



Agriculture - Market Access

African Group of Experts, 8 October 2018

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Market access – Recent submissions

WTO Doc Reference	Proponent(s)	Title
JOB/AG/141	US	Tariff implementation issues
JOB/AG/139	Paraguay and Uruguay	Market access alternatives
JOB/AG/122/Rev.1	ARG, BRZ, Chile, Paraguay, TH, UR	Continuation of market access reform in agriculture – a work programme
JOB/AG/119	Tunisia	Simplification of tariffs – Draft decision for the 11 th WTO Ministerial Conference
JOB/AG/93	Paraguay and Peru	Market access in agriculture: continuation of the reform process
JOB/AG/86	UR, ARG, AUS, COL, CR, NZ, Paraguay	Market access – Revisiting the most frequent problems for agriculture

US – Tariff implementation issues – General messages

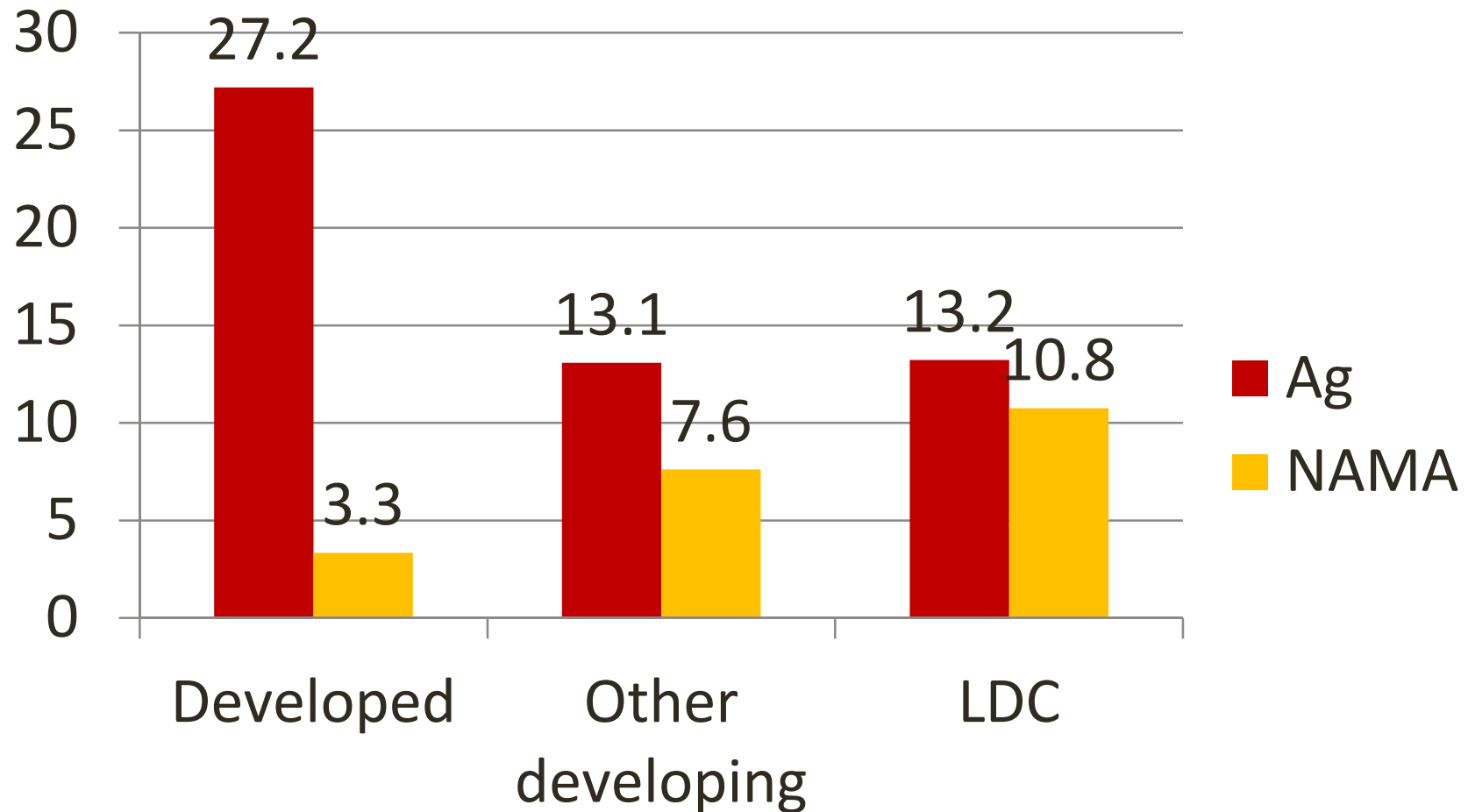
- ‘Locking in tariff reductions by all countries can contribute to substantial gains to global welfare going forward’ – **implication: bind your tariffs at applied levels!**
 - ‘In some cases, market access is facilitated, for example’ through the application of tariffs at bound levels below bound rates or through preferential access as a result of reciprocal trade agreements –: **non-reciprocal arrangements are not mentioned as a way to facilitate market access**
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US – Tariff implementation issues – General messages

