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**Committee on Agriculture
Special Session**

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TARIFF IMPLEMENTATION ISSUES – TARIFF PEAKS

COMMUNICATION FROM THE UNITED STATES OF AMERICA

The following communication, dated 23 October 2019, is being circulated at the request of the delegation of the United States of America.

1.1. In July 2018, the United States of America submitted a formal communication to the World Trade Organization (JOB/AG/141) noting the need for more 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, tariff reductions have contributed to the welfare gains from trade in agriculture, and that locking-in tariff reductions for agriculture can contribute further to global welfare.

1.2. The US communication identified and provided summarized analysis in six areas of the market access pillar where further analysis of Members' current implementation of tariffs should be considered and discussed by Members in order to better understand Members' current tariff regimes. The areas included: (i) bound versus applied tariffs, (ii) complex tariffs, (iii) tariff peaks, (iv) issues with TRQs, (v) agricultural safeguards (SSGs), and (vi) regional/preferential trade agreements.

1.3. In this communication, the United States of America aims to provide a deeper understanding of the tariff treatment, primarily focusing on tariff peaks faced by Members using Members' submitted tariff schedules, WTO tariff profiles, and World Integrated Trade Solutions (WITS) data.¹ This analysis considers the distribution of tariff peaks by Member, product group², and development status³ with particular focus on the top 20 largest agricultural exporters and the top 20 largest agricultural importers in 2017.⁴

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

- Applied tariff schedules submitted to the WTO that are out of date;
- Several Members have never published any applied tariff schedule to the WTO;
- Absence of tariff concordance information for Members' tariff schedules;
- Lack of *ad valorem* equivalent (AVE) data for non-*ad valorem* tariffs, including complex tariffs;
- Tariffs applied and notified at different (HS) line levels for each Member;

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 Center, 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 2018 WTO World Tariff Profiles (page 32).

³ Development status is based on the WTO convention of self-designation.

⁴ The top 20 traders identified using by value, for 2017 according to IHS GTA (accessed 20 June 2018) include: Argentina; Australia; Brazil; Canada; Chile; China; Egypt; European Union; Hong Kong, China; India; Indonesia; Japan; Korea, Republic of; Malaysia; Mexico; New Zealand; Philippines; Russian Federation; Singapore; South Africa; Switzerland; Thailand; Turkey; Ukraine; United States of America and Viet Nam.

- Use of arbitrary letters or symbols to denote a tariff;
- Published tariff schedules containing rates different than corresponding schedules available on Members' official publication website(s).

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

1.6. The United States of America invites other Members to provide their views and own analysis.

Analysis

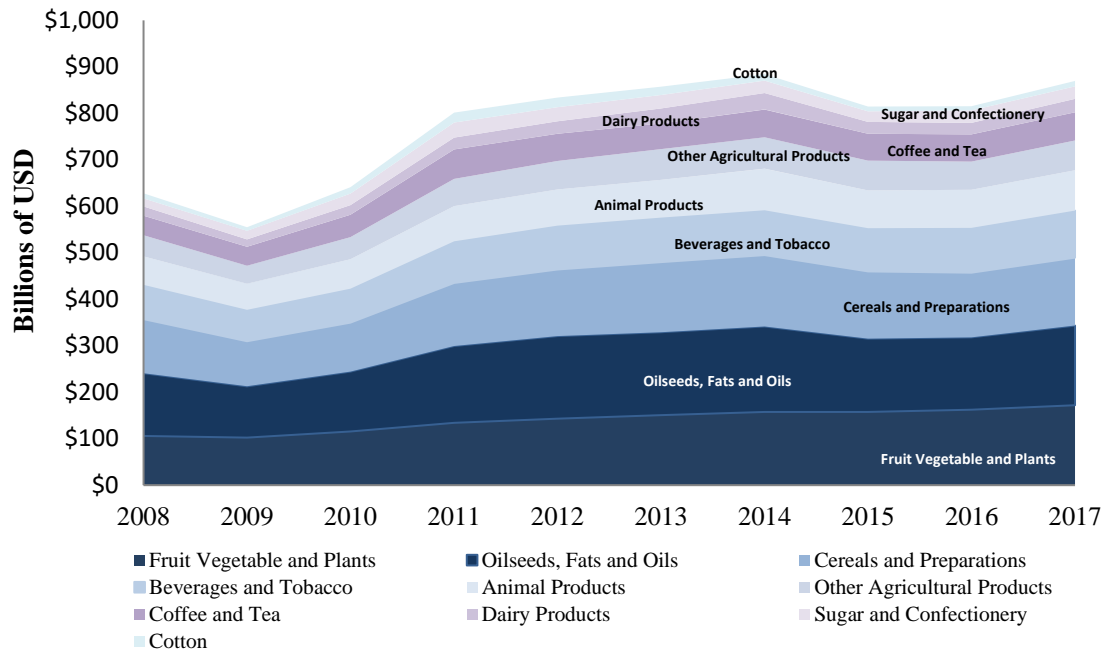
1.7. As a result of the Uruguay Round in 1995, the multiple Member accessions since the formation of the WTO, and the national tariff reforms in the last 20 years, average tariffs of many countries were reduced to relatively low levels. Along with the growth of regional trade agreements, there has been a widespread belief for a long time that tariffs are no longer a major problem for international trade, nor for the trade of developing countries. In 2017, the average applied rate for all WTO Members' agricultural tariff lines was 14.9%; a 10% decrease in applied agricultural tariffs over a 10-year period.⁵

1.8. However, these multilateral and unilateral reforms in bound and applied tariff rates have not been applied equally to all agricultural tariffs. WTO Members have continued to provide high levels of protection for certain, often sensitive, tariff lines at levels well in excess of the Members' average bound and applied tariff rates. These tariff peaks could negatively affect international trade in agriculture, including exports from developing countries, inhibiting the welfare gains that come from trade.

1.9. In 2017, the global value of imports of agricultural products totalled more than USD 869.5 billion.⁶ The figure represents a 7% growth (by value) from the previous year and 75% growth over a 10-year period. 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 USD 489.3 billion) of global imports by value in 2017. "Sugar and confectionary", "dairy products", and "cotton" were the least traded product groups in 2017, totalling approximately 7% (or USD 67.1 billion) of global imports.

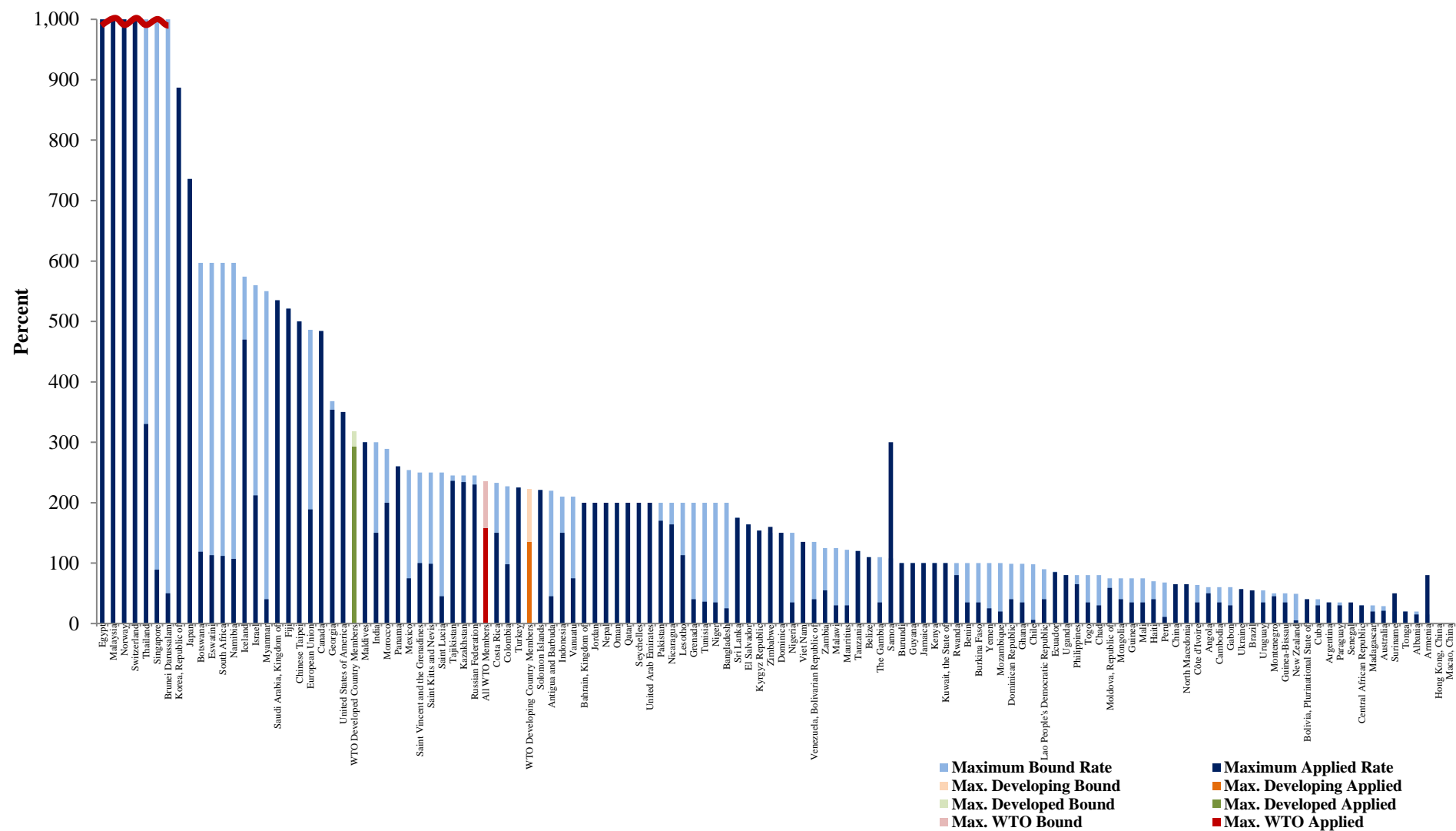
⁵ Data is available for 150 WTO Members only, including 28 member States of the European Union. WTO, World Tariff Profiles 2018, pages 14-19, https://www.wto.org/english/res_e/booksp_e/tariff_profiles18_e.pdf and WTO, World Tariff Profiles 2008, pages 8-13, https://www.wto.org/english/res_e/booksp_e/tariff_profiles08_e.pdf. AVE tariffs were included in calculating maximum and average bound and applied rates.

⁶ Data is based on 2007-2017 IHS GTA import figures (accessed 27 August 2018). As Viet Nam data was unavailable, world export data was used to determine the approximate value of imports going into Viet Nam.

Figure 1: Growth of Global Agricultural Imports, 2008-2017

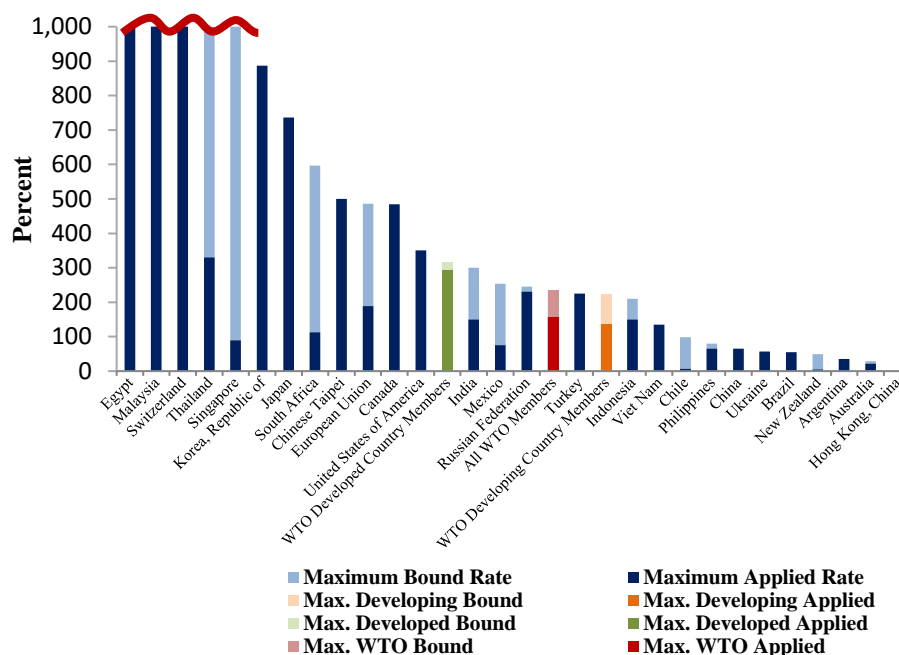
1.10. Despite the increasing agricultural trade, Members bound tariffs in agriculture can exceed more than 1,000% and some Members apply tariffs at a very high level across an entire sensitive sector. In 2017, amongst all WTO Members, 18 Members have bound tariffs that exceed 500% (Figure 2). Of these 18 Members, eight Members also apply tariffs in excess of 500% (Malaysia; Egypt; Switzerland; Norway; Korea, Republic of; Saudi Arabia, Kingdom of; Japan and Fiji). On average across all Members, the average maximum bound tariff is four times larger than the average bound tariff (i.e., 235% versus 55%) and the average maximum applied rate is almost 11 times higher than the average applied rate tariff (i.e., 157% versus 14.9%). Developed Members, having an applied rate of 292% and an average maximum bound rate of 317%, have significantly higher maximum rates than developing countries that have an average maximum applied rate of 135% and an average maximum bound rate of 222%.

Figure 2: Maximum Bound and Applied MFN Rates, 2017



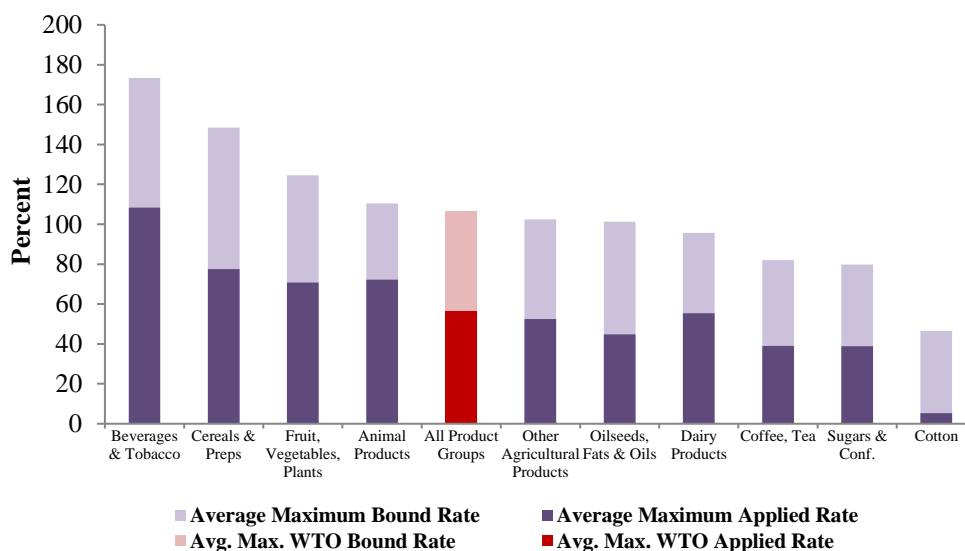
1.11. Of the largest importing and exporting Members of agricultural products, the average maximum bound rate of 403% was not only well in excess of their average bound rate of 33%, but significantly higher than the developed, developing, and WTO Member average maximum bound rates as well. Eight of the top agricultural trading economies have bound rates above 500%.⁷ Argentina and Hong Kong, China were the only countries where the average maximum bound rates were close to the average bound rates. Similarly, the average maximum applied rate for the largest agricultural trading economies of 294% was much higher than their average applied rate of 4.8%, as well as the developing and WTO Member average maximum applied rates. Five of the top agricultural trading economies have applied rates above 500%. Egypt, Malaysia and Switzerland have maximum agricultural applied rates above 1,000%. While the Republic of Korea and Japan have maximum applied rates of 837% and 736%, respectively (Figure 3).

