

**Agriculture: Trade & Competition policy papers presented at the
61st Session of the Trade and Development Board,
15-26 September 2014, Geneva, Switzerland**

**Comparison of MFN Bound and Applied Tariffs Trade Weighted Averages¹
on Agricultural Products of Developed, Developing and Least Developed
Countries (LDCs): Current Status Reference**

**UNCTAD Discussion paper
22 September 2014**

The objective of this note is to compare MFN bound and applied tariffs averages of developing, developed and least developed countries on agricultural products² as of today. These averages are calculated using the most recent applied tariff data available in UNCTAD TRAINS database and bound tariff data available in WTO CTS database. As some country tariff schedules (notably those of developed countries) contain specific tariffs in lieu of ad valorem rates on some of their agricultural products, it was necessary to calculate ad valorem equivalents (AVEs) of those non ad valorem duties using UNCTAD's methodology. The software WITS³ is used to aggregate the data.

Binding coverage

All countries have now bound their tariffs on all their agricultural products (100% binding coverage on agricultural products).

Trade Weighted averages

Figure 1 compares final WTO bound tariffs averages with currently applied tariffs averages on agricultural products of developed, developing and LDCs. While Averages applied tariffs are relatively not very different across these three groups of countries at 12%, 16% and 12% respectively, the gap between their bound average tariffs is quite high with 19%, 54% and 112% for developed, developing and LDCs respectively. The difference between bound and applied average tariff (also known as overhang) is therefore much greater for LDCs and developing countries than for developed countries as shown in figure 1. The overhang for these 3 groups of countries is respectively 100%, 37% and 7%.

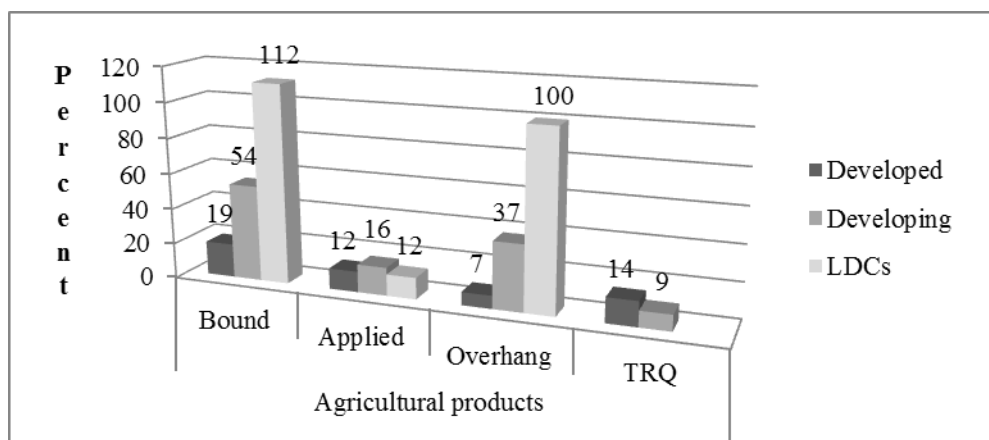
¹ Trade weights come from the UN COMTRADE database and averages are based on pre-aggregated HS six-digit (subheadings) averages.

² WTO definition of agricultural products include HS chapters 01 to 24 excluding chapter 03 (fish) but including some products under chapter 29, 33, 35,38,41,43,50,51,52 and 53.

³ World Integrated Trade Solution (WITS) is a World Bank/UNCTAD software for trade and market access data analysis accessible free of charge at wits.worldbank.org.

Figure 1

Applied and bound trade weighted tariff average, binding overhang and the share of National Tariff Lines with a Tariff Rate Quota (TRQ), percentage



Source: UNCTAD TRAINS/WITS database using latest available data.

Tables 1 and 2 present the trade weighted applied tariff averages and the trade weighted bound tariff averages at HS chapter of agricultural products.

In developed countries, chapter 17- sugar, chapter 04-dairy product and chapter 02-meat have the highest applied tariff averages of 37%, 36% and 33% respectively. In developing countries, the highest averages are found in chapter 10-cereals (27%), chapter 22-beverages and spirits (23%) and chapter 24- tobacco (23%). As for LDCs chapter 22-beverages and spirits, chapter 17-sugar, chapter 08-fruits and chapter 18-cocoa are the top four chapters with highest average tariff at 25%, 22%, 18% and 18% respectively.

By comparison, highest bound tariff averages are found in similar sectors as for applied tariff averages (sugar, dairy and meat) in developed countries but also in other sectors that have relatively low applied tariff average such as chapter 10-cereals and chapter 11- products of the milling industry with bound tariff averages of 76% and 41% respectively.

For developing countries, the highest bound tariff averages affect chapter 15-animal or vegetable fats and oils (84%), chapter 24-tobacco (83%), chapter 10-cereals (76%) and chapter 22-beverages and spirits (75%).

In LDCs bound tariff averages are much higher than those of developed and developing across all chapters, ranging from a minimum bound tariff average of 54% for chapter 16-preparations of meat or fish to a maximum bound tariff average of 146% for chapter 07-edible vegetables.

Tariff Rates Quotas (TRQs)

Some agricultural products of developed and developing countries are covered by tariff rate quotas as agreed during the Uruguay Round. Today 14% and 9% of national tariff lines are covered by TRQs in developed and developing countries respectively. Table 2 gives more details on how TRQs (% of national tariff lines covered by TRQs per HS chapter) are spread out by HS chapter.

Applied tariff peaks

Tariffs of 15% and above are considered as “tariff peaks”. The percentage of tariff peaks is obtained by dividing the number of national tariff lines with a tariff greater than 15% by the total number of national tariff lines in a tariff schedule.