- ‘In the agricultural sector, tariffs remain much higher than for other sectors’ – **this is correct however applied agricultural tariffs of developed countries appear to be higher than those of developing countries**



Developed countries have high MFN applied tariffs on Agriculture and low MFN applied tariffs on NAMA, in comparison to developing countries



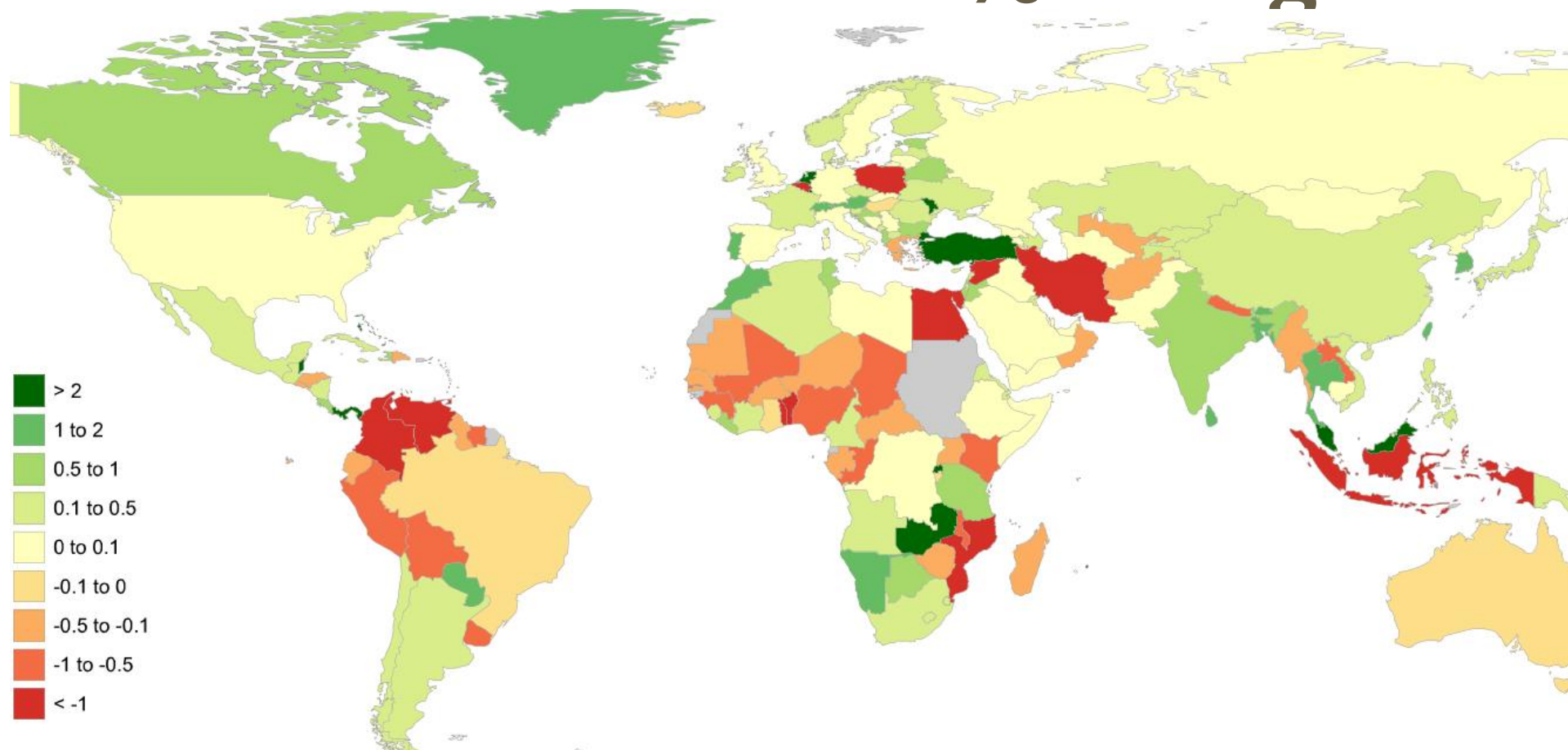
Note: figures for 2013. The mean (average) of the maximum duties by HS6.