Figure 3: Maximum Bound and Applied MFN Rates, LATMs, 2017



1.12. The agricultural product groups with the highest maximum bound and applied rates among all WTO Members are beverage and tobacco products, followed by cereals and preparations, fruits, vegetables, and plants, animal products and dairy products. For example, Republic of Korea cereals and vegetable products (namely ginseng and cassava) exceed 800%, Japanese rice exceeds 600%, Canadian animal and dairy products exceed 400%, and US tobacco products, and EU sugar beets exceed 300%. Only "cotton" had an average maximum applied rate below 25% (Figure 4).

⁷ These countries include Egypt; Korea, Republic of; Malaysia; Singapore; South Africa; Thailand; Japan and Switzerland.

Figure 4: Maximum Bound and Applied MFN Rates by Product Group, All Members, 2017

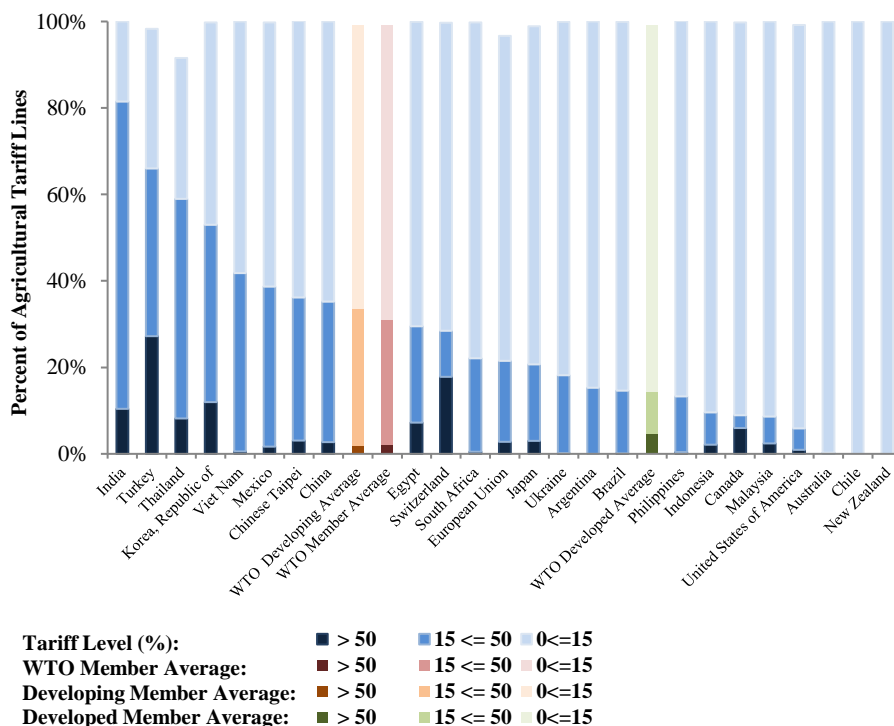
1.13. Tariffication of former quantitative restrictions and similar non-tariff protection measures resulted in extremely high rates for MFN trade. Some of the tariff lines with the highest bound and applied tariffs are out of quota rates for tariff rate quotas (TRQs) that were created to safeguard traditional trade flows while creating new minimum access opportunities for the trade of all WTO Members. Although these TRQs do create new trading opportunities, generally, the volume of the tariff quotas is too limited to provide for the intended outcome.⁸

1.14. In addition to the range of the tariff levels, the frequency of tariffs over 50% is another factor that needs further examination. In 2017, applied tariffs over 50%, on average, made up approximately 2.2% of all WTO Members' agricultural tariff lines, accounting for 3% of all agricultural imports. For developing Members, applied tariffs over 50%, on average, made up 1.8% of their agricultural tariff lines and accounted for 2.9% of their agricultural imports. For developed Members, applied tariffs over 50% made up 4.7% of their agricultural tariffs and accounted for 4.1% of their agricultural imports. When considering the largest trading agricultural economies, applied tariffs over 50% on agricultural goods made up 4% of the agricultural tariff lines and accounted for 5% of their agricultural imports (Figure 5).^{9,10}

⁸ UNCTAD/WTO Joint Study, TD/B/COM.1/14/Rev.1, 28 January 2000
<https://unctad.org/en/docs/c1d14r1.en.pdf>.

⁹ Data is available for 150 WTO Members only, including 28 member States of the European Union. WTO, World Tariff Profiles 2018, https://www.wto.org/english/res_e/booksp_e/tariff_profiles18_e.pdf.

¹⁰ The tariff frequency distribution of several Members does not add up to 100%, as shown in the WTO World Tariff Profiles calculations. The causes for these small discrepancies are not clear.

Figure 5: Percent of Agricultural Lines per Applied Tariff Level, LATMs, 2017

1.15. While these numbers may seem insignificant, in 2017, the import value of 5% of agricultural products coming into top agricultural trading economies was approximately USD 33.4 billion.¹¹ Additionally, the WTO definition of high tariff or "tariff peak"¹² encompasses a broader range of tariffs that significantly increase the tariff lines and value of imports affected. Under such definition, in 2017, applied tariffs considered tariff peaks, on average, made up approximately 31.2% of all WTO Members agricultural tariff lines and accounted for 26.5% of all agricultural imports. For developing Members, tariff peaks, on average, made up 34% of their agricultural tariff lines and accounted for 28.2% of their agricultural imports. While for developed Members, tariff peaks made up 14.4% of their agricultural tariffs and accounted for 16.9% of their agricultural imports (Figure 6). When considering the largest trading agricultural economies, tariff peaks on agricultural goods made up 24% of the agricultural tariff lines and accounted for 18% (or USD 120.2 billion) of the group's agricultural imports.¹³ It is important to point out that the import value may include goods entering at a lower or duty free rate under a preferential or free trade agreement, General System of Preferences (GSP), or other reducing tariff mechanism.

Conclusion

1.16. In its attempt to provide a deeper understanding of the tariff treatment faced by Members, the United States of America has found that tariff peaks are prevalent in all major agricultural product groups (with an exception of cotton). In addition, tariff peaks can be found in both developed and developing Members, large and small trading economies. The tariff range is larger for developed Members and large trading economies than most developing Members and small trading economies. The same can be said in regards to the frequency of tariffs above 50%. When considering the WTO definition of "tariff peaks" however, developing Members and large agricultural trading economies have higher frequency of tariff peaks than developed Members and small trading economies.

¹¹ GTIS.

¹² The WTO defines a "tariff peak" as relatively high tariffs, usually on "sensitive" products, amidst generally low tariff levels. For industrialized countries, tariffs of 15% and above are generally recognized as "tariff peaks" (https://www.wto.org/english/thewto_e/glossary_e/tariff_peaks_e.htm).

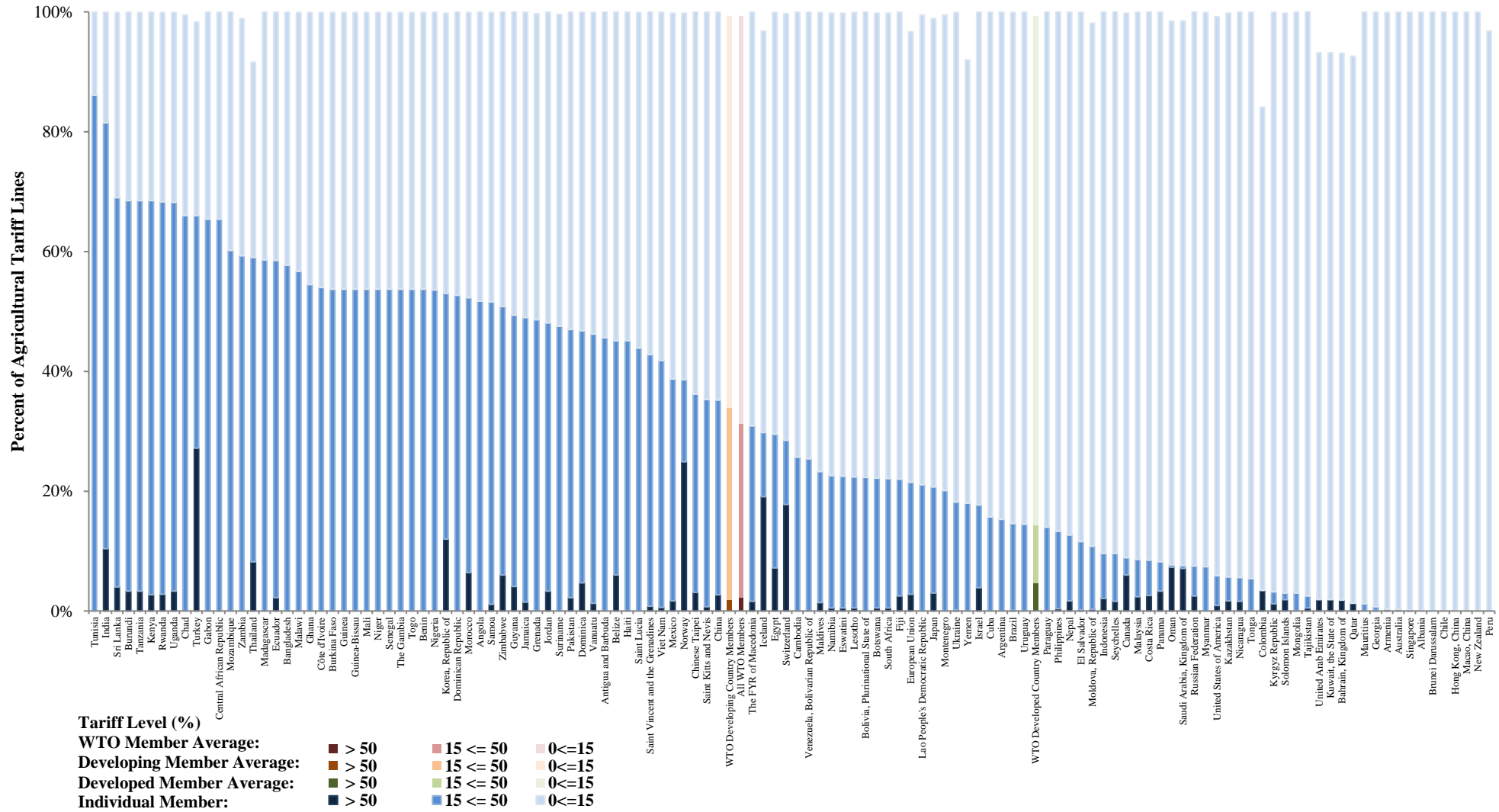
¹³ GTIS.

1.17. Improving access to customers contributes to the likelihood that farmers get better prices for their products and in turn the more production they can undertake. Similarly, expanding access to more producers benefits consumers who have more choice and competition when seeking supplies. More open markets contribute to greater productive efficiencies, particularly for value chains, and foster competition that spurs investment and technological innovation.

1.18. The United States of America again notes the issues of transparency as specified in the beginning of the paper. It requests the Secretariat to continue compiling information noted in this submission and Members to ensure that all WTO notifications relevant to market access are up to date and consider what other data could improve Members' knowledge.

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

Figure 6: Percent of Agricultural Lines per Tariff Level for all WTO Members, 2017



