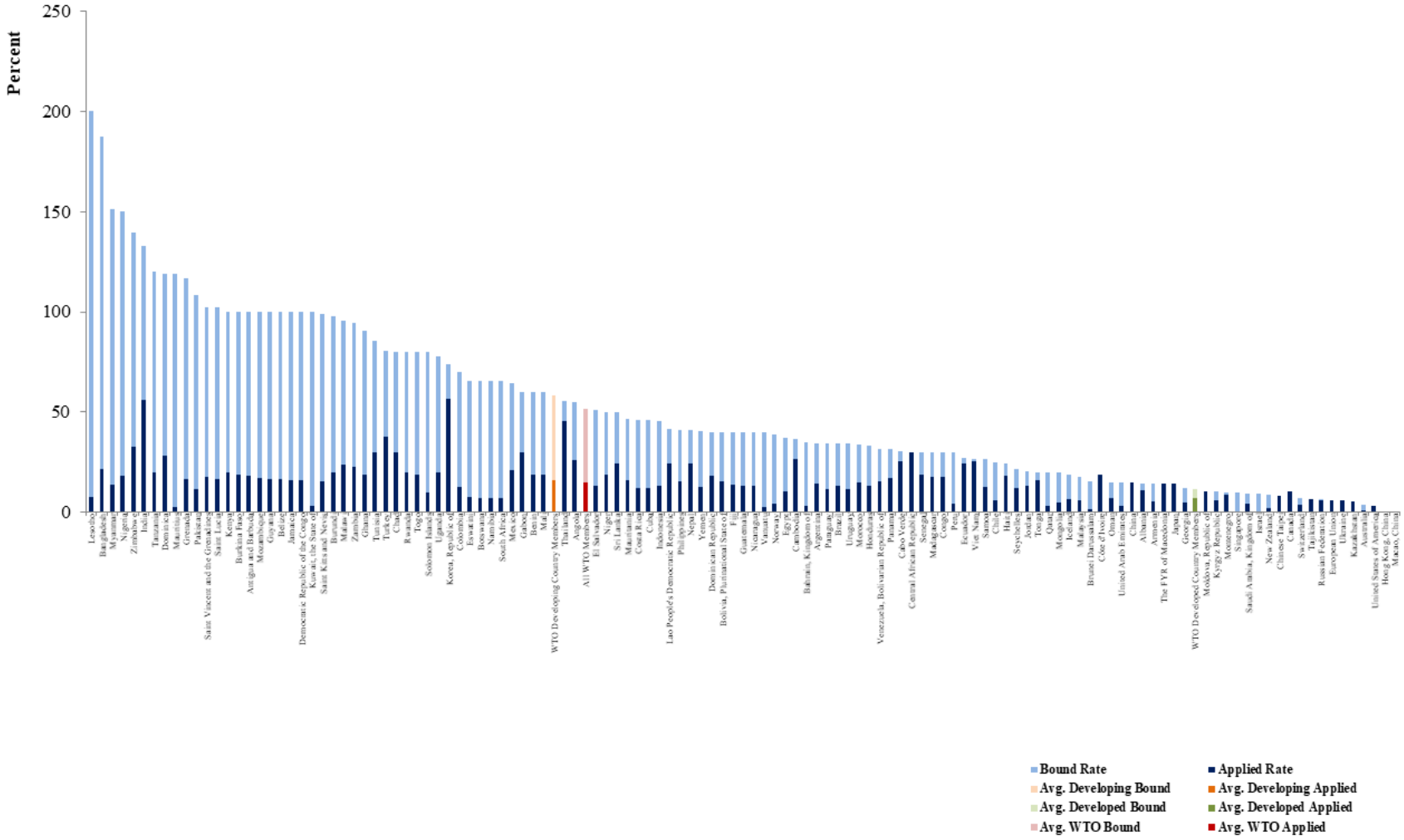


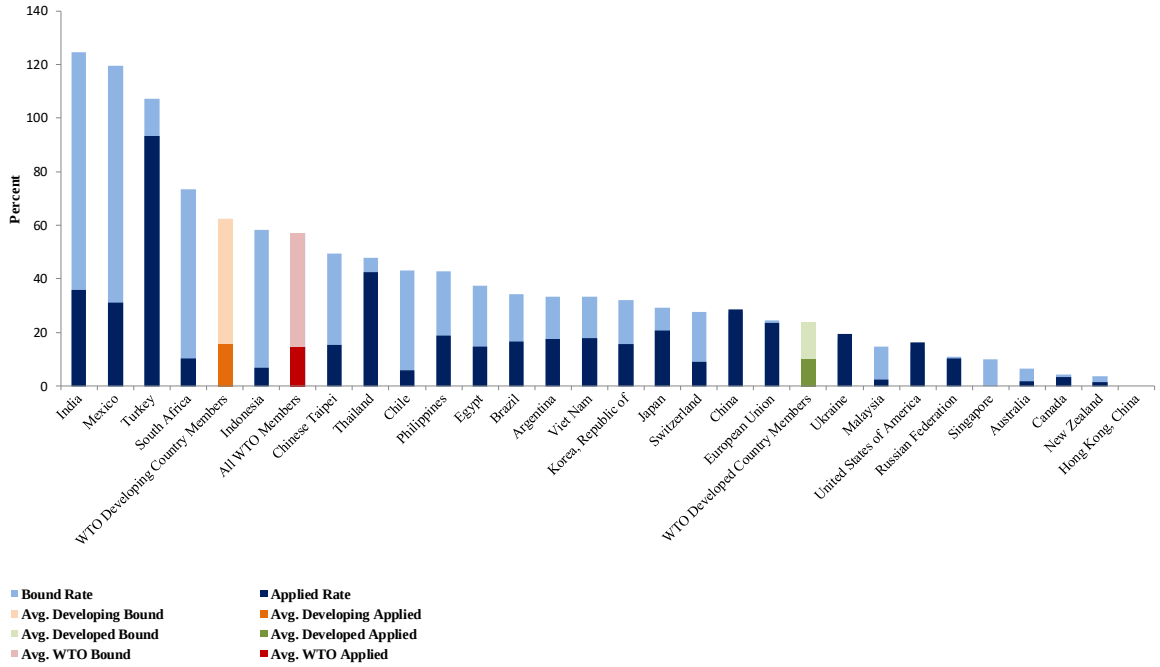
Figure 26: "Coffee and Tea" Bound and Applied MFN Rates, 2016