Source: South Centre MFN applied tariff database, based on WTO IDB notifications and AVEs from ITC Market Access Map (work in progress)

US – Tariff implementation issues – General messages

- ‘It is important to have reciprocal reductions in tariffs. Indeed, it was shown, that these welfare gains were greatest because of tariff reductions from both developed and developing countries..’ (reference to 2017 study by Caliendo et al) – **Same study shows that welfare effects from actual 2010 tariffs to Free Trade can be negative for countries**
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Welfare effects from actual 2010 tariffs to Free Trade - % change



Source: Caliendo, *et al.*, Tariff Reductions, Entry, and Welfare: Theory and Evidence for the Last Two Decades, April 2017, figure 14, <http://www.nber.org/papers/w21768.pdf>.

US – Tariff implementation issues – General messages

- ‘USA also urges Members to ensure that all WTO notifications relevant to market access are up to date. This includes Integrated Database (IDB) notifications, as well as notifications of regional trade agreements’ -
The RTA TM does not specifically mention the annual notification of preferential duties



IDB notification requirements

- WTO Members shall supply to the Secretariat, on an annual basis, a comprehensive set of tariff duties and imports statistics at the level of the national customs tariff nomenclature.
- Tariff duties should include the MFN applied duties, the non-reciprocal preferential duty rates and the regional trade agreements customs duties. **The submission of non-reciprocal preferential duties, a voluntary notification requirement under the IDB decision has been made obligatory in the PTA TM.**
- The RTA TM does not specifically mention the annual notification of preferential duties

(Information note by WTO Secretariat, JOB/MA/106/Rev.1)

IDB notifications

- ‘Framework to enhance IDB notifications compliance’, adopted by Committee on Market Access, G/MA/239 of 4 September 2009
 - IDB File Exchange Facility, RD/MA/42 (2016)
 - Status of submissions to the IDB - G/MA/IDB/2/Rev.48
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IDB notification practice

- A member of the Secretariat (Mr Jurgen Richtering) noted that IDB submissions had been consistent. In addition to regular notifications, the Secretariat had used other official and publicly available data to fill in gaps in the notifications. ‘
 - Switzerland was concerned that many Members were still late in the submission of their IDB notifications, and developed countries in particular, which had not complied with this requirement for several years. He urged all Members, and developed countries in particular, to show leadership in this matter and to respect the relevant notification deadlines.
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US tariff implementation issues

- Areas of market access discussed
 1. Bound versus applied tariffs
 2. Complex tariffs
 3. High tariffs, e.g. tariff peaks
 4. Issues with TRQs
 5. Agricultural safeguards (SSGs)
 6. Regional/preferential trade agreements



1. Bound versus applied tariffs

- Main message – ‘water in Members’ tariff lines permit Members to modify tariff rates in response to domestic and international market conditions without notice’
 - If Members cut water – those with little ‘water’ including US would not make a contribution in agricultural market access negotiations
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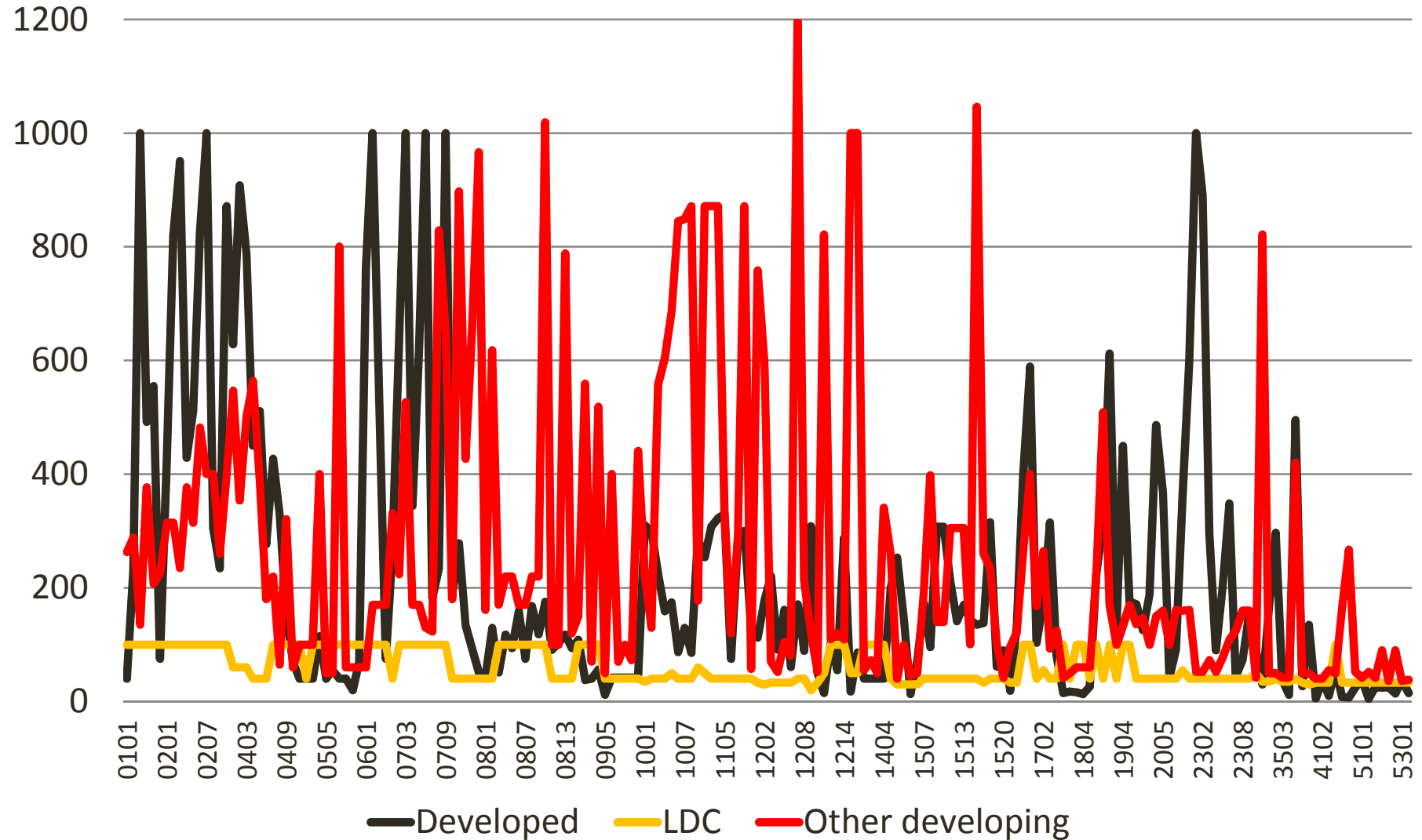
Operationalizing policy space in agricultural market access negotiations