APPENDIX

Animal Products

Figure 7: Maximum Bound and Applied MFN Rates, LATMs, 2017

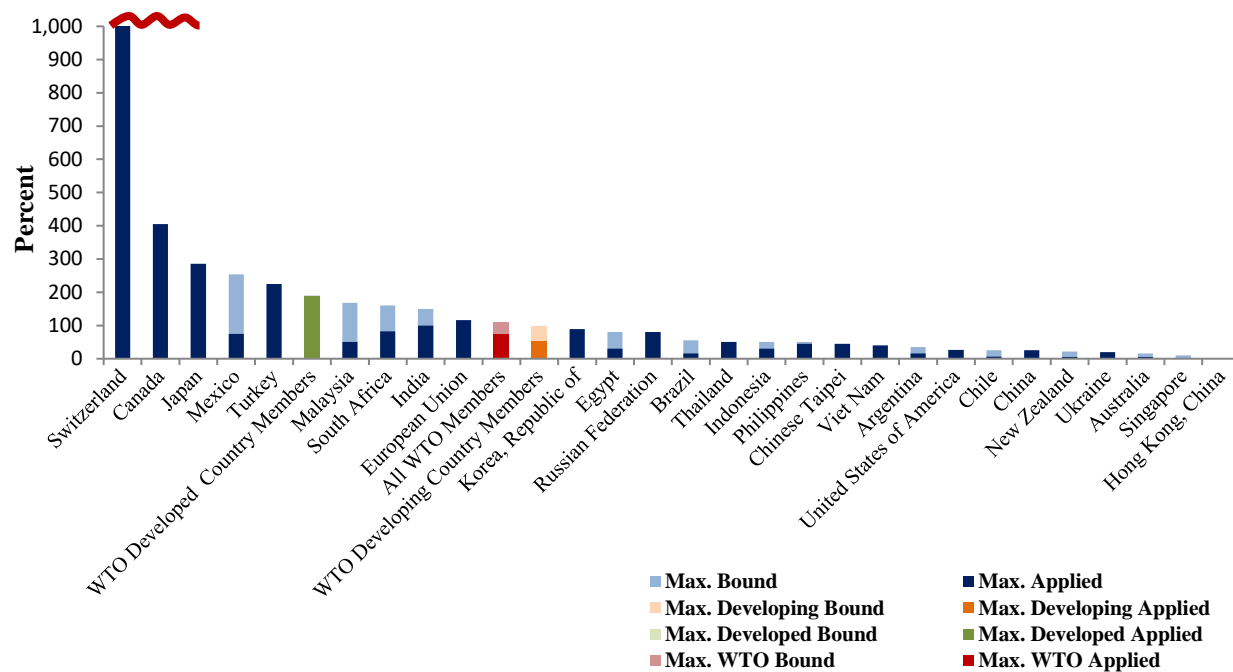
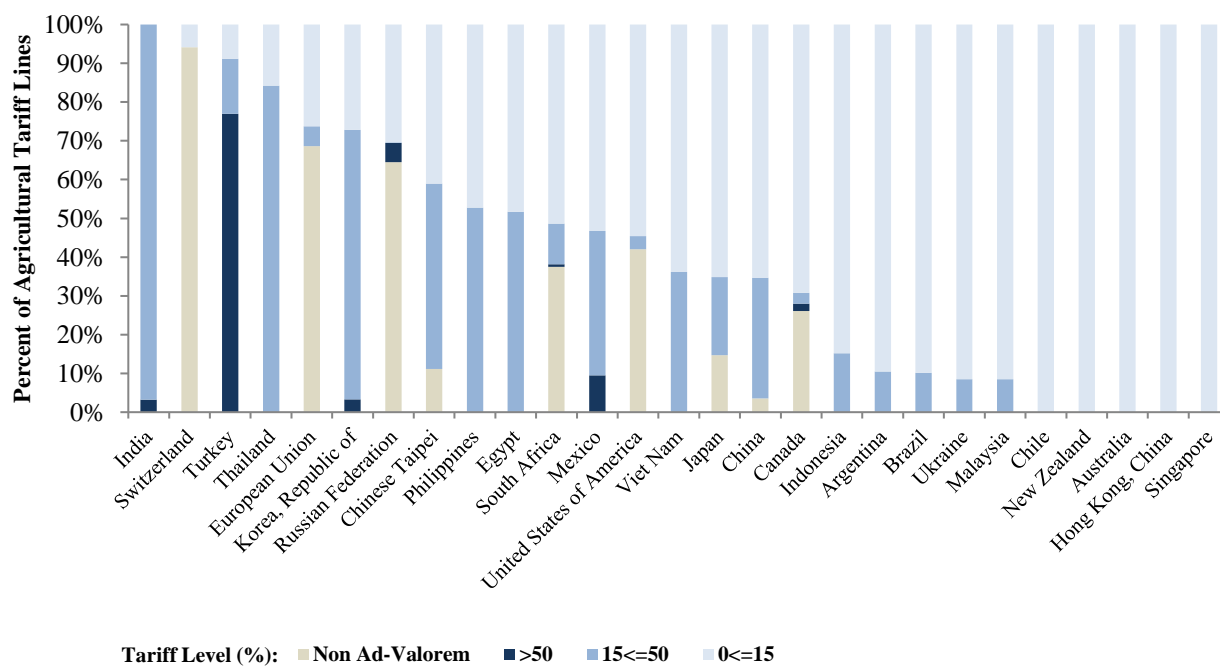
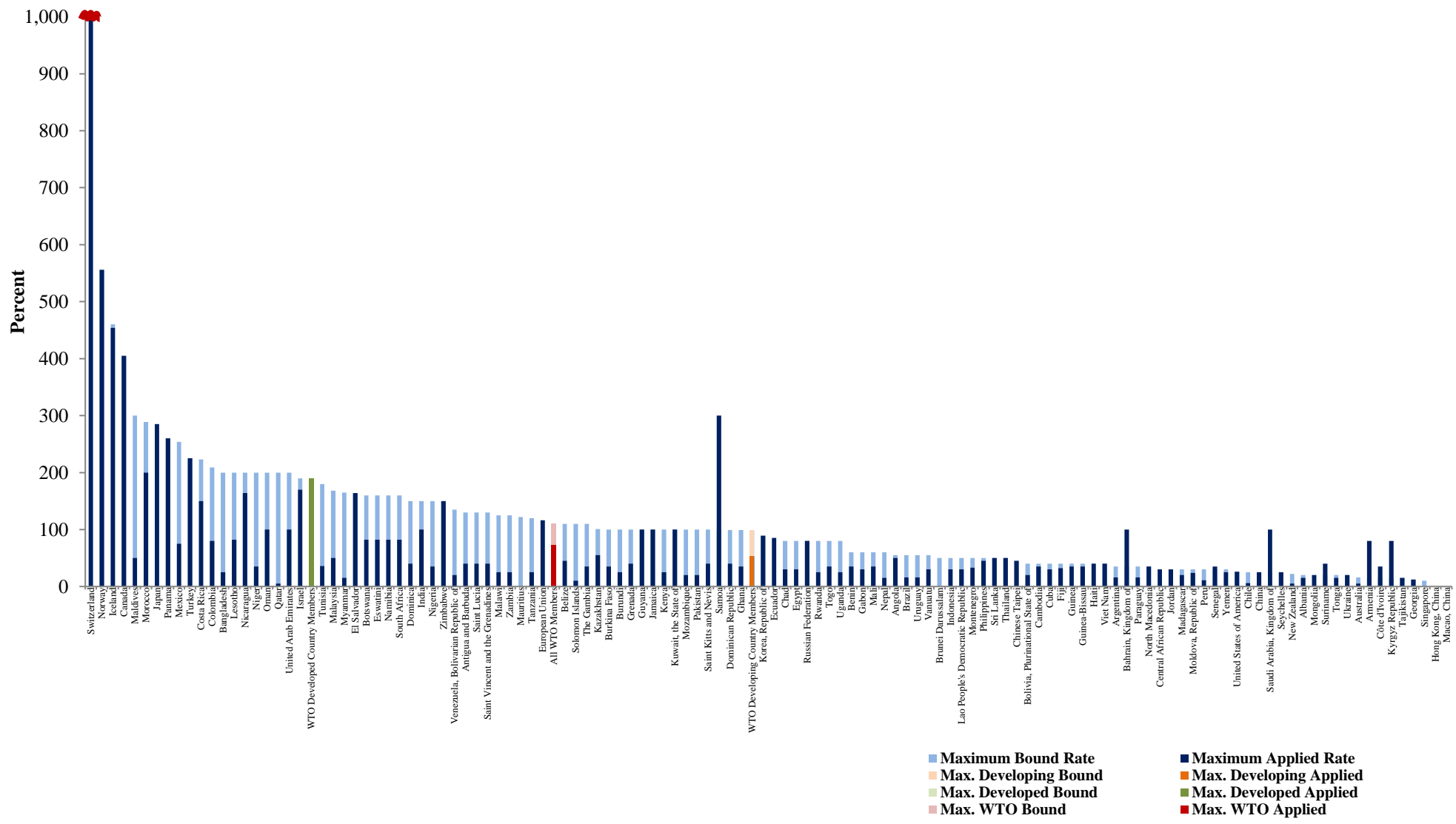


Figure 8: Percent of Agricultural Lines (HS-8 Level) per Tariff Level for LATMs, Animal Products, 2017



Note: Duty-free non-Ad Valorem (NAV) rates are counted as AV rates for analytical purposes.
Source: Members' Applied Schedules.

Figure 9: Maximum Bound and Applied MFN Rates, Animal Products, 2017



Dairy Products

Figure 10: Maximum Bound and Applied MFN Rates, LATMs, Dairy Products, 2017

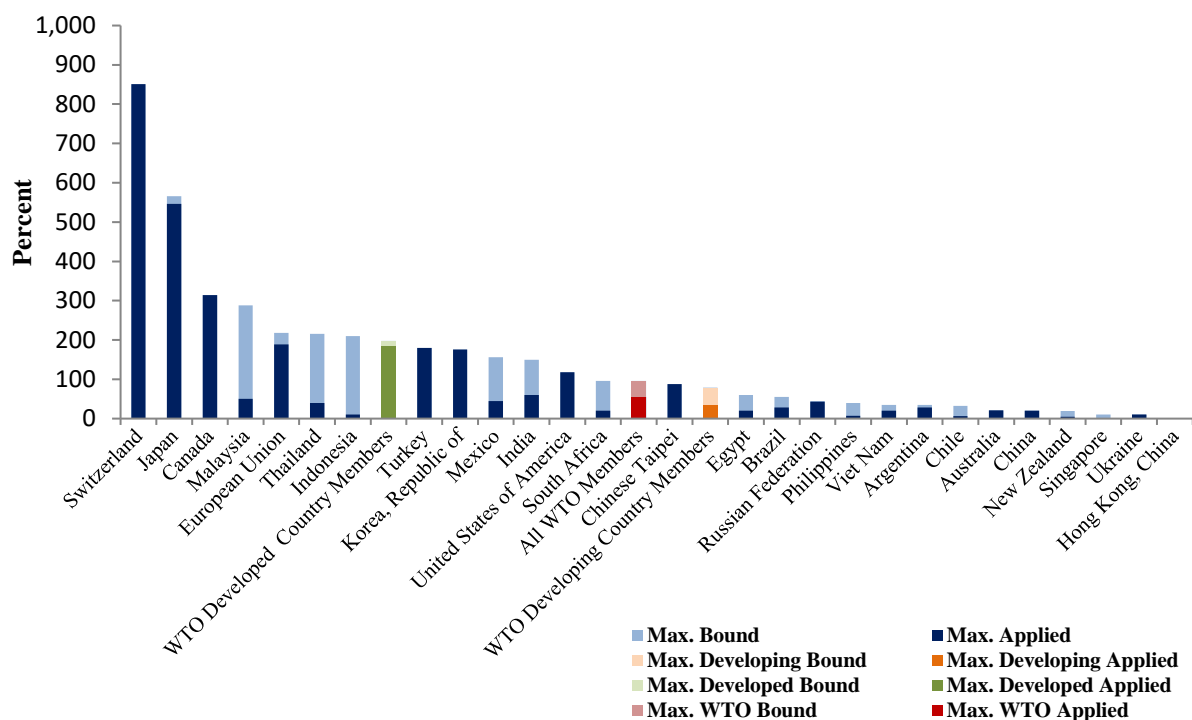
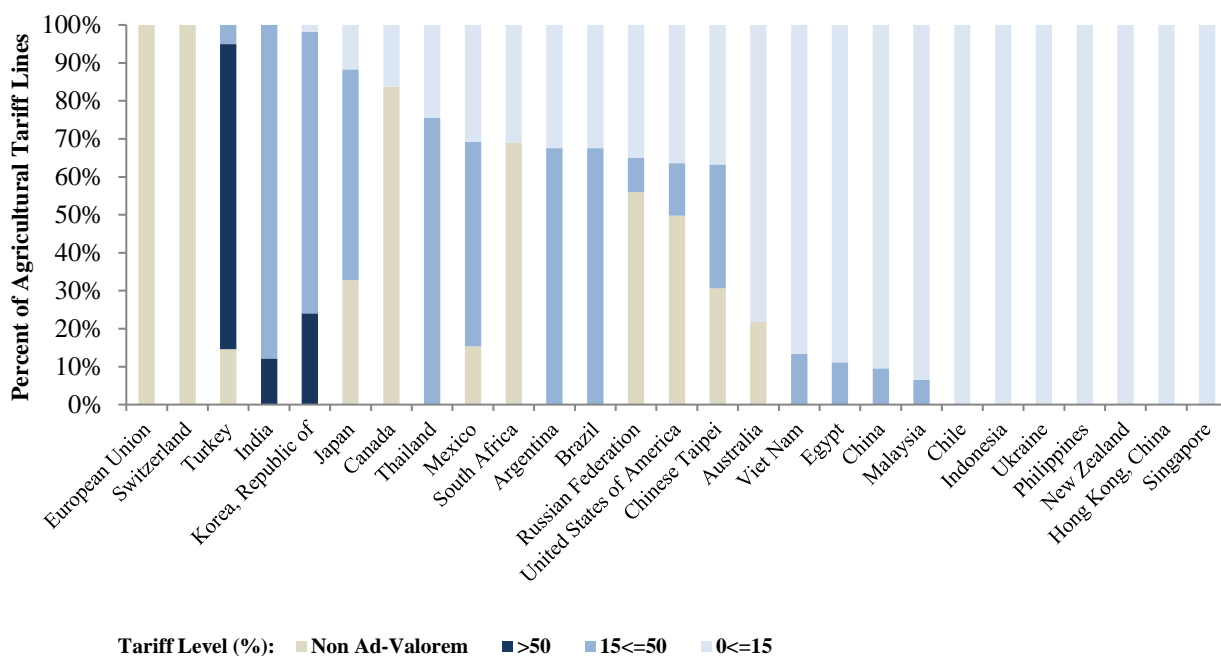
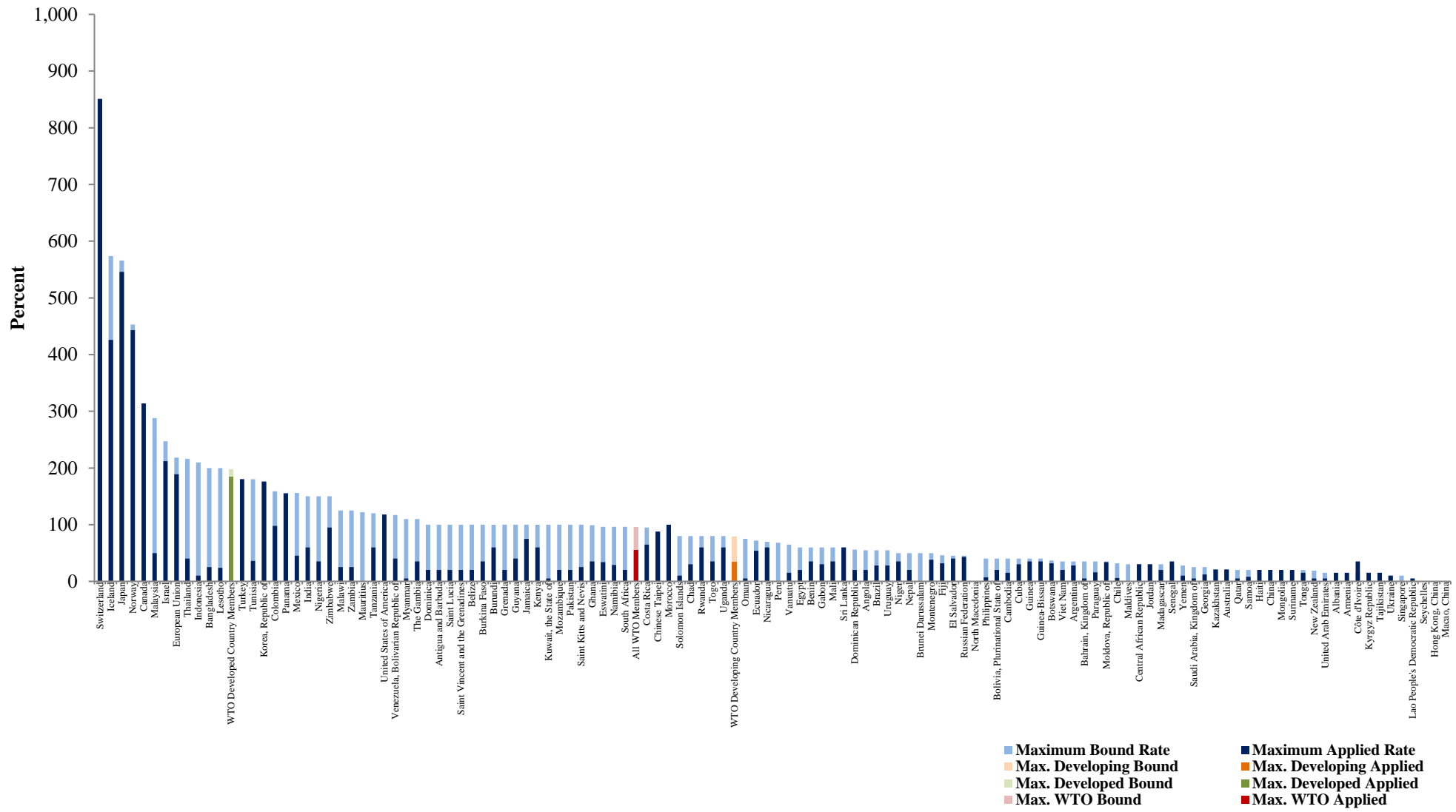


Figure 11: Percent of Agricultural Lines (HS-8 Level) per Tariff Level for LATMs, Dairy Products, 2017



Note: Duty-free non-*Ad Valorem* (NAV) rates are counted as AV rates for analytical purposes.
Source: Members' Applied Schedules.