Sugars and Confectionery

1.35. In 2016, the "sugar and confectionery" product group accounted for approximately US$26.4 billion of global imports.[29] For the same year, developing Members, on average, had an applied rate higher than the average of developed Members (e.g., 15.7% vs. 10.1%) (Figure 27). The level of water was more pronounced for developing Members than developed Members with the average bound rate of 62.4% for developing Members compared to the bound rate of 23.9% for developed Members. Amongst the LATMs, the average applied rate for "sugars and confectionery" products was 17.8% and the average bound rate was 38%. These Members imported US$21.2 billion, comprising 80% of all "sugars and confectionery" imports in 2016.

Figure 27: "Sugars and Confectionery" Bound and Applied MFN Rates for LATMs, 2016



1.36. Once again, only a few Members applied "sugars and confectionery" tariffs at the bound level. Five Members, (Niger, Lesotho, Bangladesh, Zimbabwe, and Nigeria), had water in their sugar and confectionary product tariffs exceeding 125 percentage points. Turkey had the highest applied rate (93.4%), followed by Thailand (42.6%) (Figure 29).

1.37. Developing Members had more water than developed Members. Of all the LATMs, India, Mexico, South Africa, and Indonesia had the highest level of water. China; Hong Kong, China; the United States; and Ukraine had no water. A comparison of the 2012 and 2016 applied tariff schedules of LATMs found that nine Members had changed their applied tariffs in this category, with changes affecting a total of 130 tariff lines; decreases occurred on lines with US$0.6 billion worth of average annual imports and increases occurred on lines with US$0.6 billion in average annual imports (Figure 28).[30] Mexico decreased the tariffs for 5 lines (other sugars) by an average of 75 percentage points (potentially affecting US$0.5 billion worth of imports annually or 55% of its annual imports of "sugars and confectionery"). During the same period, Egypt increased tariffs for 27 lines affecting cane sugar by an average of 14 percentage points (potentially affecting US$0.4 billion worth of imports annually or 93% of its annual imports of "sugars and confectionery"' products).

[29] 2016 IHS GTA import value (accessed 20 July 2018). "Sugars and confectionery" incorporates HS Chapter 17.

[30] Figures do not include data from Viet Nam, which was not available at the time of the analysis. Canada had tariffs change affecting 5 lines but the direction is unknown.

Figure 28: Average Annual Value of Imports with Tariff Changes, "Sugars and Confectionery", 2012-2016