- Unbound tariffs = max policy space
 - In Agriculture, virtually 100% binding
 - Max policy space that is needed should not only be guided by tariffs applied by your country in the last 3 years, but also take into account
 - Tariffs applied by the country in the past
 - Tariffs applied by other WTO Members in recent years as well as the past
 - I.e. the max bound tariff would be the maximum MFN applied tariff used by any WTO Member in the past
 - Data exists for MFN applied tariffs since 1996 (WTO notifications); should also include the Ad Valorem Equivalents (AVEs) of Non Ad Valorem tariffs
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Operationalizing policy space in agricultural market access negotiations (2)

- There might be imports under a tariff line with high MFN tariff because of tariff exemptions or preferential trade agreements
 - High MFN tariffs allow policy space for bilateral deals
 - EU and tomatoes
 - Turkey – 225% MFN tariff on 020120 bovine cuts bone in. Imported USD 506 million in 2011.
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Tariff profiles in Agriculture - maximum applied tariff by country group since establishment WTO (4 digit level, excl HS21,22 and 24)





Bound tariff



Applied tariff



2. Complex tariffs

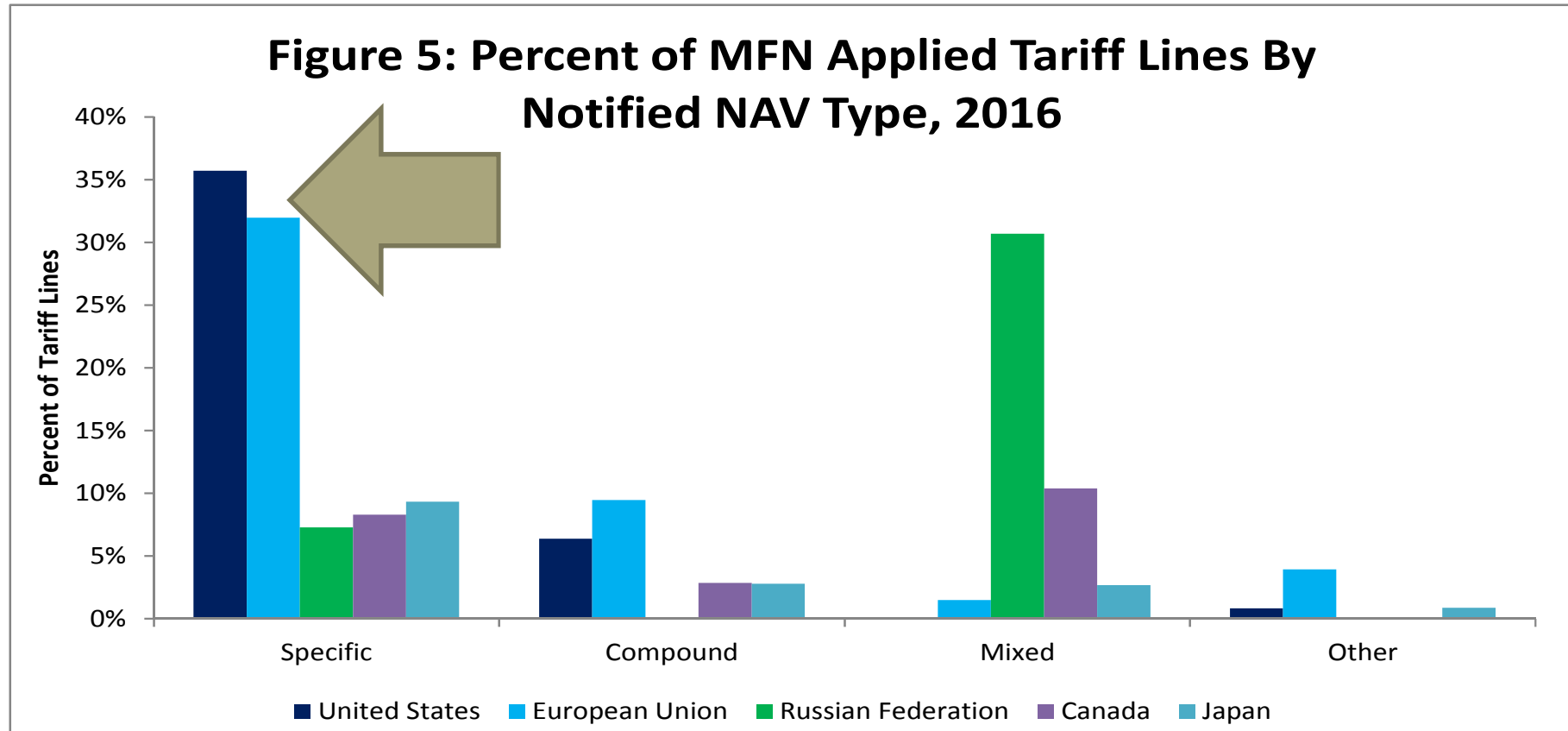
- Non-Ad Valorem (NAV) tariffs
 - Specific tariffs – e.g. USD 100 / Ton
 - Compound tariffs – e.g. 10% + USD 100 / Ton
 - Mixed Tariffs, e.g. 10% or USD 100 / Ton, whichever is higher
 - ‘Formulaic measures’ – e.g. based on sugar content etc

 - 41 Members bound at least 1 tariff lines in NAV terms
 - 8 Members > 20% of TLs – EU, Iceland, Malaysia, Norway, Russia, Switzerland, Thailand, US
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2. Complex tariffs – specific tariffs

- The US submission makes a case for specific duties
 - ‘Tariffs expressed in simple ad valorem terms (e.g. 5 %) are the easiest for exporters to understand, but in some cases those may pose enforcement challenges for customs officials
 - ‘However, this picture over represents the number of complex tariffs given that WTO data on NAVs include simple tariffs, such as specific rates.
 - Which Member applies the highest share of specific tariffs in agriculture?
-

2. Complex tariffs – specific tariffs