Figure 12: Maximum Bound and Applied MFN Rates, Dairy Products, 2017



Fruit, Vegetables and Plants

Figure 13: Maximum Bound and Applied MFN Rates, LATMs, Fruits, Vegetables and Plants, 2017

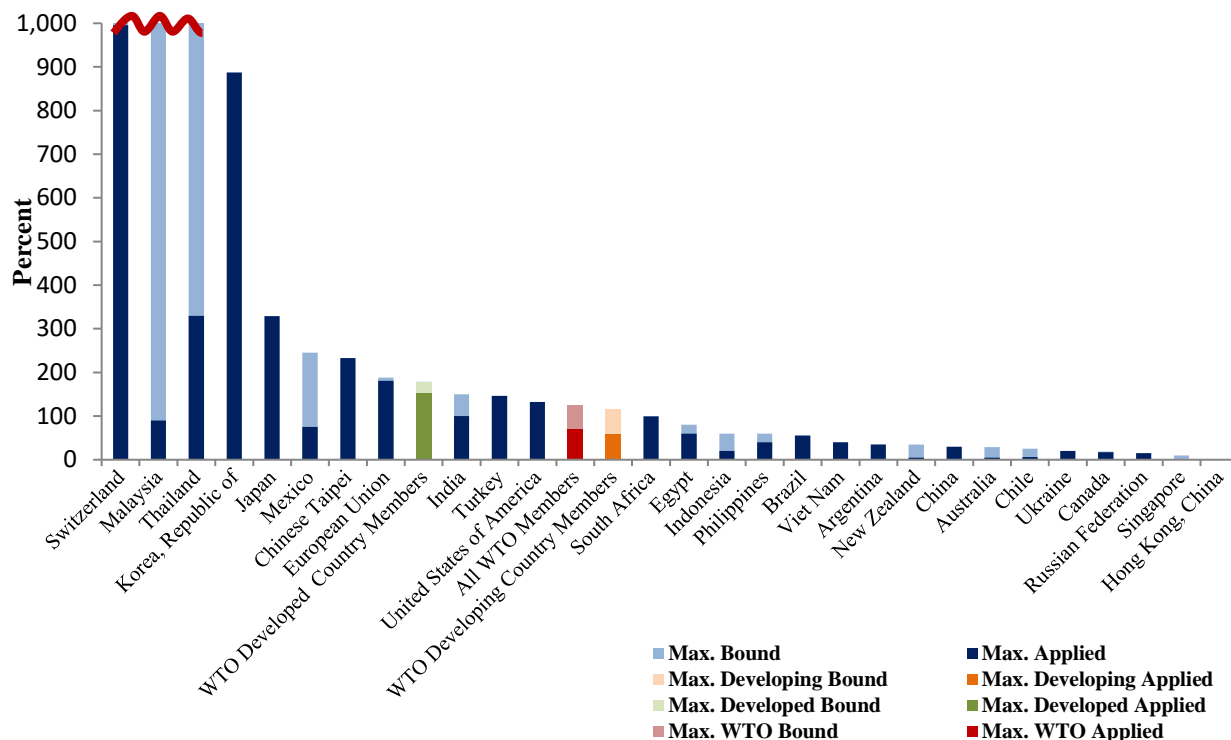
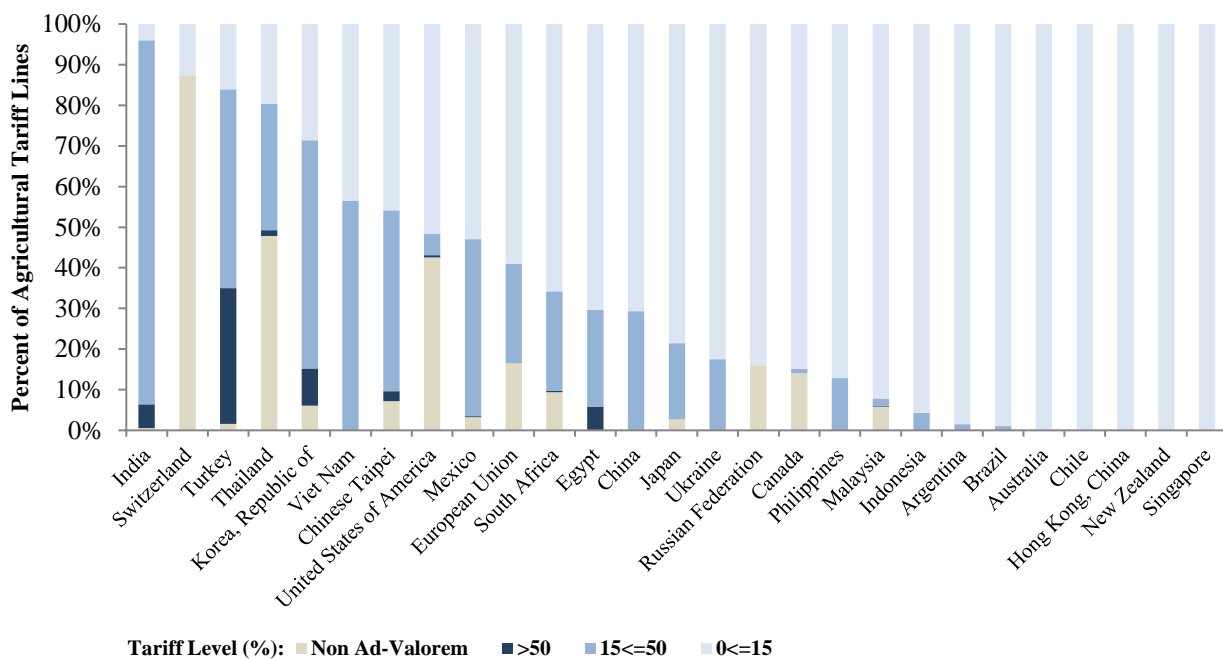


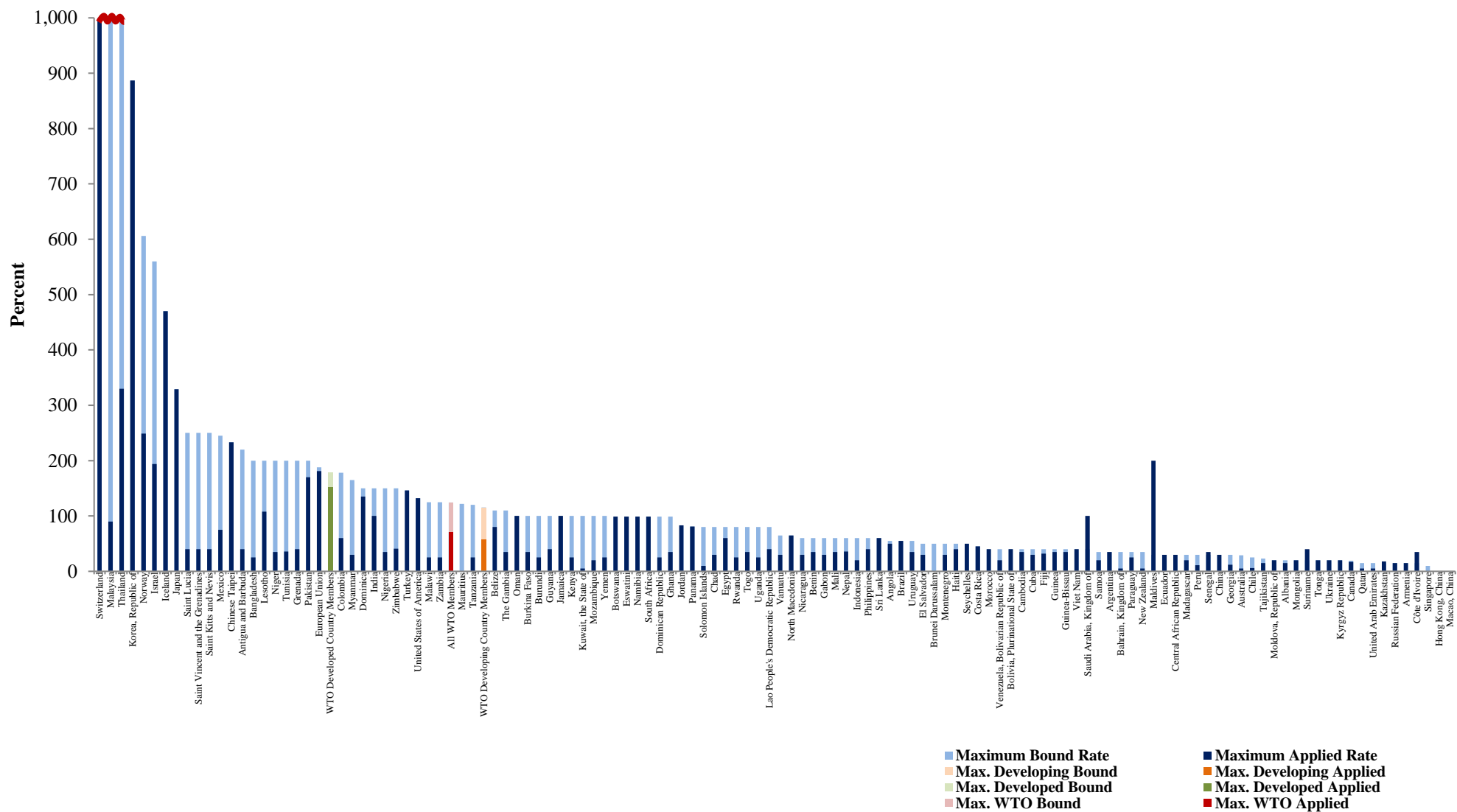
Figure 14: Percent of Agricultural Lines (HS-8 Level) per Tariff Level for LATMs, Fruit, Vegetables and Plants, 2017



Note: Duty-free non-Ad Valorem (NAV) rates are counted as AV rates for analytical purposes.

Source: Members' Applied Schedules.

Figure 15: Maximum Bound and Applied MFN Rates, Fruits, Vegetables and Plants, 2017