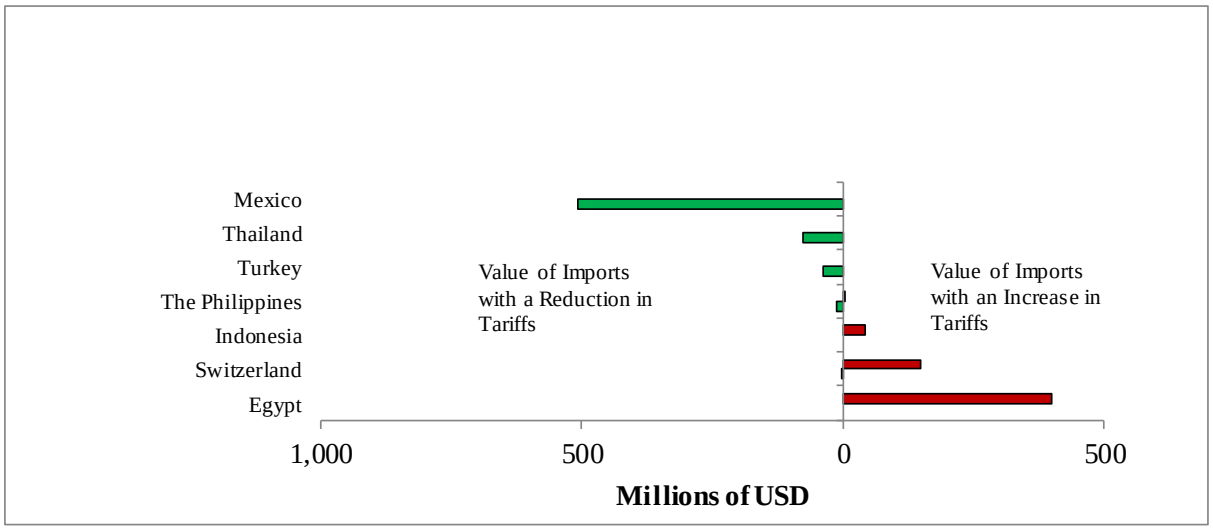
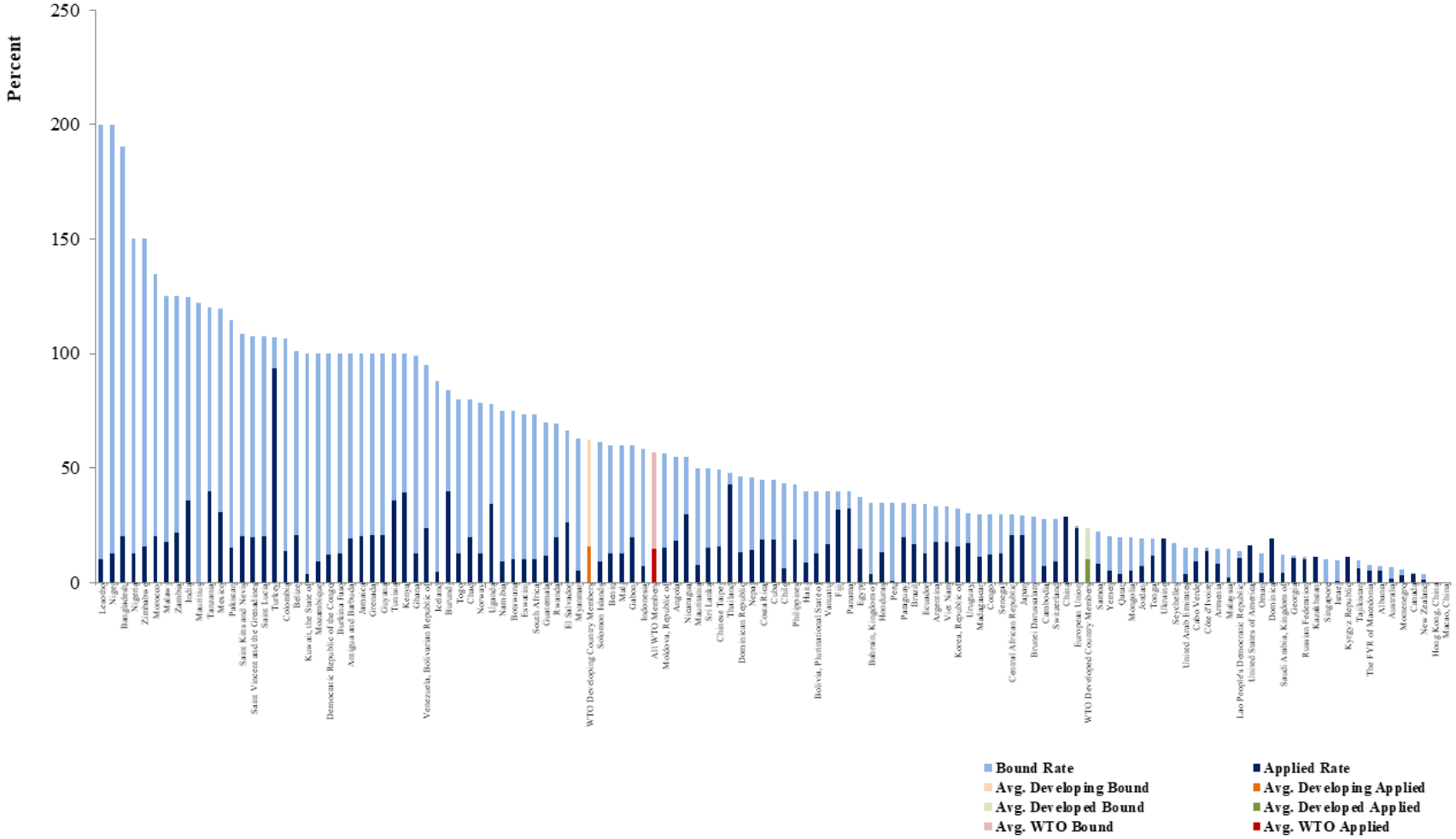


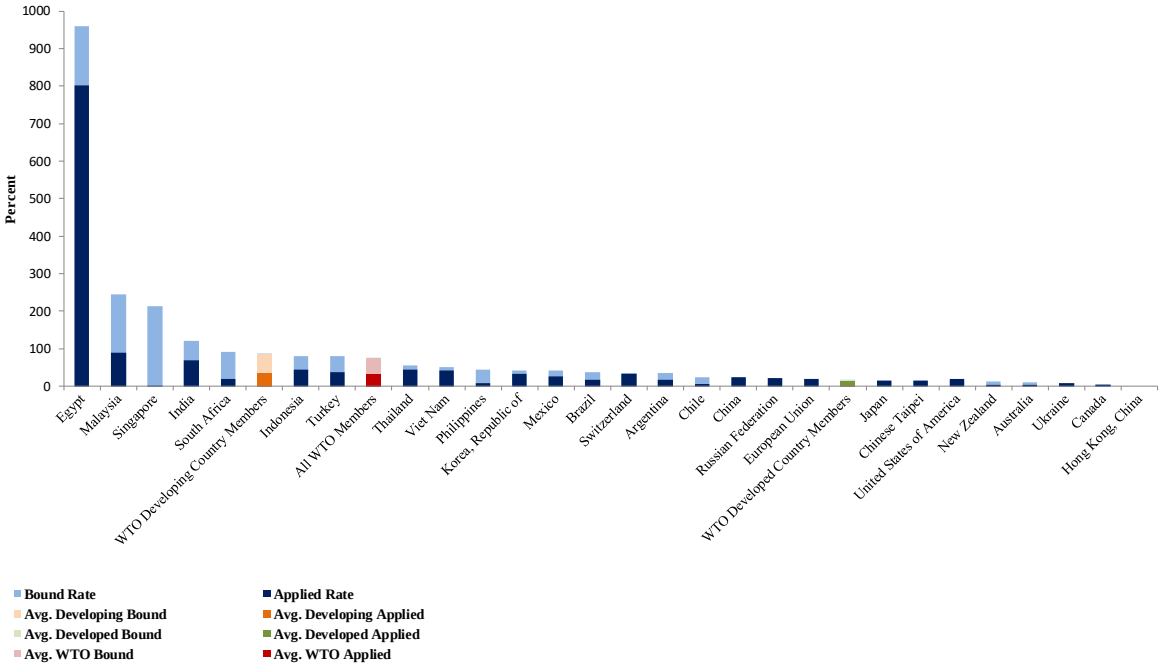
Figure 29: "Sugars and Confectionery" Bound and Applied MFN Rates, 2016