- The US implies that ‘specific tariffs’ are not really complex tariffs – i.e. it seems that US does not intend to contribute to the market access negotiations in this area

3. High tariffs

- ‘More detailed analysis of which sectors and which countries have the most protective tariffs in place will help the Committee better understand the application of trade restrictions’
- Eg US peanuts, tobacco
- High tariff vs ‘tariff peak’
 - 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”
 - WTO Tariff Profiles contains info about no. of tariff lines above 15% and above 3 times the national average

https://www.wto.org/english/thewto_e/glossary_e/tariff_peaks_e.htm

https://www.wto.org/english/res_e/booksp_e/tariff_profiles17_e.pdf

4. Issues with TRQs

- ‘Several Members have effectively eliminated their TRQs and liberalized trade by not applying an out-of-quota duty’ – same implicit argument as with 1. bound vs applied tariff



5. Special Agricultural Safeguard

- ‘While rights to the SSG are broad, actual use has been relatively limited’

→ While rights to the proposed SSM as contained in Rev.4 are limited, actual use will be minimal



6. Preferential and Free Trade Agreements

- 'If the preferential or free trade agreements cover substantially all agriculture and result in complete tariff elimination, the result can provide enormous trade liberalizing opportunities
 - Setting a standard ?
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US – Tariff implementation issues

- There are several general messages in the paper that need to be addressed by developing countries in the COA-SS
 - Overall, the paper by US does not seem to suggest it would like to contribute to the agricultural market access negotiations
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PG & UR – Market access alternatives

- 1) Previous formulas discussed to cut bound tariffs
 - Tiered formula; Average cut; Cut in the average; Mixed approaches
- 2) ‘Meaningful market access’ – cuts that will result in reduction of applied tariffs – this term also used in the draft Ministerial Decision on market access reform in agriculture – a work programme (JOB/AG/122/Rev.1)
- 3) Negotiating transparency elements & tariff simplification
- 4) Addressing existing restrictions in market access
 - NAV tariffs, tariff peaks, tariff escalation, TRQs, SSG, ‘other non-tariff measures, e.g. SPS measures’