Coffee and Tea

Figure 16: Maximum Bound and Applied MFN Rates, LATMs, Coffee and Tea, 2017

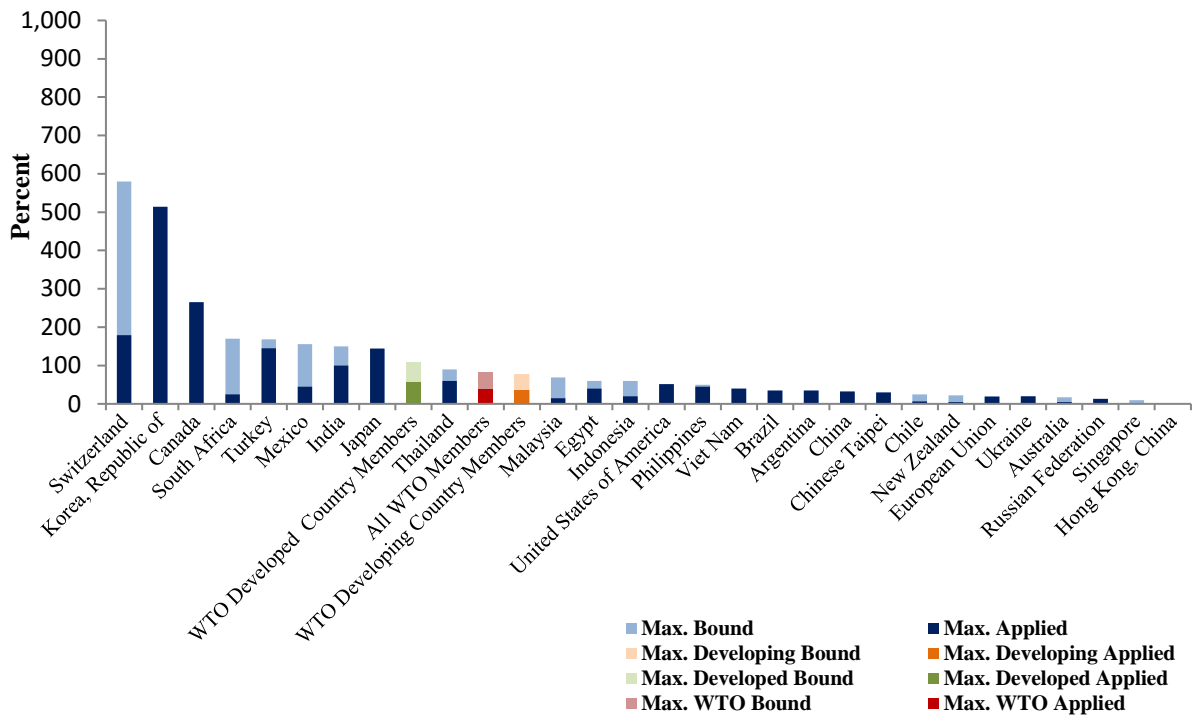
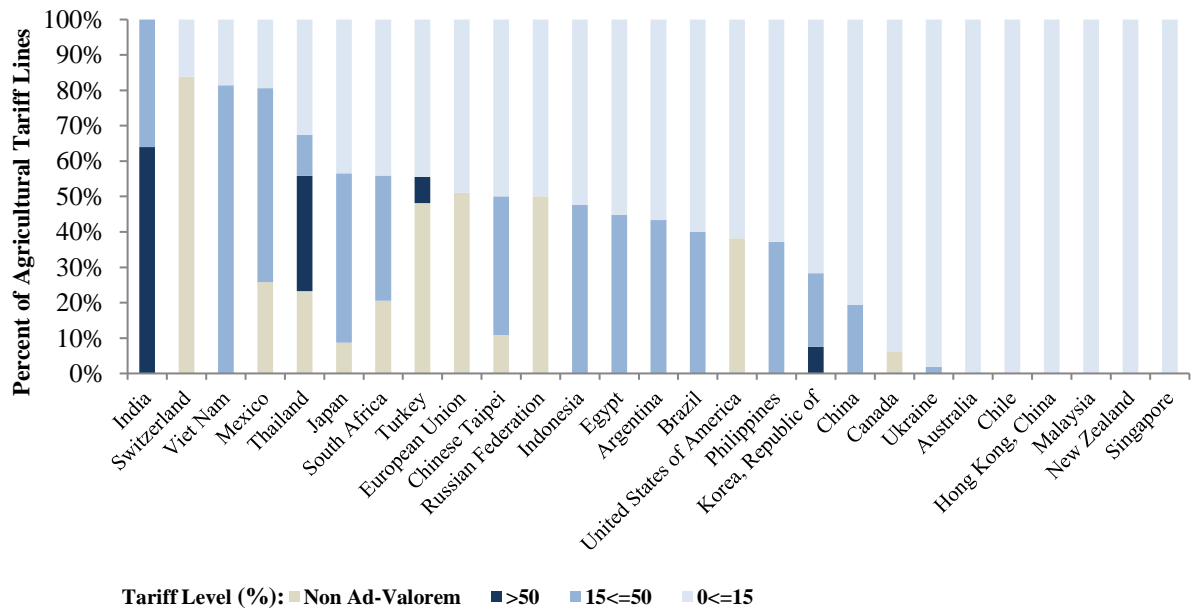
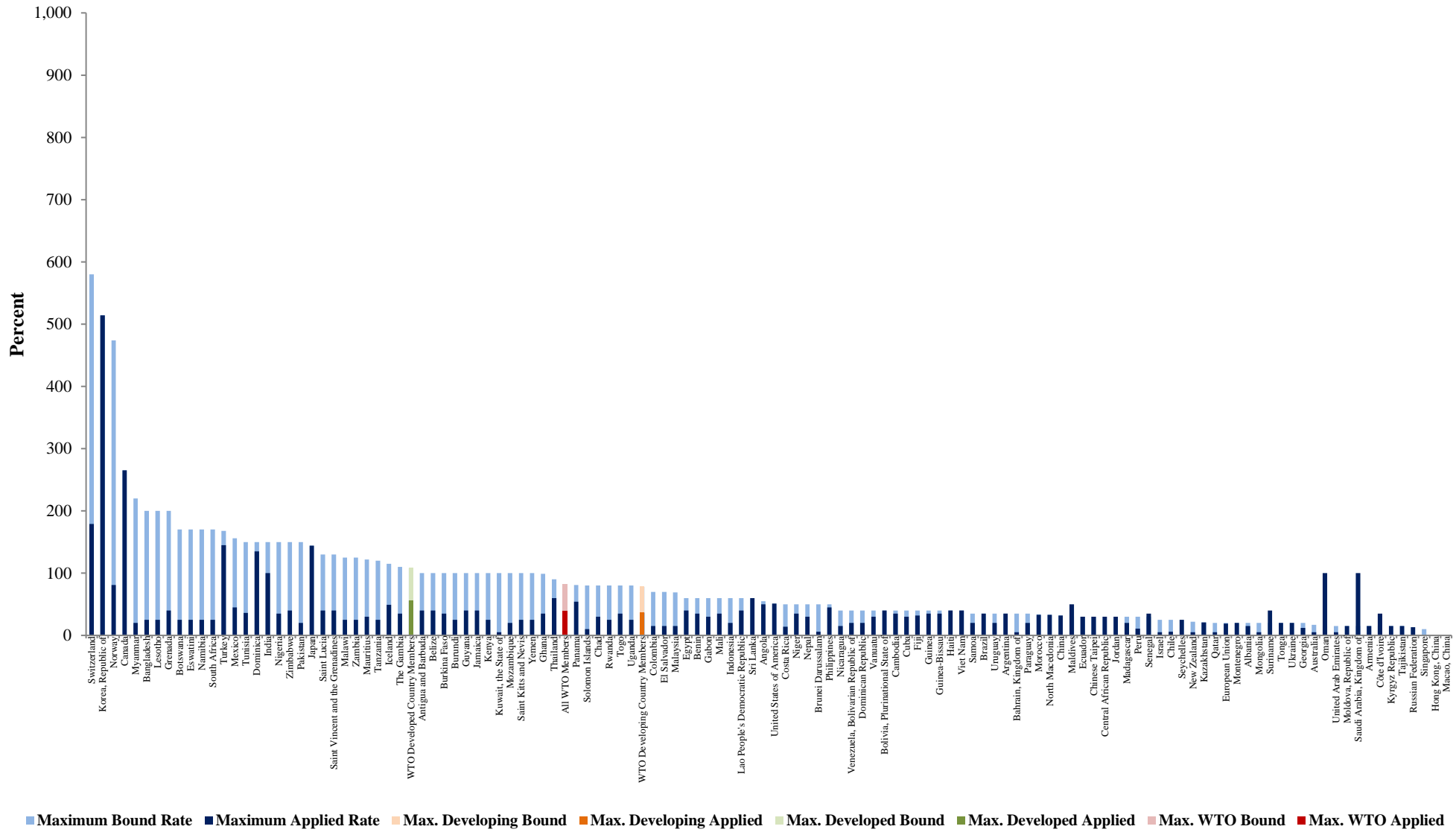


Figure 17: Percent of Agricultural Lines (HS-8 Level) per Tariff Level for LATMs, Coffee and Tea, 2017



Note: Duty-free non-Ad Valorem (NAV) rates are counted as AV rates for analytical purposes.
Source: Members' Applied Schedules.

Figure 18: Maximum Bound and Applied MFN Rates, Coffee and Tea, 2017



Cereals and Preparations

Figure 19: Maximum Bound and Applied MFN Rates, LATMs, Cereals and Preparations, 2017

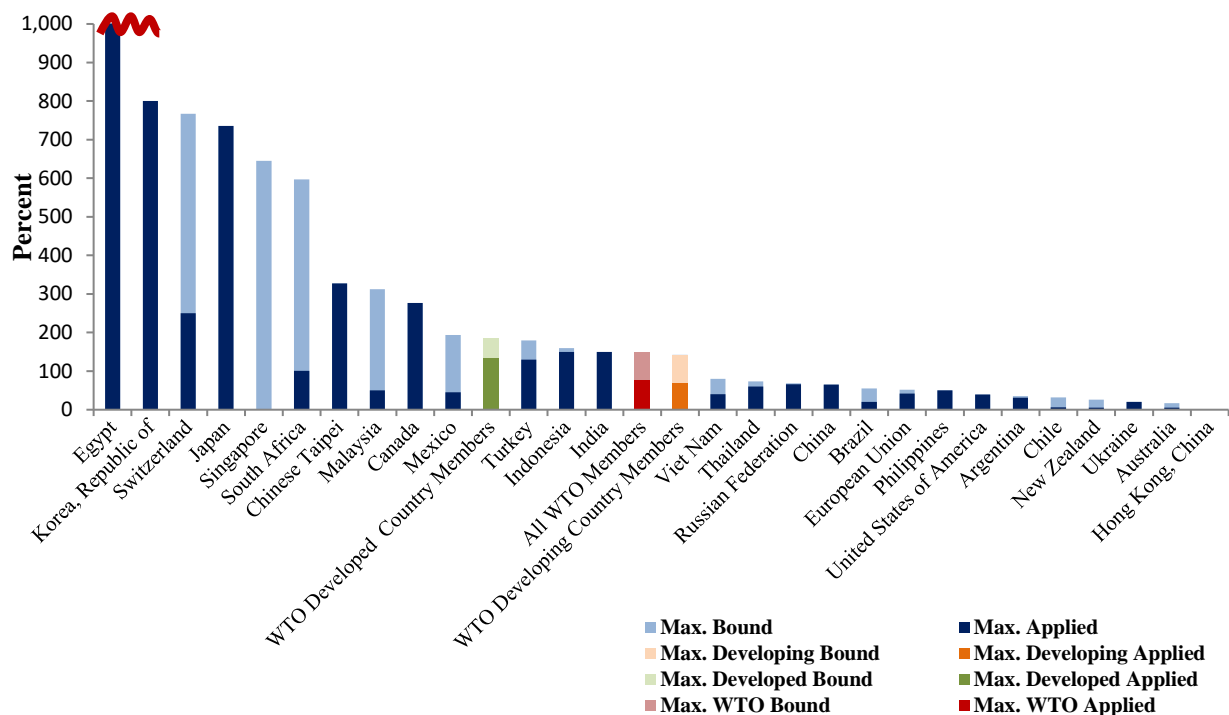
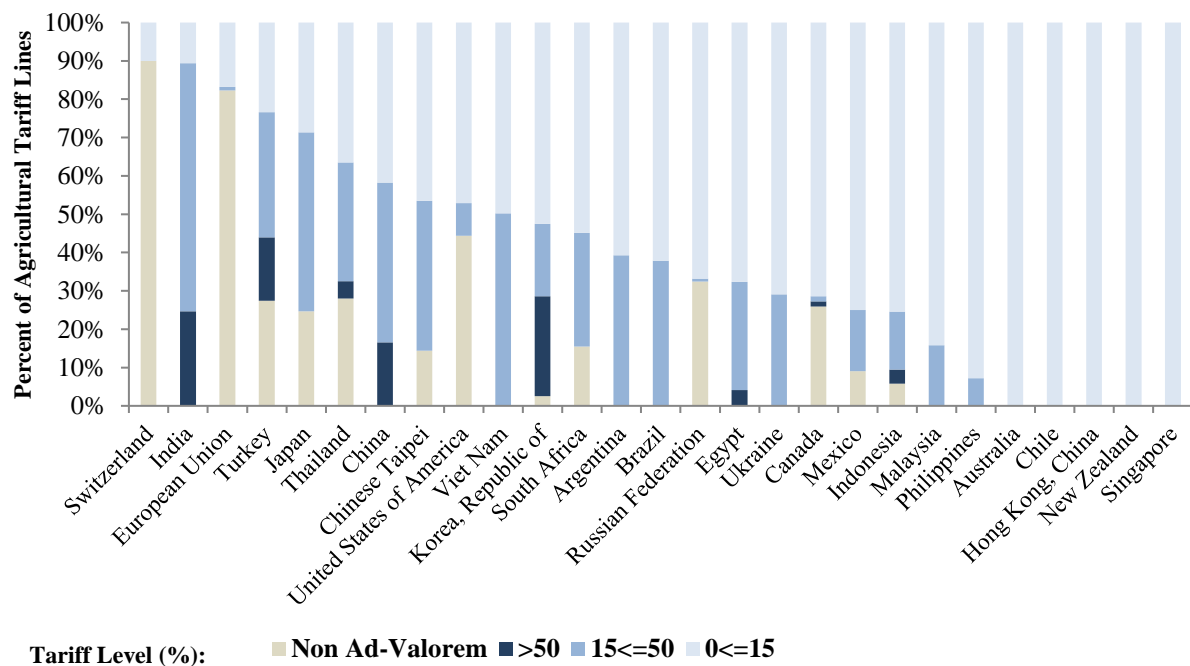


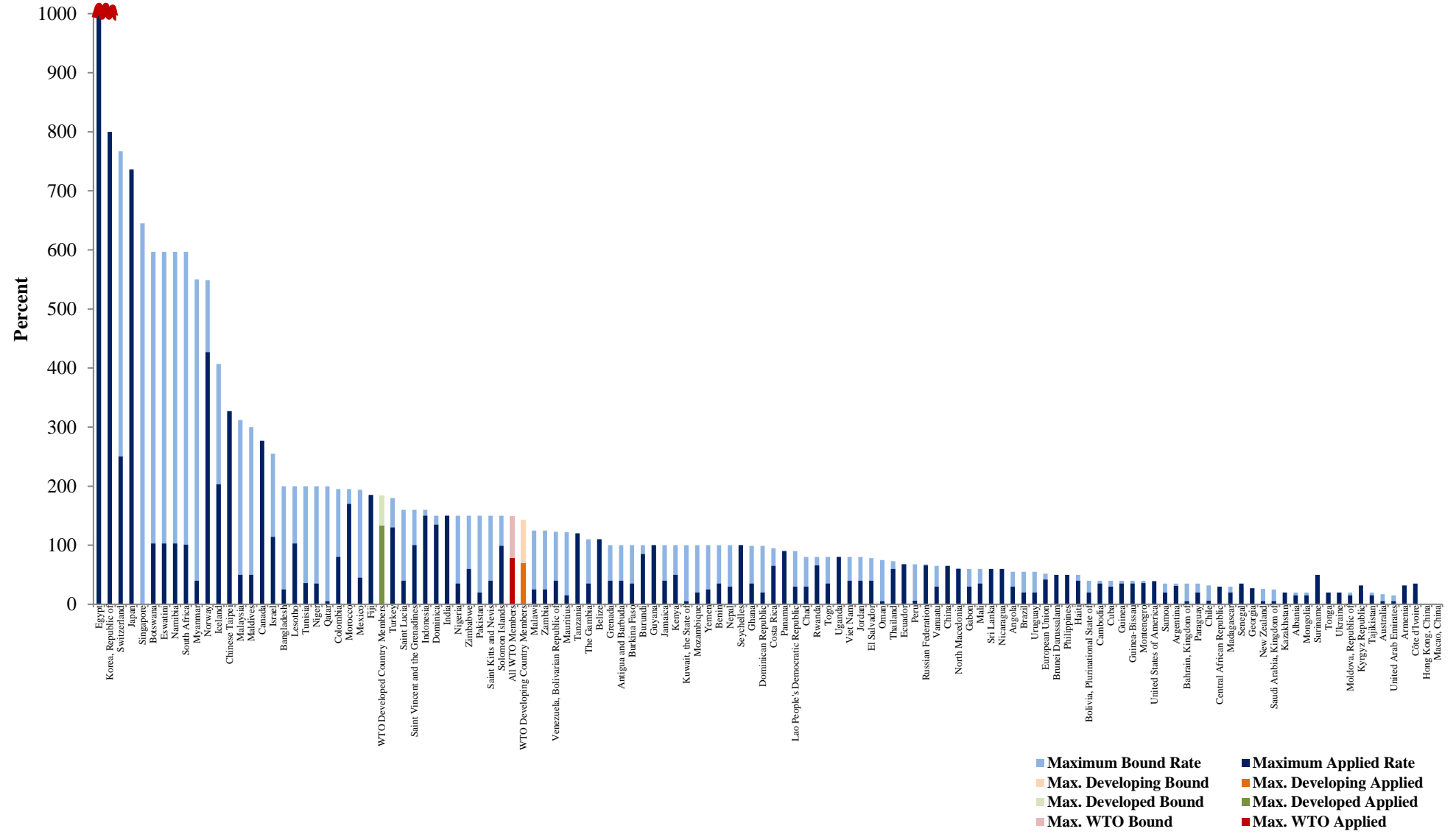
Figure 20: Percent of Agricultural Lines (HS-8 Level) per Tariff Level for LATMs, Cereals and Preparations, 2017



Tariff Level (%): Non Ad-Valorem ■ >50 ■ 15<=50 ■ 0<=15

Note: Duty-free non-Ad Valorem (NAV) rates are counted as AV rates for analytical purposes.
Source: Members' Applied Schedules.