Beverages and Tobacco

1.38. In 2016, the "beverages and tobacco" product group accounted for approximately US$96.3 billion of global imports.[31] For the same year, developing Members, on average, had an applied rate higher than the average of developed Members (e.g., 35.5% vs. 14.8%) (Figure 30). The level of water was more pronounced for developing Members than developed Members with the average bound rate of 86.2% for developing Members compared to the bound rate of 18% for developed Members. Amongst the LATMs, the average applied rate for "beverages and tobacco" products was 52.8% and the average bound rate was 85.5%. Both the average applied rate and bound rate were the highest of any product group. These large trading Members imported US$89.4 billion, comprising 93% of all "beverages and tobacco" imports in 2016.

Figure 30: "Beverages and Tobacco" Bound and Applied MFN Rates for LATMs, 2016



1.39. Only a few Members applied "beverages and tobacco" tariffs at the bound level. Nine Members, (Myanmar, Brunei Darussalam, Singapore, Lesotho, Bangladesh, Egypt, Malaysia, Niger, and Nigeria), had water in their beverages and tobacco product tariffs exceeding 125 percentage points. Egypt had the highest applied rate (803%), followed by Fiji (137.1%) and Malaysia (90.1%) (Figure 32).

1.40. Developing Members had more water than developed Members. Of all the LATMs, Singapore, Egypt, Malaysia, and South Africa had the highest level of water. China; Hong Kong, China; the United States; European Union; and Russian Federation had no water. A comparison of the 2012 and 2016 applied tariff schedules of LATMs found that eight Members had changed their applied tariffs in this category, with changes affecting a total of 220 tariff lines; decreases occurred on lines with US$0.5 billion worth of average annual imports and increases occurred on lines with US$0.5 billion in average annual imports (Figure 31).[32] Brazil decreased the tariffs for a single line (wine) by 7 percentage points (potentially affecting US$0.3 billion worth of imports annually or 29% of its annual imports of "beverages and tobacco"). During the same period, it increased tariffs for 2 lines affecting mostly ethyl alcohol by an average of 20 percentage points (potentially affecting US$0.27 billion worth of imports annually or 28% of its annual imports of "beverages and tobacco" products).

[31] 2016 IHS GTA import value (accessed 20 July 2018). "Beverages and Tobacco" incorporates HS 2009, HS 2201-2208, HS Chapter 24.

[32] Figures do not include data from Viet Nam, which was not available at the time of the analysis.

Figure 31: Average Annual Value of Imports with Tariff Changes, "Beverages and Tobacco", 2012-2016