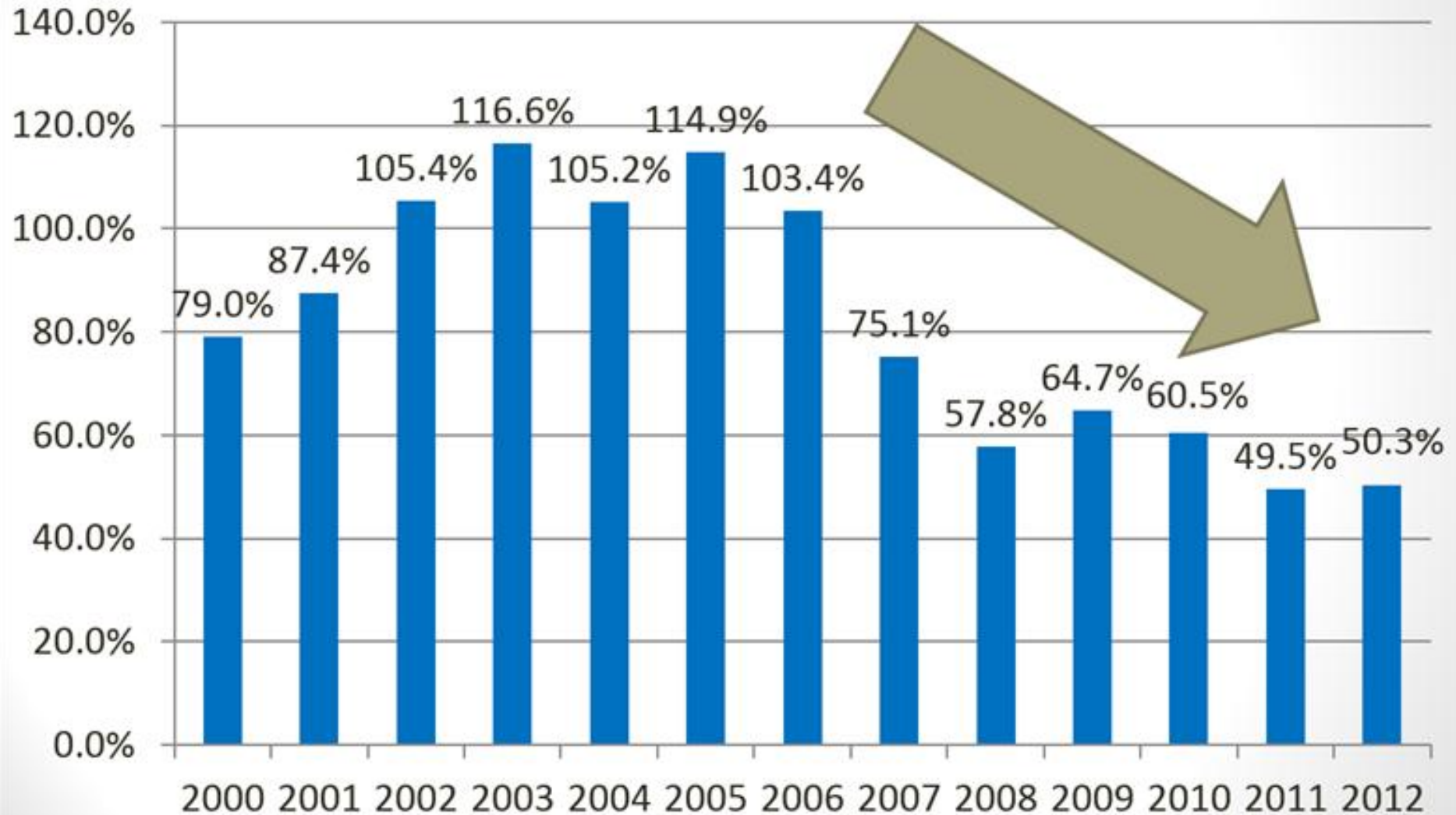
Average cut vs cut in the average

Product	Old tariff	Average cut 50% reduction per tariff lines	New tariff after average cut (50% reduction)	New tariff - cut in the average goal reduction 50%
Product 1	100	0%	100	50
Product 2	90	0%	90	40
Product 3	10	50%	5	10
Product 4	0	100%	0	0
Product 5	0	100%	0	0
Total	200	250	195	100
Average tariff	40	50	39	20

Tunisia – tariff simplification

- All bound tariffs to be expressed as simple ad valorem tariffs using methodology set out in Annex A of TN/AG/W/3 of 12 July 2006
 - Most WTO Members already prepared draft submissions, including sugar (2009). Used to be on the WTO Member's website. Not yet verified by Members
 - Old methodology would result in relatively high ad valorem duties, as prices of most agricultural products have increased.
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EU's final bound tariff of frozen beef is much lower in 2008-2012