Figure 21: Maximum Bound and Applied MFN Rates, Cereals and Preparations, 2017



Oilseeds, Fats and Oils

Figure 22: Maximum Bound and Applied MFN Rates, LATMs, Oilseeds, Fats and Oils, 2017

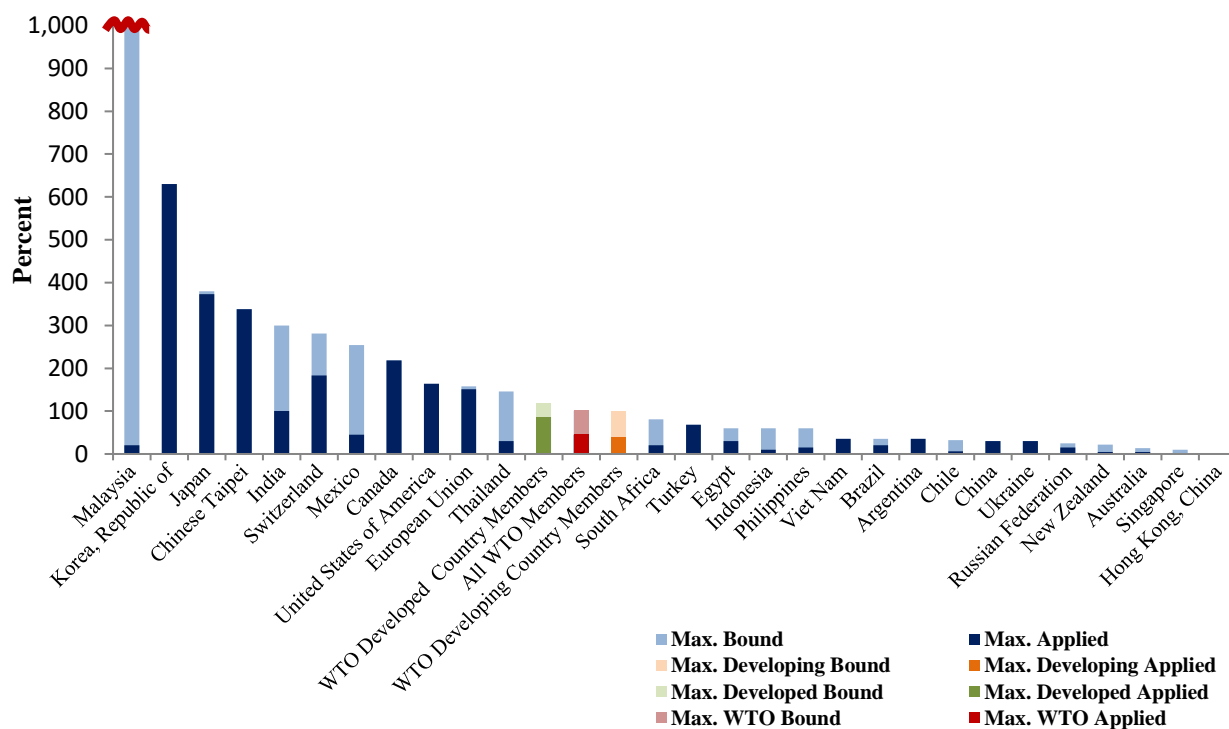
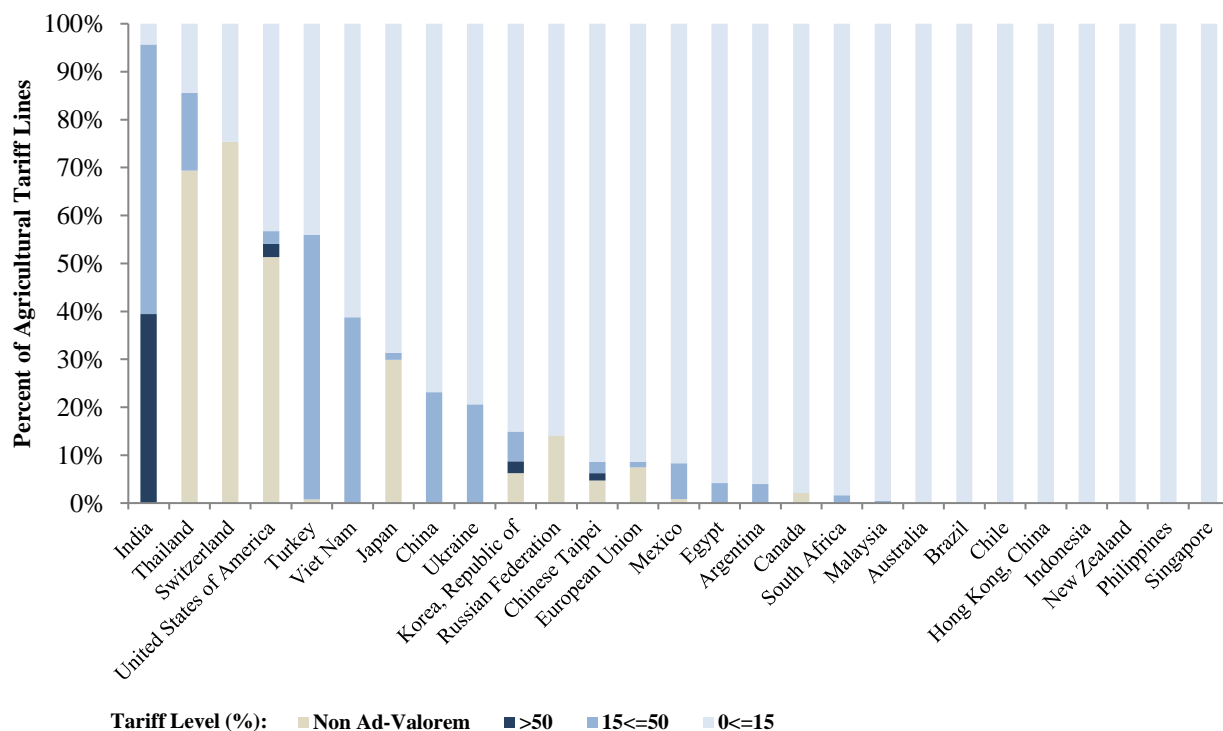
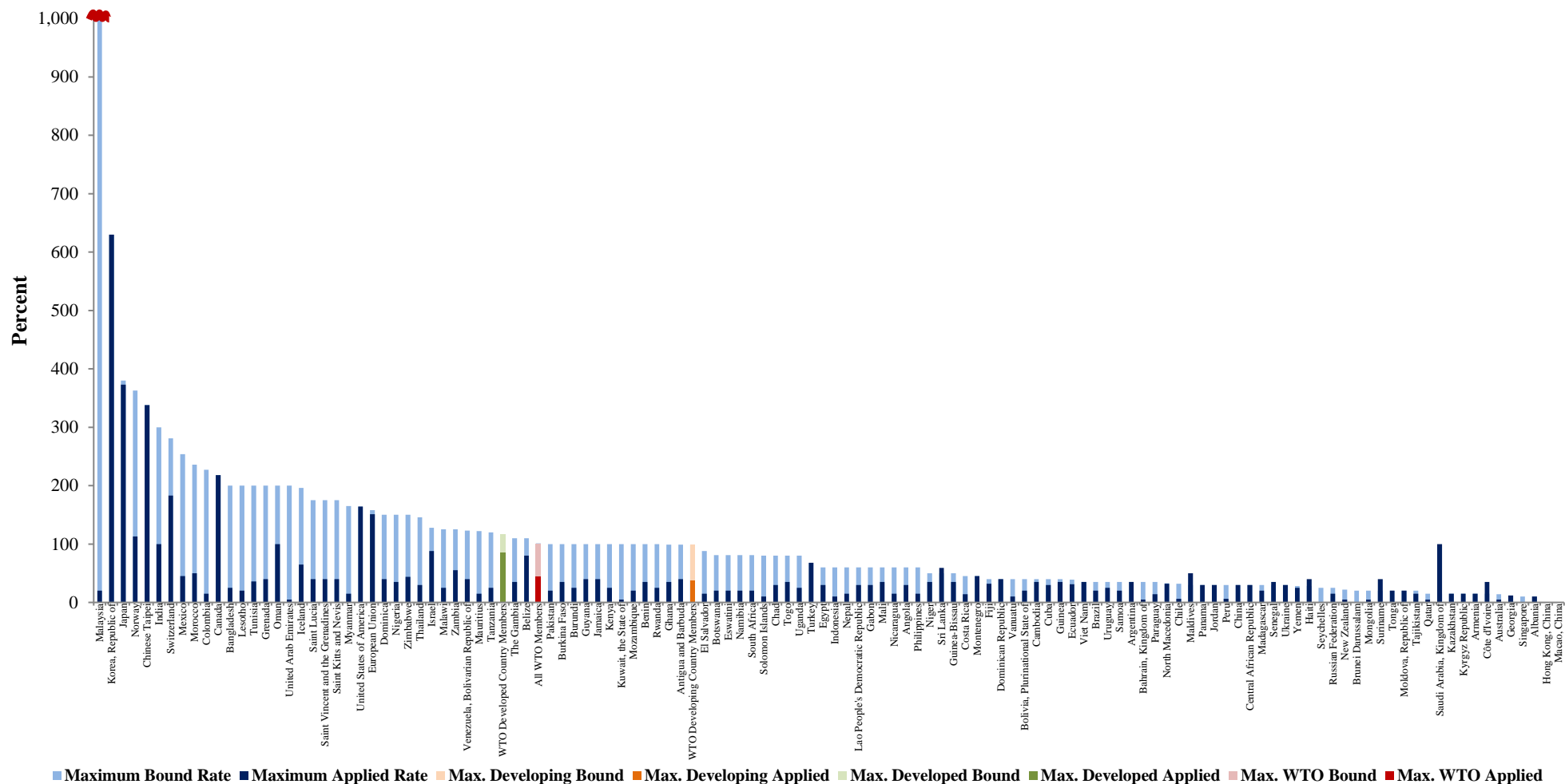


Figure 23: Percent of Agricultural Lines (HS-8 Level) per Tariff Level LATMs, Oilseeds, Fats and Oils, 2017



Note: Duty-free non-Ad Valorem (NAV) rates are counted as AV rates for analytical purposes.
Source: Members' Applied Schedules.

Figure 24: Maximum Bound and Applied MFN Rates, Oilseeds, Fats, and Oils, 2017



Sugars and Confectionary

Figure 25: Maximum Bound and Applied MFN Rates, LATMs, Sugars and Confectionary, 2017

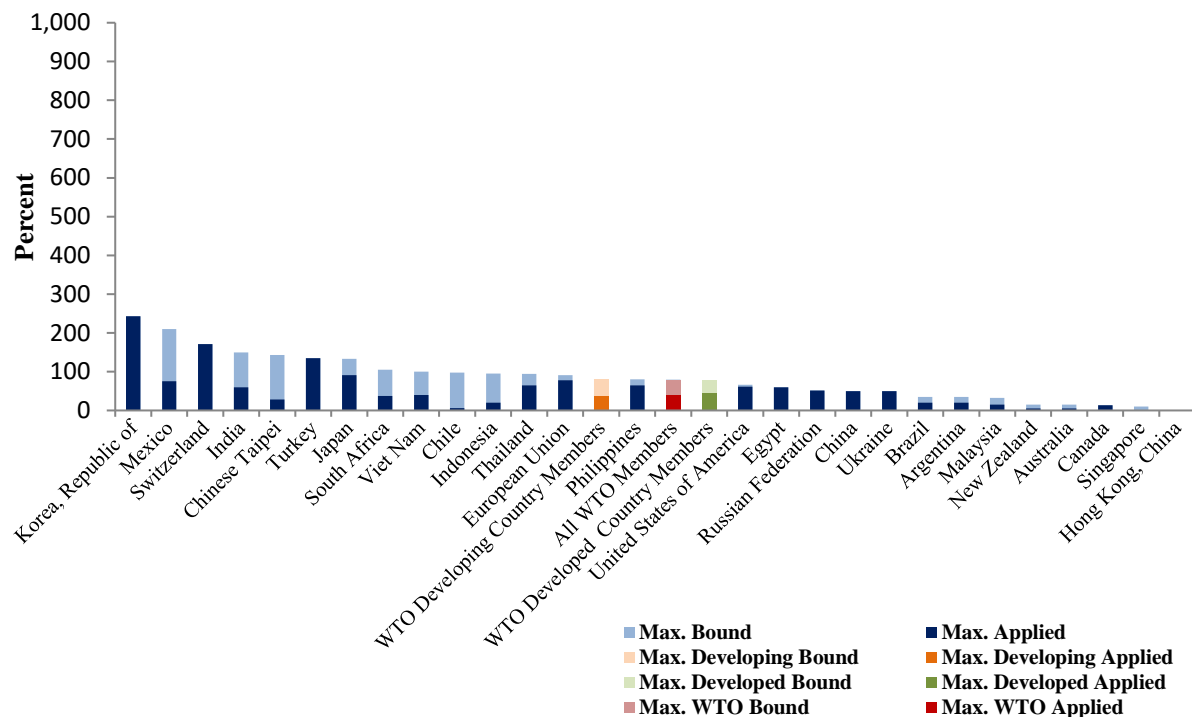
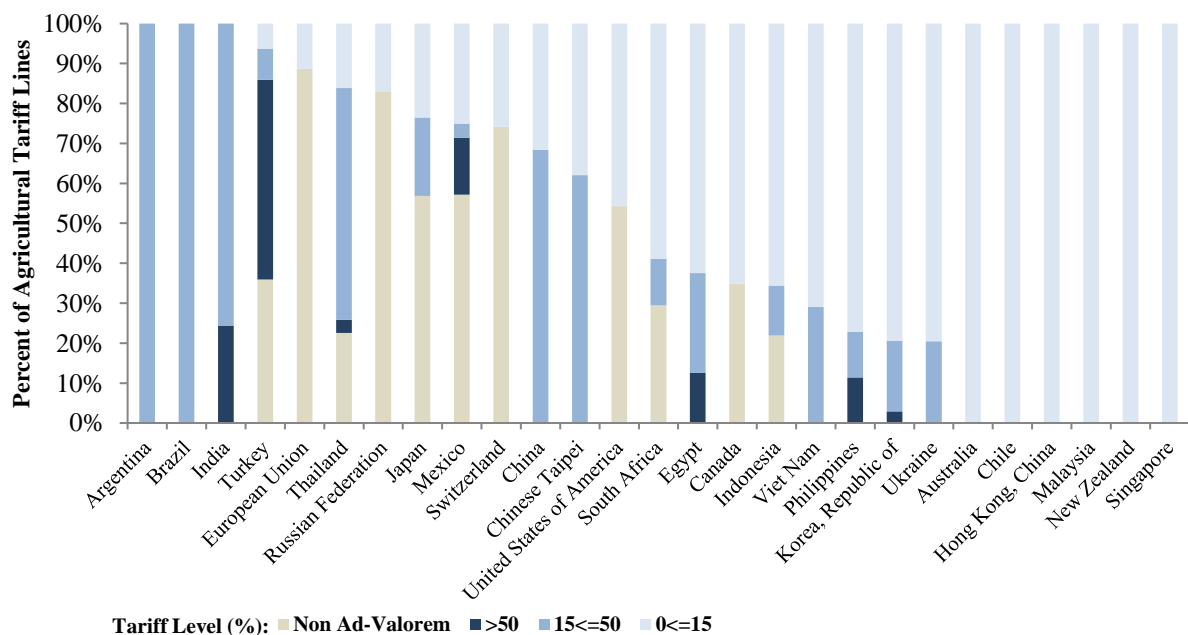