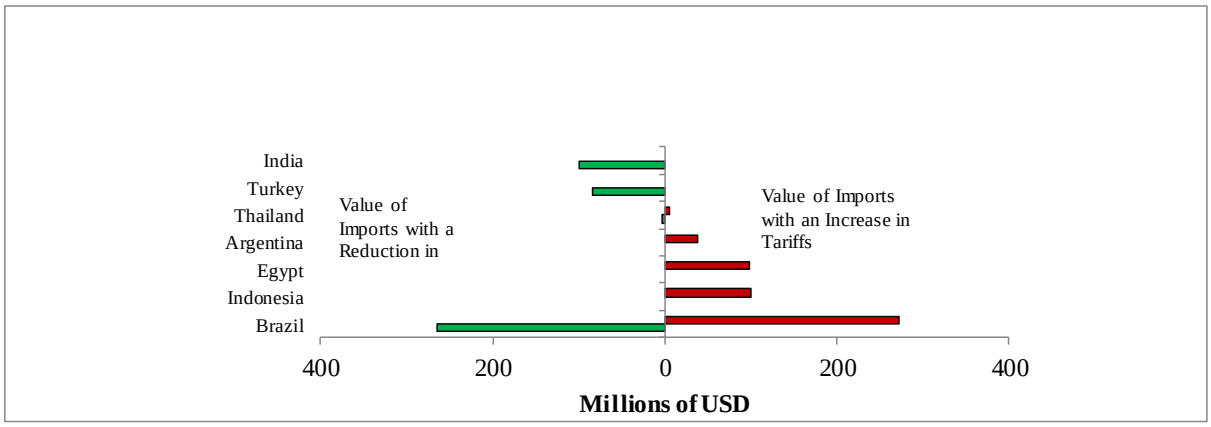
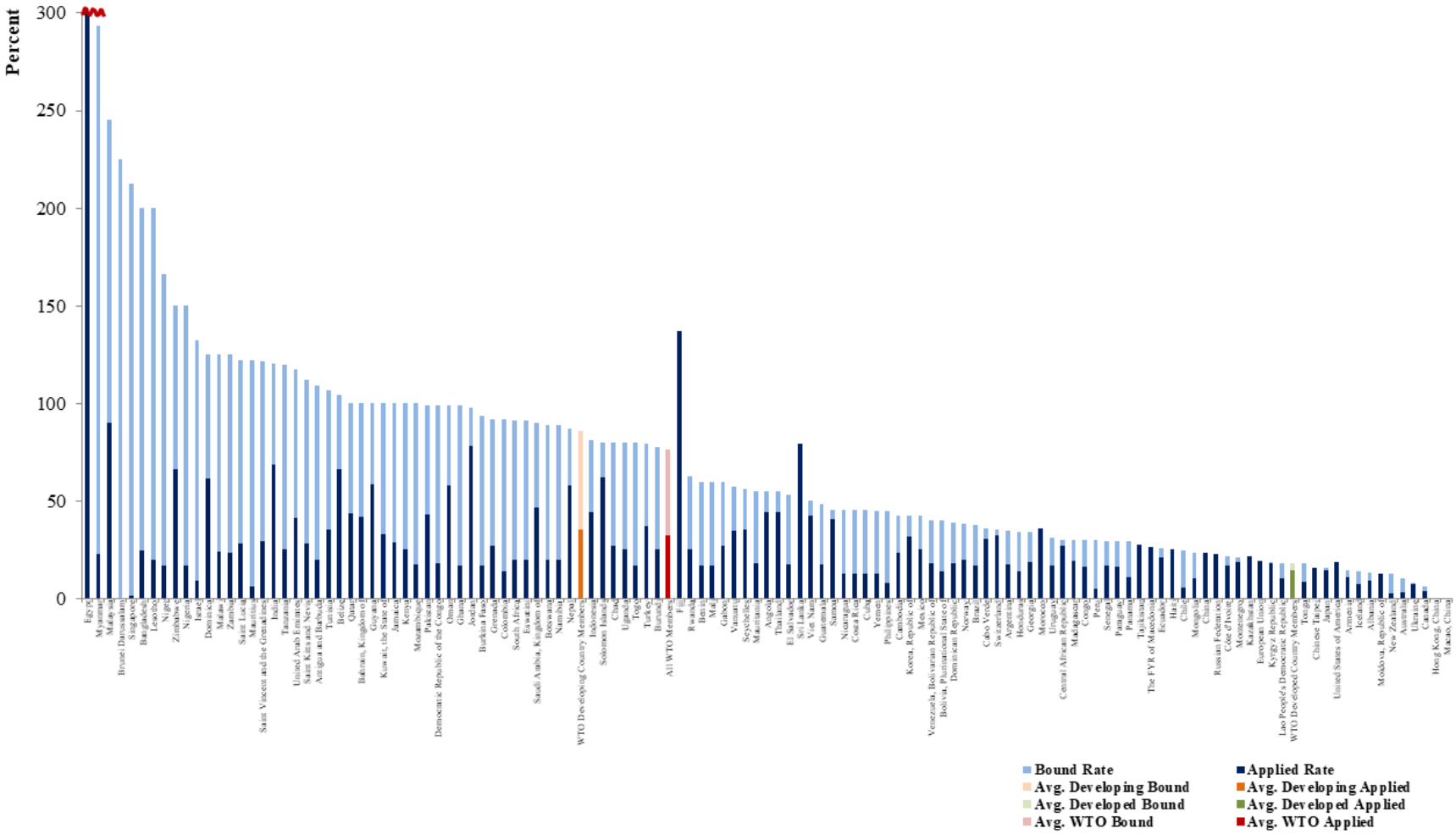


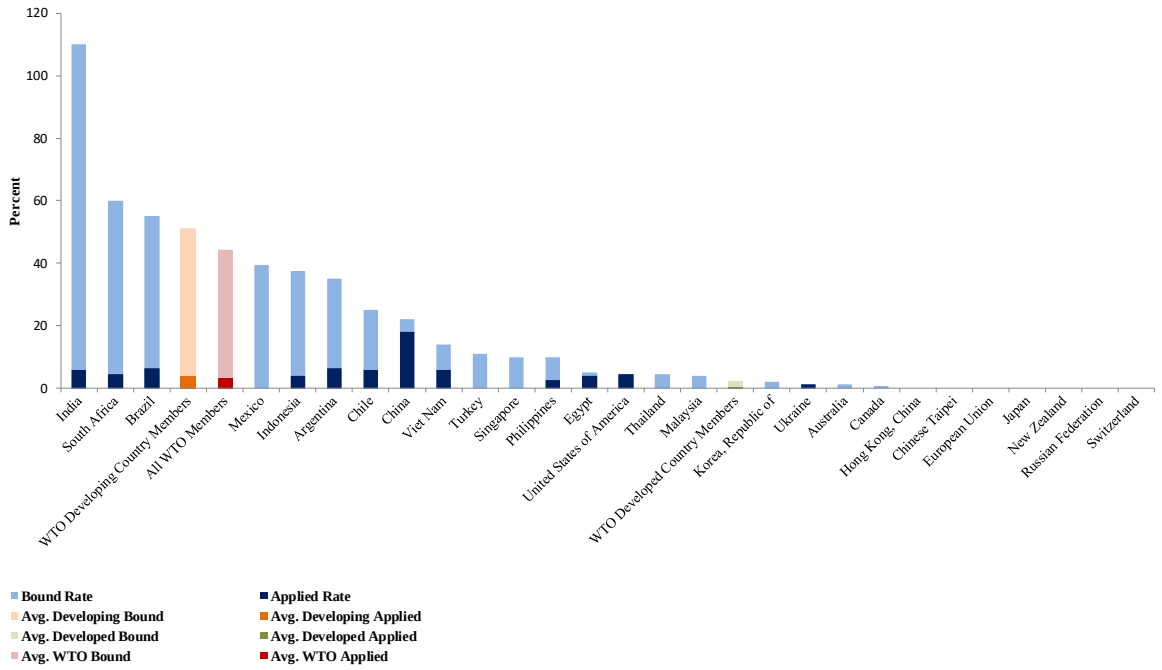
Figure 32: "Beverages and Tobacco" Bound and Applied MFN Rates, 2016