- Example – AVE submission by Egypt

							A:A1	CT	IDB		
							and >24	82.5	17.5		
							4	60	40		
Conversion of Non-adv											
HS	TL DESC	HS6	HS6 DESC	NAV	F40/20	F40	Import Unit Value for Egyptian imports	UNIT _{MUV-IDB}	AVE _{CT}	AVE according to Import Unit Value for Egyptian imports	Final %
				LE/kg			LE/kg			%	%
24011010	--- Tobacco, not stemmed/stripped	240110	Tobacco, unstemmed/unstripped	9	0	0	9.17		80	98.1	98.1
24011090	--- Other	240110	Tobacco, unstemmed/unstripped	6	0	0	9.17	KILOGRAM	53	65.4	65.4
	--- Tobacco, partly, or wholly stemmed/stripped	240120	Tobacco, partly or wholly stemmed/stripped, otherwise unmanufactured	9	0	0	14.68	KILOGRAM	53	61.3	61.3
			Tobacco, partly or wholly								

MASTER

AVEs

MUVs

WIUV calculation

XRs



Extent of agriculture bindings in *ad valorem* terms – WTO World Tariff Profiles

WTO Member	Binding in ad valorem terms (%)	WTO Member	Binding in ad valorem terms (%)
Switzerland	22.7	Haiti	91.1
Norway	34.4	Saudi Arabia	91.2
Thailand	55.8	Moldova	91.3
US	59.8	Mexico	93
EU	68	Chinese Taipei	93.4
Iceland	76.8	PNG	94.1
Russia	77.1	Korea	94.8
Malaysia	78.9	Singapore	96.4
Canada	80.6	Samoa	96.6
Japan	84.9	Solomon Islands	96.7
Croatia	86.2	Tajikistan	96.9
FYR of Macedonia	90.8		

Source: WTO World Tariff Profiles 2013

Showing the Members with binding in ad valorem terms < 97%

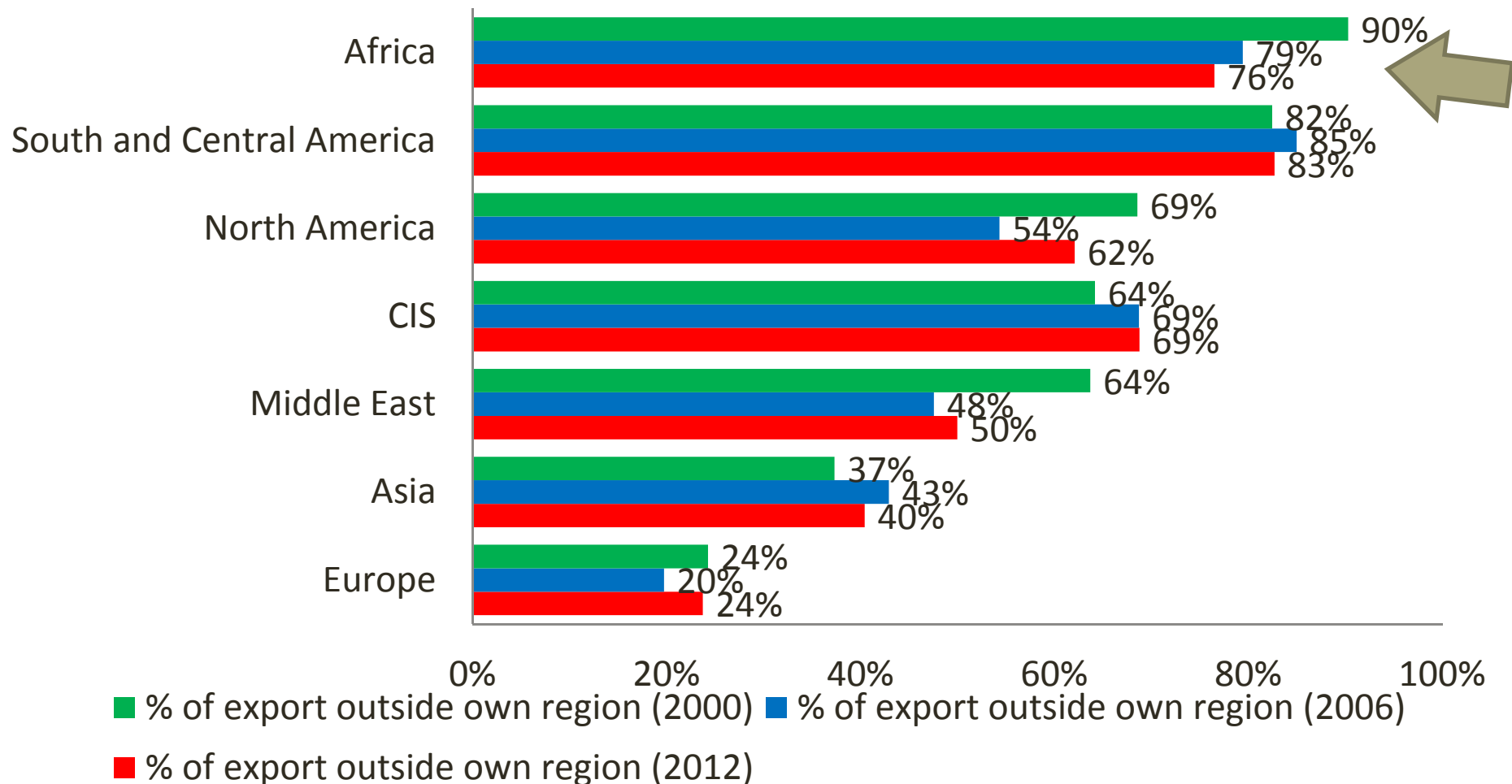
Extent of agriculture bindings in *ad valorem* terms vs in non *ad valorem* terms