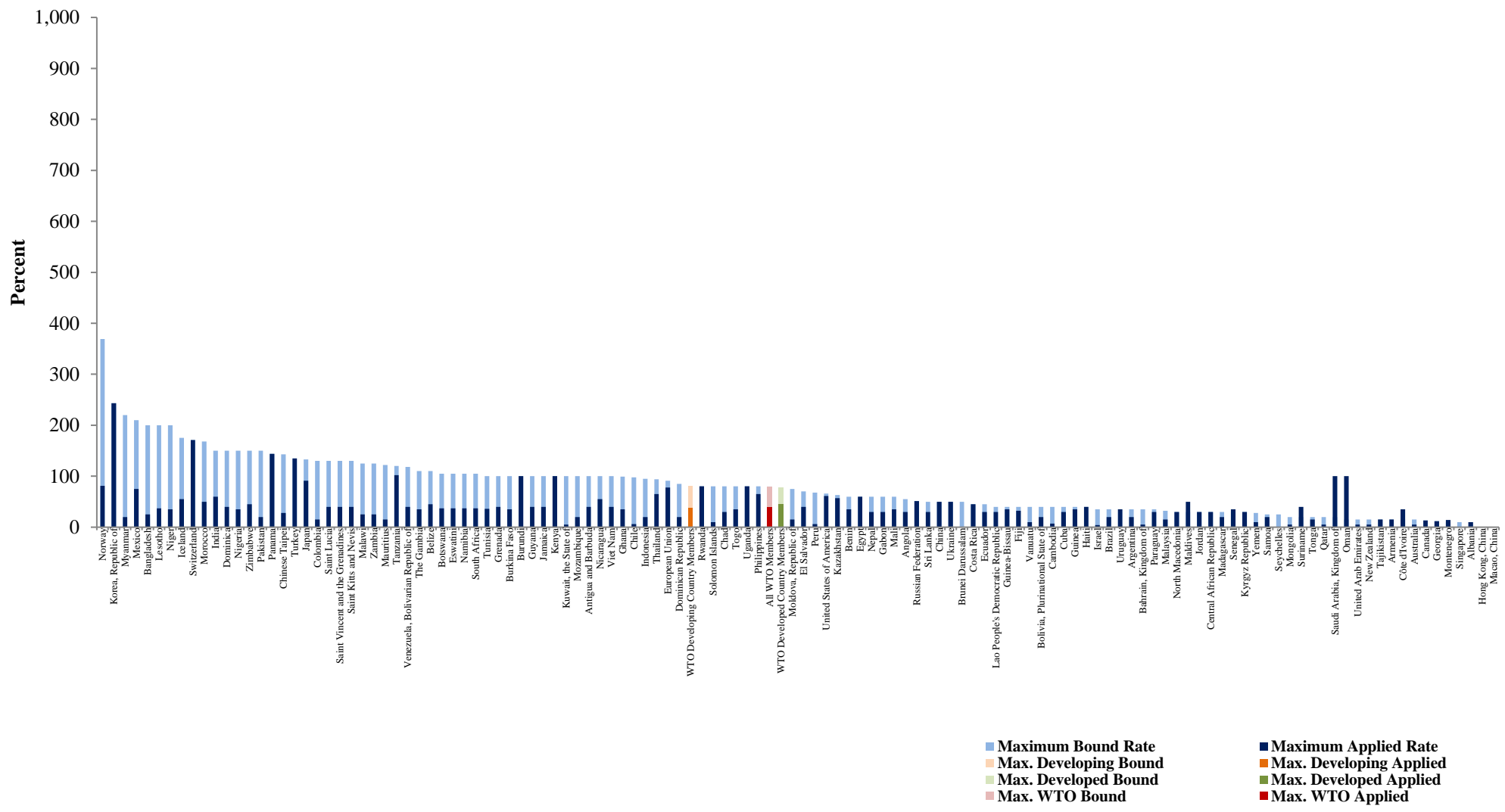
Figure 26: Percent of Agricultural Lines (HS-8 Level) per Tariff Level for LATMs, Sugars and Confectionary, 2017



Note: Duty-free non-Ad Valorem (NAV) rates are counted as AV rates for analytical purposes.

Source: Members' Applied Schedules.

Figure 27: Maximum Bound and Applied MFN Rates, Sugars and Confectionary, 2017



Beverages and Tobacco

Figure 28: Maximum Bound and Applied MFN Rates, LATMs, Beverages and Tobacco, 2017

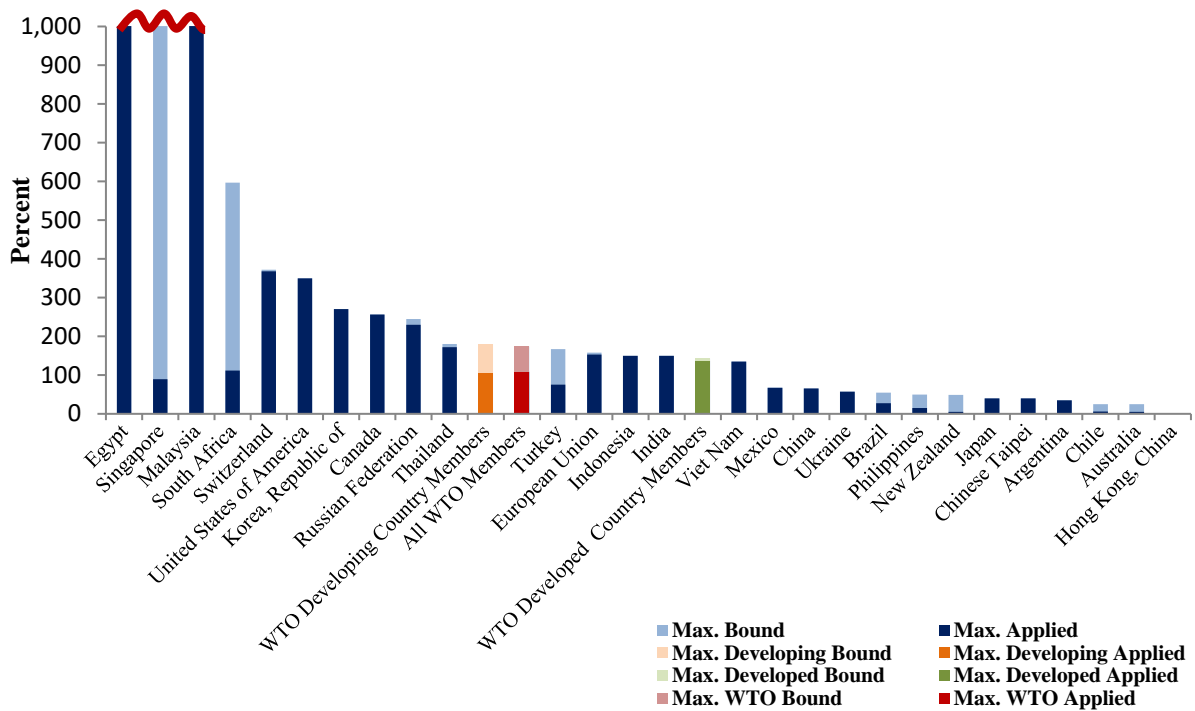
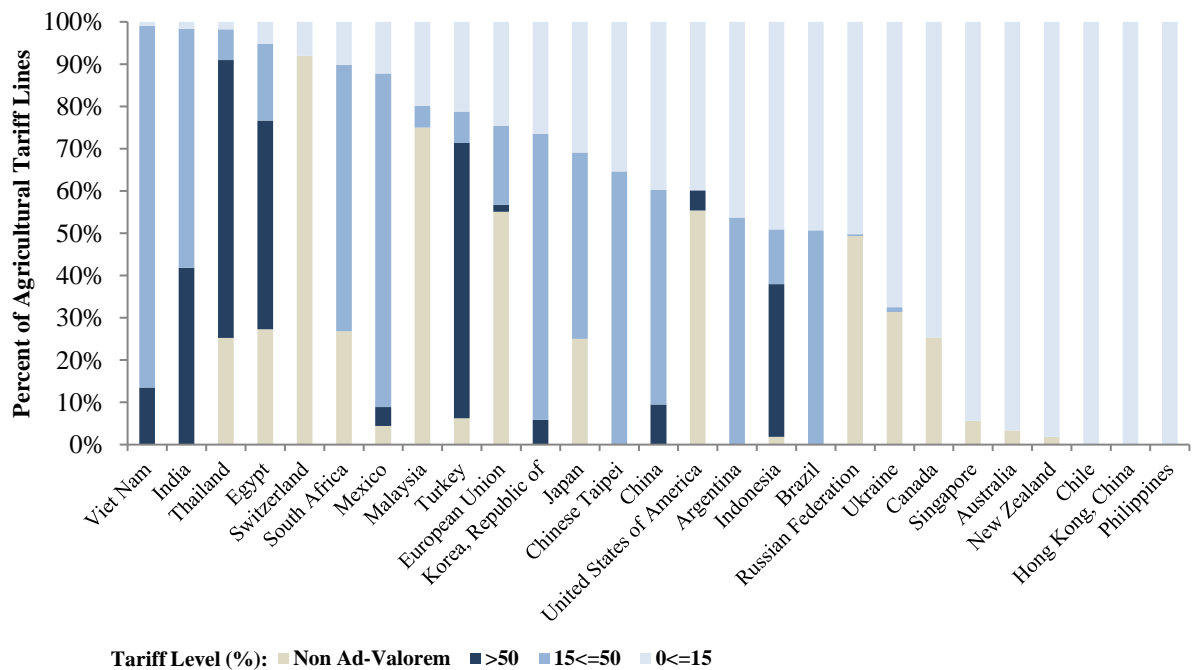
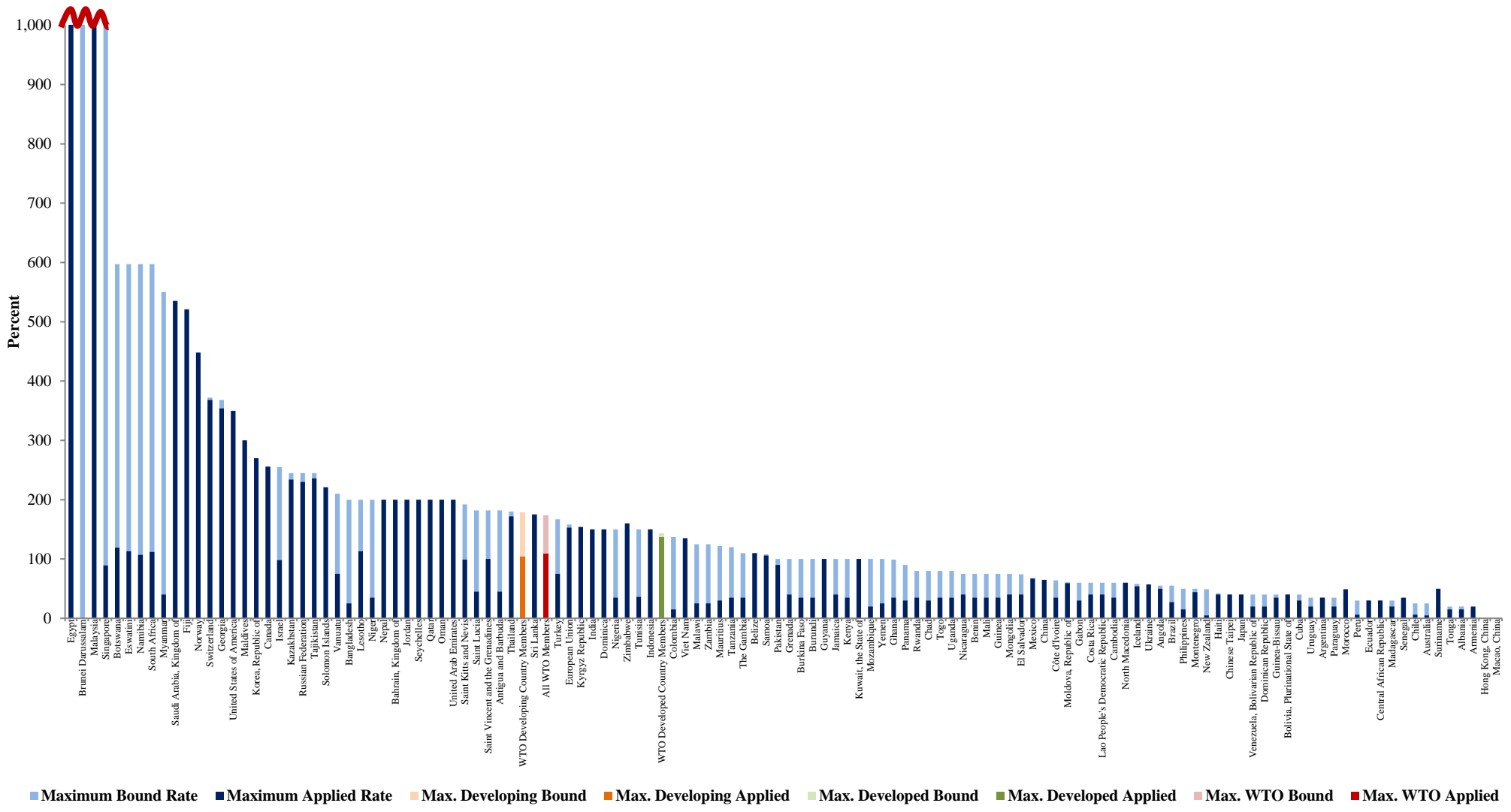


Figure 29: Percent of Agricultural Lines (HS-8 Level) per Tariff Level for LATMs, Beverages and Tobacco, 2017



Note: Duty-free non-Ad Valorem (NAV) rates are counted as AV rates for analytical purposes.
Source: Members' Applied Schedules.