Cotton

1.41. In 2016, the "cotton" product group accounted for approximately US$9.2 billion of global imports, and was the least traded product group.[33] For the same year, developing Members, on average, had an applied rate slightly higher than the average of developed Members (e.g., 3.9% vs. 0.5%) (Figure 33). The level of water was more pronounced for developing Members than developed Members with the average bound rate of 51% for developing Members compared to the bound rate of 2.4% for developed Members. Amongst the LATMs, the average applied rate for "cotton" products was 2.6% and the average bound rate was 16.7%. Both the average applied rate and bound rate were the lowest of any product group. These large trading Members imported US$8.8 billion, comprising 95% of all "cotton" imports in 2016.

Figure 33: "Cotton" Bound and Applied MFN Rates for LATMs, 2016



1.42. Only a few Members applied "cotton" tariffs at the bound level. Three Members, (Lesotho, Bangladesh, and Nigeria) had water in their cotton product tariffs exceeding 125 percentage points. China had the highest applied rate (18%), followed by Zambia, Tajikistan, and Tonga (15%, all) (Figure 35).

1.43. Developing Members had more water than developed Members. Of all the LATMs, India, South Africa, Brazil, and Mexico had the highest level of water. Hong Kong, China; the United States; Ukraine; the European Union; Chinese Taipei; Japan; New Zealand; Switzerland; and Russian Federation had no water. A comparison of the 2012 and 2016 applied tariff schedules of LATMs found that only one Member, Brazil, had changed (decreased by 4 percentage points) the tariffs for 2 tariff lines affecting cotton with US$0.03 billion worth of annual imports.[34] In contrast to other product groups, "cotton" products were not as affected by changes in tariffs as other products (Figure 31).

[33] 2016 IHS GTA import value (accessed 20 July 2018). "Cotton" incorporates HS 5201-5203.
[34] Figures do not include data from Viet Nam, which was not available at the time of the analysis.

Figure 34: Average Annual Value of Imports with Tariff Changes, "Cotton", 2012-2016