- 89 Members have bound all tariffs in *ad valorem* terms (out of 131, counting EU as one, not including Yemen)
 - 19 Members have bound 97%-99.9% of tariff in *ad valorem* terms
 - 23 Members have bound less than 97% of tariffs in *ad valorem* terms – none of them African.
 - Switzerland, Norway, Thailand, US, EU, Iceland, Russia and Malaysia have bound less than 80% of tariffs in *ad valorem* terms
 - **Only 2 African countries with bindings in non *ad valorem* terms** – Zimbabwe (2.4% of Ag tariff lines – tomato juice, alcoholic drinks and tobacco products) and Egypt (1.5% - all under HS24, tobacco products)
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Agriculture market access in Rev.4

- Tiered formula - Min avg cut dev'lpd = 54%, max avg cut dev'ing = 36%.
Cut from WTO bound tariff
- Sensitive products
- Special Products (for developing countries only)
- Tariff escalation (reducing gap in tariffs between certain raw and processed goods)
- Tropical and diversification products (faster/more liberalisation for certain products)
- Long-standing preferences and preference erosion (essentially longer transition period for products subject to preferential access –ACP)
- Tariff simplification
- Commodities
- TRQs – reduction of in-quota tariffs; tariff quota expansion; TRQ admin (Bali)
- Tariff peaks - additional tariff quota expansion if tariff > 100%

Share of agricultural exports exported outside the region



Note: CIS stands for Commonwealth of Independent States

Sources: Author's calculations based on WTO International Trade Statistics 2001, 2007 and 2013. Table II.12 – 'Exports of agricultural products of regions by destination (Table IV.6 in 2001 edition). In 2001 edition, Europe represents figures for Western Europe and CIS for Central/East Europe/Baltic States and CIS)

In case of Africa, share of agricultural exports exported outside the region shows declining trend

- Latest figure from WTO International Trade Statistics 2015 for the year 2014 - 73.1%
 - Newer figures not available from WTO sources as trade figures on agriculture appears to have been reduced since the World Trade Statistical Review 2016
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World Trade Statistical Review 2016

The *World Trade Statistical Review* provides a detailed analysis of the latest developments in world trade. It will be produced on an annual basis and replaces [International Trade Statistics](#), the WTO's former annual statistical publication.

See also:

- > [News item](#)
- > [Statistics Database](#)
- > [Trade and tariff data](#)
- > [WTO statistical publications](#)

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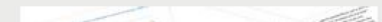
- I. [Introduction](#)



> Download the complete [World Trade Statistics 2016](#) file in pdf format

> Order [paper version](#) from online bookshop

Sample pages



Questions

- Who wants to make a contribution to market access in agriculture?
- Why market access?
 - Domestic support is gateway issue
- Is there a genuine interest of Africa in market access negotiations?
 - AfCFTA
- Which area in market access?
- What would it mean/the consequence if only one small area in agriculture market access would be pushed?

Some pointers (1)

- Water – should not be calculated as ‘current’ water but also applied tariffs in the past or those of other (benchmark) countries should be taken into account
 - IDB notification obligations – WTO secretariat already has active role in gathering information and developed countries to take the lead (ref. intervention by Switzerland).
 - Willingness of US to make contributions, e.g. in bound tariffs or tariff simplification??
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Some pointers (2)

- Non-reciprocal trade arrangements can also facilitate market access
 - Welfare effects from tariff reductions can be negative for countries as shown by studies
 - Rev.4 continues to be relevant – ‘meaningful’ market access – cutting from bound, not applied tariffs
 - WTO to re-introduce the table «Exports of agricultural products of regions by destination” in its annual statistics publication (World Trade Statistical Review)
→ this would increase transparency
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