Figure 30: Maximum Bound and Applied MFN Rates, Beverages and Tobacco, 2017



Cotton

Figure 31: Maximum Bound and Applied MFN Rates, LATMs, Cotton, 2017

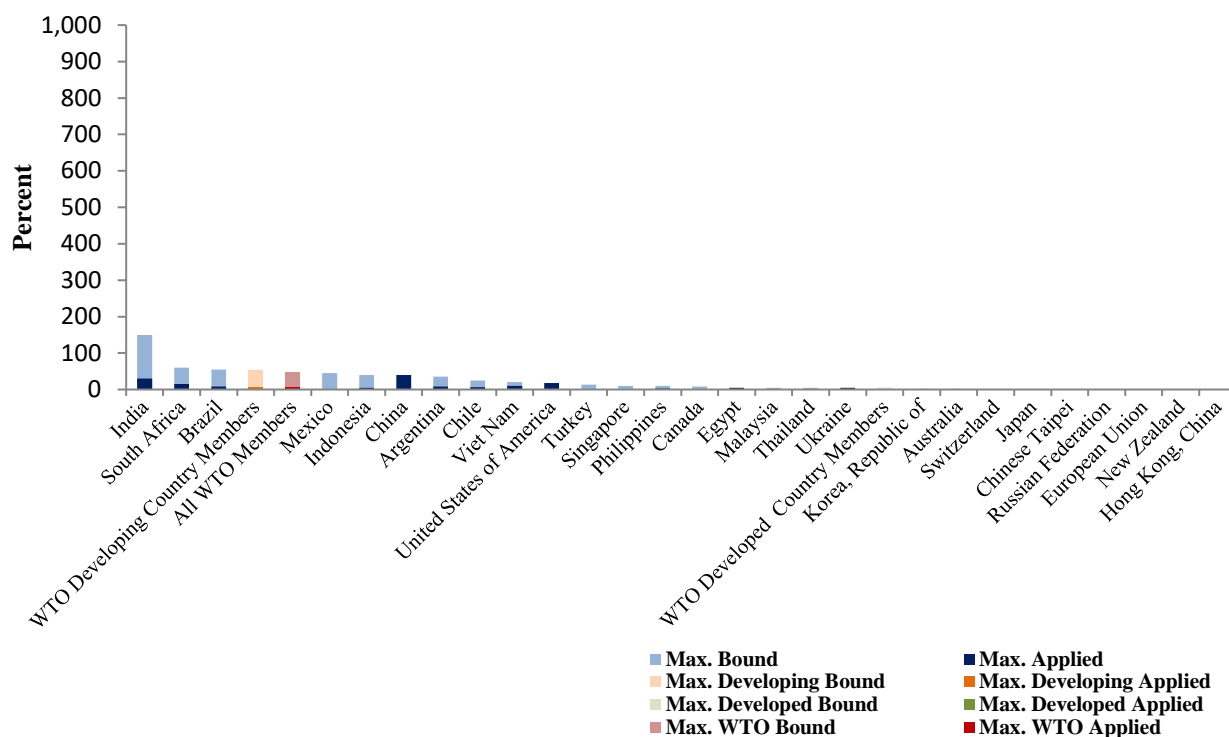
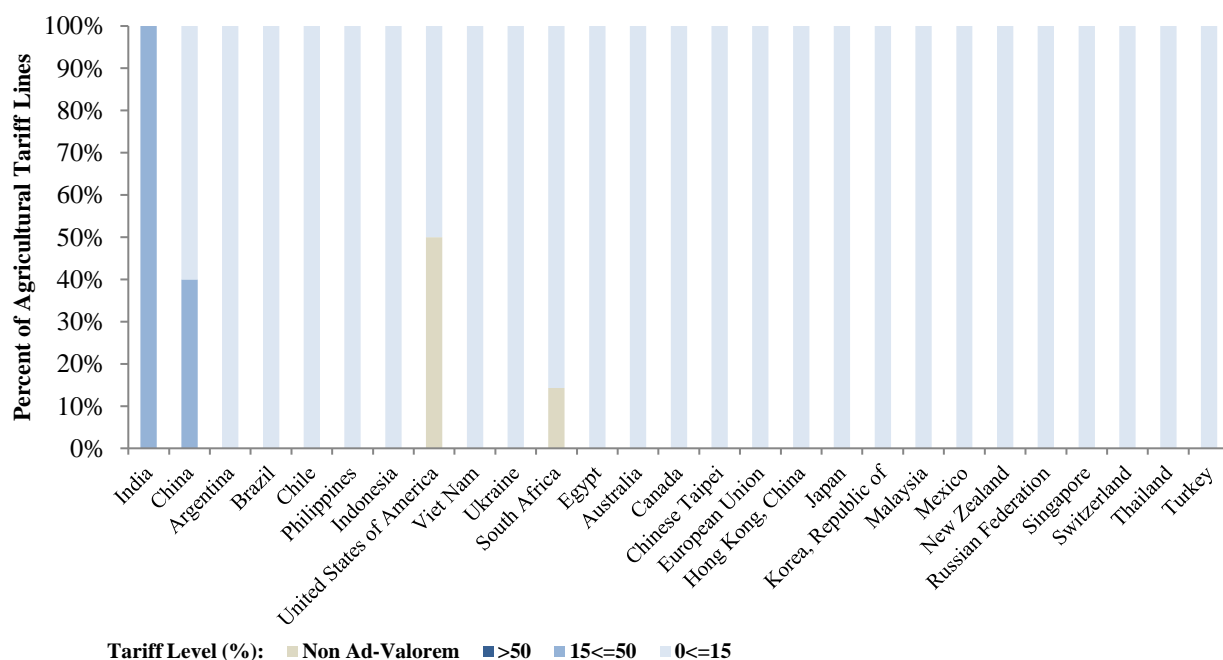


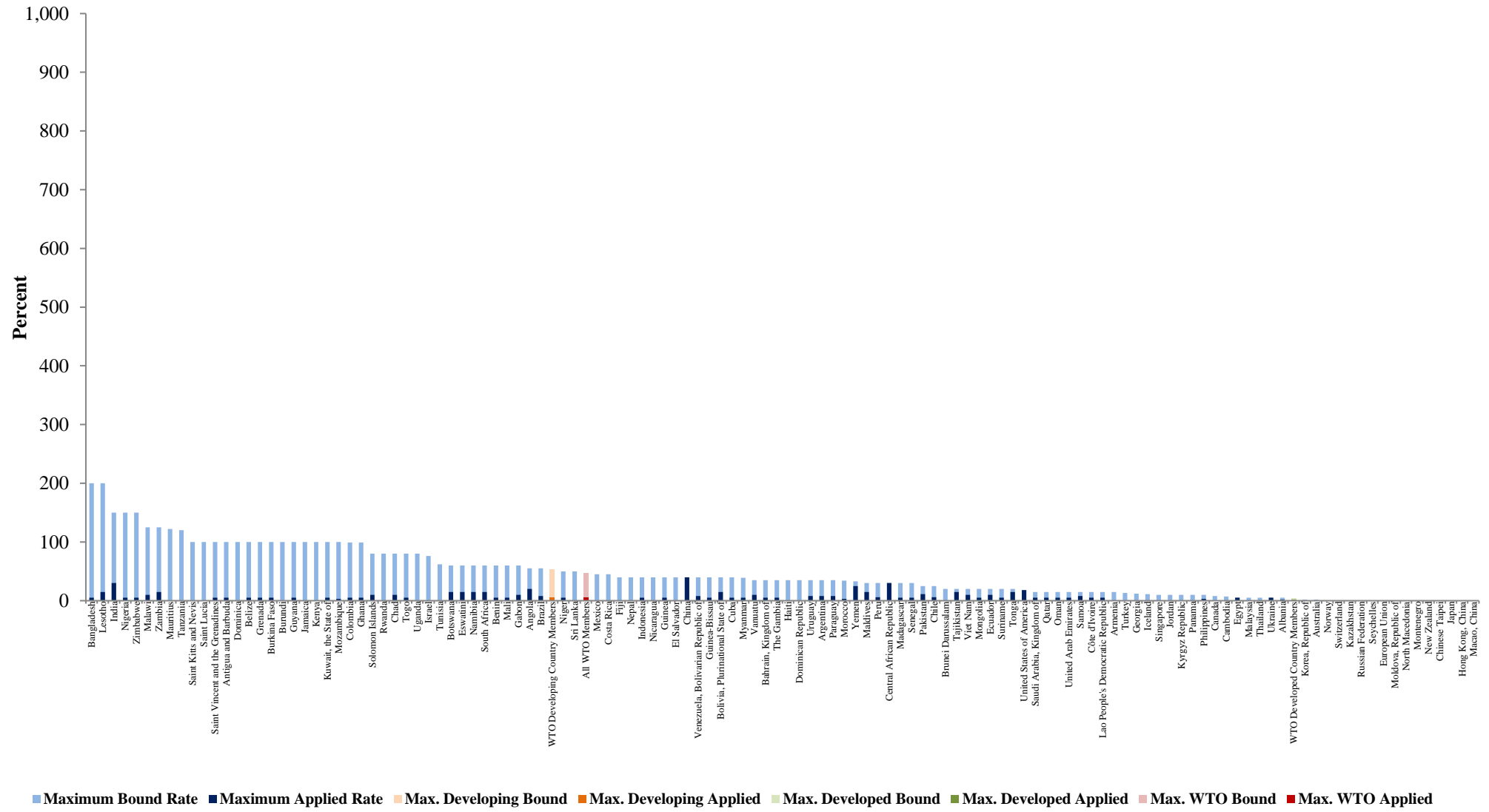
Figure 32: Percent of Agricultural Lines (HS-8 Level) per Tariff Level for LATMs, Cotton, 2017



Note: Duty-free non-Ad Valorem (NAV) rates are counted as AV rates for analytical purposes.

Source: Members' Applied Schedules.

Figure 33: Maximum Bound and Applied MFN Rates, Cotton, 2017



Other Agricultural Products

Figure 34: Maximum Bound and Applied MFN Rates, LATMs, Other Agricultural Products, 2017

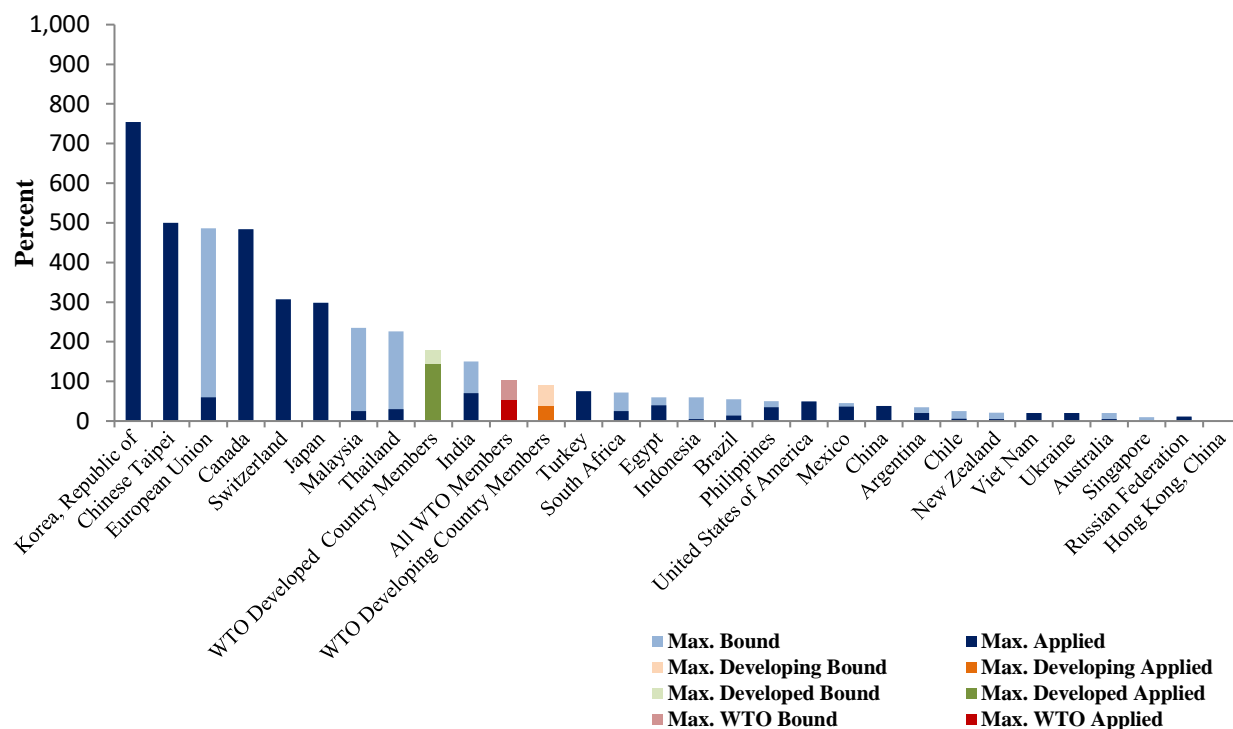
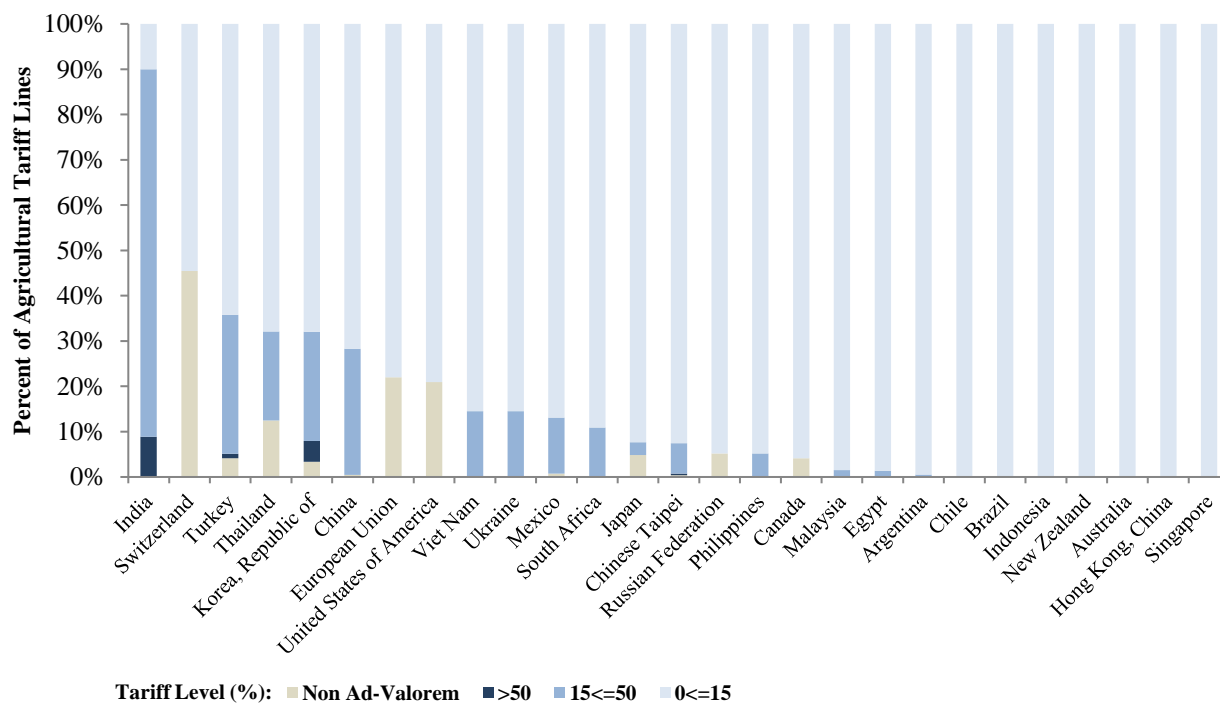


Figure 35: Percent of Agricultural Lines (HS-8 Level) per Tariff Level for LATMs, Other Agricultural Products, 2017



Note: Duty-free non-Ad Valorem (NAV) rates are counted as AV rates for analytical purposes.
Source: Members' Applied Schedules.

Figure 36: Maximum Bound and Applied MFN Rates, Other Agricultural Products, 2017