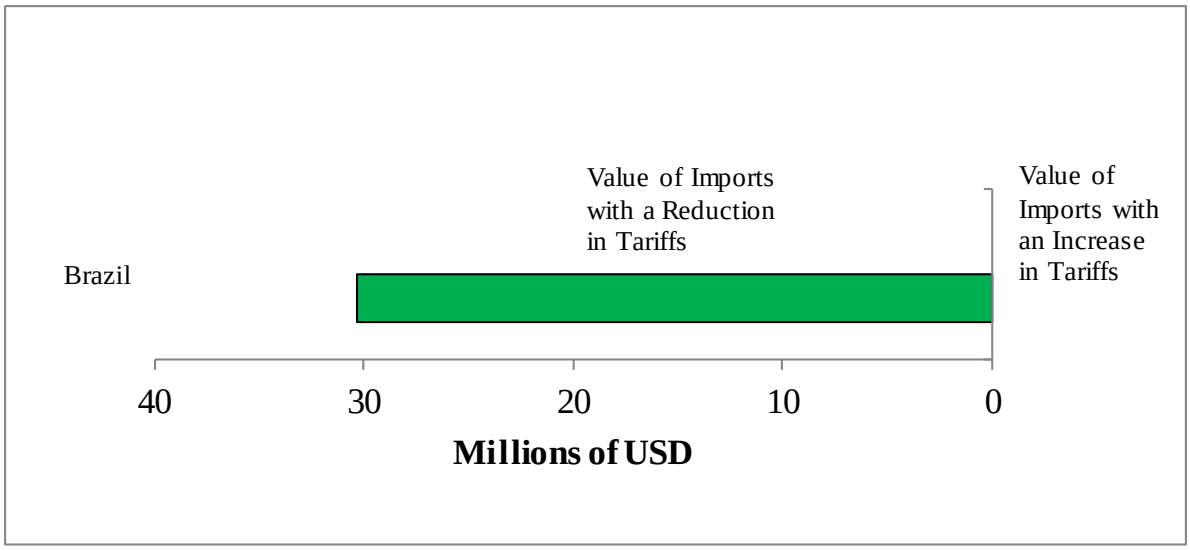
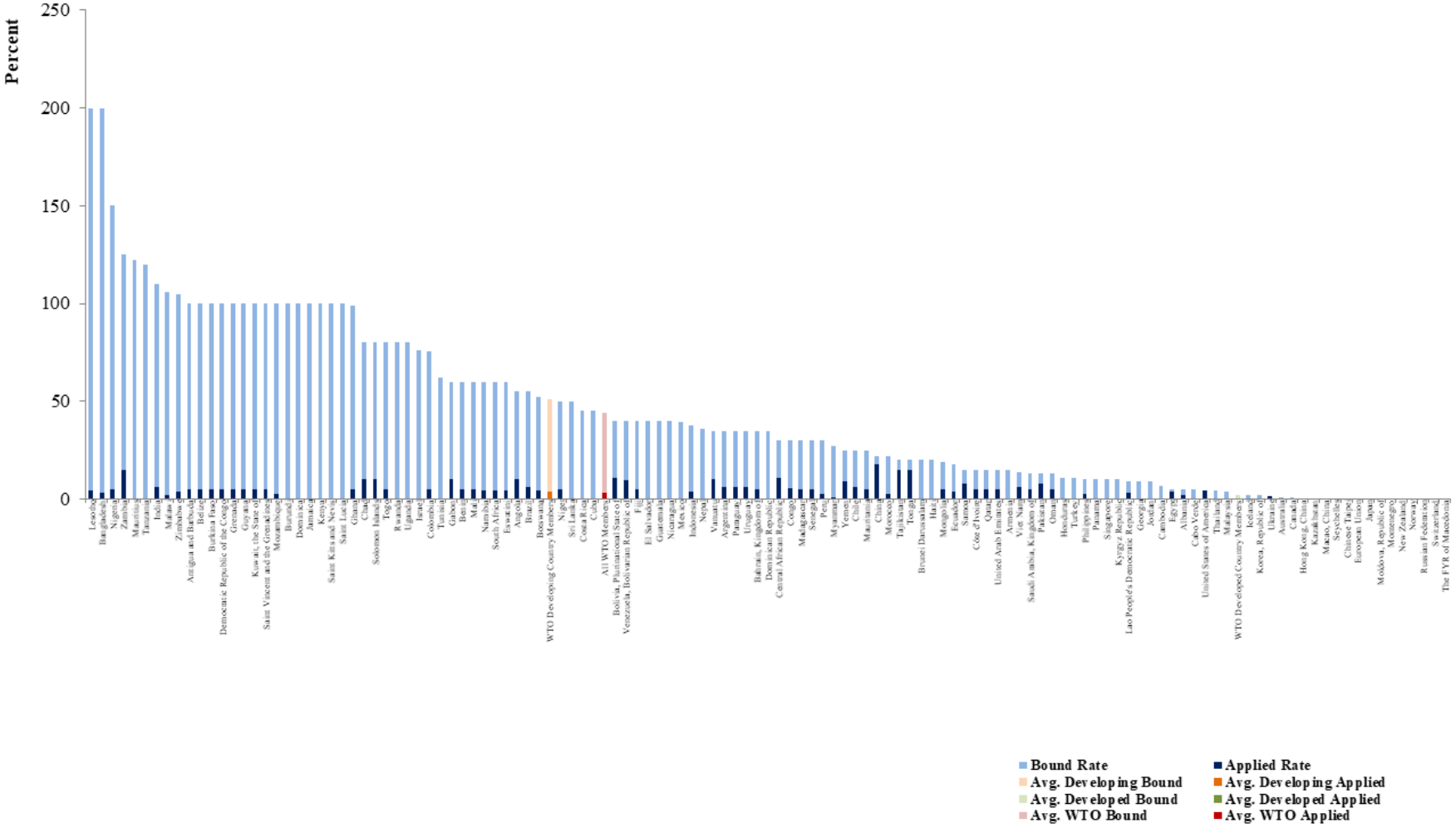


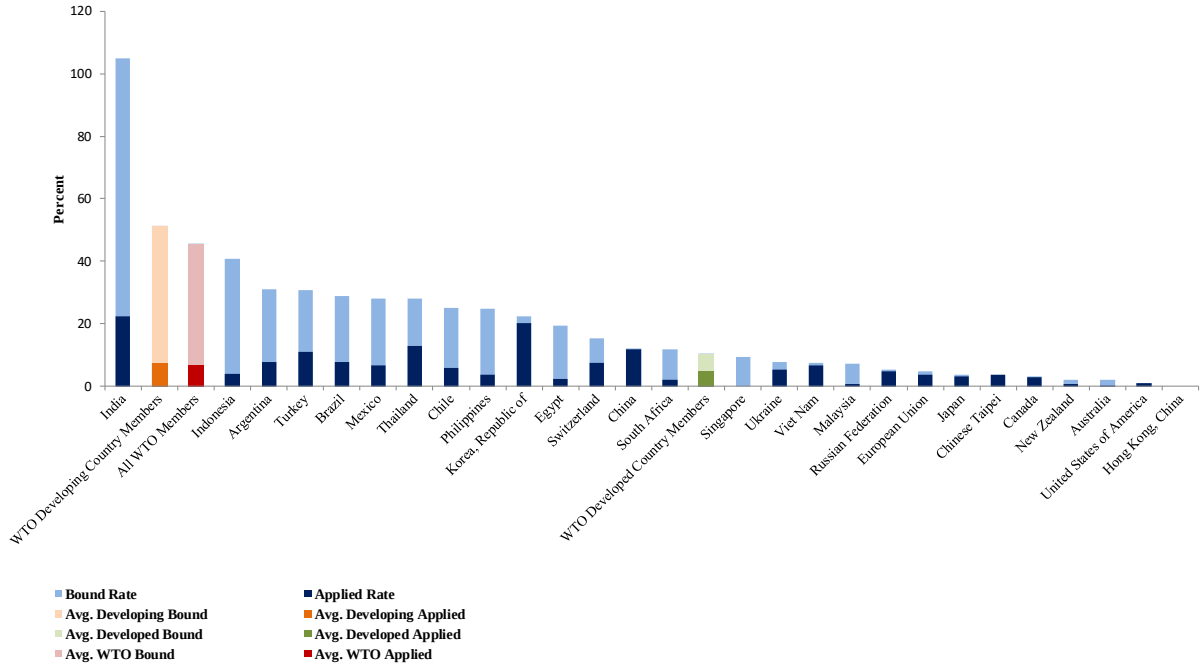
Figure 35: "Cotton" Bound and Applied MFN Rates, 2016



Other Agricultural Products

1.44. In 2016, the "other agricultural products" product group accounted for approximately US$60.3 billion of global imports.[35] For the same year, developing Members, on average, had an applied rate slightly higher than the average of developed Members (e.g., 7.5% vs. 4.7%) (Figure 36). The level of water was more pronounced for developing Members than developed Members with the average bound rate of 51.3% for developing Members compared to the bound rate of 10.4% for developed Members. Amongst the LATMs, the average applied rate for "other agricultural products" was 5.9% and the average bound rate was 17.8%. These large trading Members imported US$53.7 billion, comprising 89% of all "other agricultural product" imports in 2016.

Figure 36: "Other Agricultural Products" Bound and Applied MFN Rates LATMs, 2016



1.45. Only a few Members applied "other agricultural product" tariffs at the bound level, and three Members had water in their other agricultural product tariffs exceeding 125 percentage points. India had the highest applied rate (22.3%), followed by Tunisia (21.6%), Republic of Korea (20.3%), and Norway (19.8%) (Figure 38).

1.46. Developing Members had more water than developed Members. Of the LATMs, India, Indonesia, Argentina, and Mexico had the highest level of water. Hong Kong, China and Chinese Taipei had no water. While Japan, Canada, Russian Federation, China, and the United States had water of less than 1 percentage point. A comparison of the 2012 and 2016 applied tariff schedules of LATMs found that 12 Members had changed their applied tariffs in this category, with changes affecting a total of 230 tariff lines: decreases occurred on lines with US$1 billion worth of average annual imports and increases occurred on lines with US$0.5 billion worth of average annual imports.[36] Thailand decreased tariffs for 122 lines in this category (including animal feed and flours, meals, and pellets of meat) with an average decrease of 7 percentage points. The value of imports potentially affected was US$0.5 billion worth of imports annually (or 40% of Thailand's annual imports of "other agricultural products"). During the same period, Argentina increased tariffs for

[35] 2016 IHS GTA import value (accessed 20 July 2018). "Other Agricultural Products" incorporate HS Chapter 5 (except HS 0508, HS 051191), HS 0604, HS 0904-10, HS 1209-1210, HS 1212-1214, HS 1802, HS 230110, HS 2302-2303, HS 2307- 2309, HS 290543-290545, HS 3301, HS 3501-3505, HS 380910, HS 382460, HS 4101-4103, HS 4301, HS 5001-5003, HS 5101-5103, HS 5301-5302.

[36] Figures do not include data from Viet Nam, which was not available at the time of the analysis.

1 animal feed line by 12 percentage points. The tariff line encompassed US$0.05 billion worth of imports annually (or 16% of Argentina's annual imports of "other agricultural products") (Figure 37).

Figure 37: Average Annual Value of Imports with Tariff Changes, "Other Agricultural Products", 2012-2016

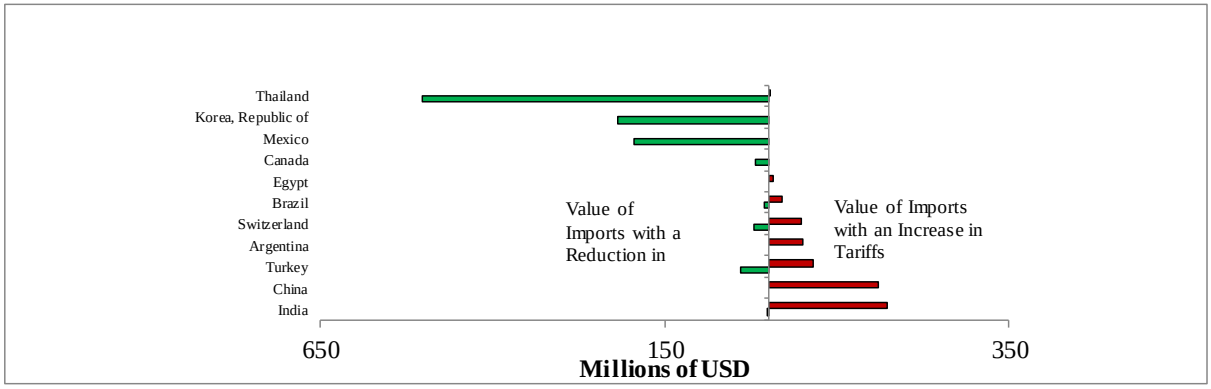


Figure 38: "Other Agricultural Products" Bound and Applied MFN Rates, 2016