Tariff peaks broken down by HS chapter are shown in Table 1 for applied tariff rates and in Table 2 for bound tariff rates.

On aggregate the shares of peaks in agricultural products, for applied tariffs rates are 30%, 41% and 48% for developed, developing and LDCs respectively.

Tariff peaks exist in all HS chapters of the agricultural sector in all 3 groups of countries although some chapters are more affected than others. In developed countries, the most affected products by tariff peaks are in chapter 04-dairy products (66% of peaks), chapter 11 -products of the milling industry (54%), chapter 20-preparations of vegetables, fruits and nuts (54%), chapter 19-preparation of cereals and flour (49%) and chapter 02-meat (46%). In developing countries, the share of peaks is higher than 30% in 16 of the 23 chapters of the agricultural sector with the top 5 being chapter 20-preparations of vegetables, fruits and nuts (61% of peaks), chapter 22-beverages and spirits (59%), chapter 16-preparation of meat or of fish (58%), chapter 24-tobacco (58%) and chapter 08-fruits (55%). For LDCs the presence of peaks is even more pronounced than in the other two groups of countries. The share of Peaks is more than 50% in more than half of the chapters and the most affected chapters are chapter 22-beverages and spirits (88% of peaks), chapter 20-preparations of vegetables (79%), chapter 16-preparation of meat (77%), chapter 09-coffee, tea and spices (76%) and chapter 24-tobacco (70%),

Bound tariff peaks

Overall, the share of lines with tariff peaks is 32% for developed countries compared to 87% and 97% for developing and LDCs respectively in relation to bound rates.

For developed countries, the distribution of peaks in bound rates across HS chapters follows the same pattern of peaks in applied rates as described above, with the highest shares of peaks found in similar chapters as 04-dairy products (64% of peaks), chapter 11 -products of the milling industry (61%), chapter 10- cereals (53%), chapter 19-preparation of cereals and flour (48%), chapter 02-meat (47%) and chapter 20-preparations of vegetables, fruits and nuts (46%).

Given this high level of bound rates in tariff schedules of developing countries and more so in those of LDCs, the percentage of peaks is consequently extremely important in these two groups of countries across all HS chapters of the agricultural sector as shown in Table 2.

Table 1

Trade Weighted Applied Tariff Average and Applied Tariff Peaks on Agricultural products: HS chapter level

HS chapter	Chapter Name	Developed		Developing		LDCs	
		Applied Trade Weighted Average (%)	Peaks (%)	Applied Trade Weighted Average (%)	Peaks (%)	Applied Trade Weighted Average (%)	Peaks (%)
01	LIVE ANIMALS	9	28	5	30	8	36
02	MEAT AND EDIBLE MEAT OFFAL	33	46	19	54	14	66
04	DAIRY PRODUCE; BIRDS' EGGS AND NATURAL HONEY	36	66	13	47	10	52
05	PRODUCTS OF ANIMAL ORIGIN, N.E.S	1	5	9	19	9	29
06	LIVE TREES AND OTHER PLANTS	9	18	10	37	8	48
07	EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS	11	19	19	54	10	63
08	EDIBLE FRUIT AND NUTS	7	16	10	55	18	70
09	COFFEE, TEA, MATÉ AND SPICES	1	1	11	52	12	76
10	CEREALS	10	38	27	24	6	17
11	PRODUCTS OF THE MILLING INDUSTRY; MALT AND STARCHES	16	54	19	30	8	34
12	OIL SEEDS AND OLEAGINOUS FRUITS	3	14	10	13	5	14
13	LAC; GUMS AND RESINS	1	10	17	12	7	13
14	VEGETABLE PLAITING MATERIALS	1	0	8	14	11	20
15	ANIMAL OR VEGETABLE FATS AND OILS	7	23	16	27	12	27
16	PREPARATIONS OF MEAT, OF FISH OR OF OTHER AQUATIC INVERTEBRATES	18	31	11	58	16	77
17	SUGARS AND SUGAR CONFECTIONERY	37	38	21	39	22	39
18	COCOA AND COCOA PREPARATIONS	10	31	7	42	18	56
19	PREPARATIONS OF CEREALS, FLOUR, STARCH OR MILK	16	49	9	49	14	57
20	PREPARATIONS OF VEGETABLES, FRUIT AND NUTS	14	54	14	61	15	79
21	MISCELLANEOUS EDIBLE PREPARATIONS	16	35	17	48	16	53
22	BEVERAGES, SPIRITS AND VINEGAR	6	14	23	59	25	88
23	RESIDUES AND WASTE FROM THE FOOD INDUSTRIES	5	20	6	12	7	6
24	TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES	8	18	23	58	19	70

Source: UNCTAD TRAINS/WITS database using latest available data.

Table 2

Trade Weighted Bound Tariff Average, Bound Tariff Peaks and % of National Tariff Lines affected by TRQs on Agricultural products: HS chapter level

HS Chapter	Chapter Name	Developed			Developing			LDCs	
		Bound Weighted Tariff Average (%)	Peaks (%)	TRQ (%)	Bound Weighted Tariff Average (%)	Peaks (%)	TRQ (%)	Bound Weighted Tariff Average (%)	Peaks (%)
01	LIVE ANIMALS	10	20	12	22	77	5	93	86
02	MEAT AND EDIBLE MEAT OFFAL	34	47	27	28	90	22	68	100
04	DAIRY PRODUCE; BIRDS' EGGS AND NATURAL HONEY	54	64	49	44	83	20	67	86
05	PRODUCTS OF ANIMAL ORIGIN, N.E.S	2	8	1	20	80	1	137	94
06	LIVE TREES AND OTHER PLANTS	9	11	4	24	87	5	77	92
07	EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS	13	22	23	68	91	7	146	99
08	EDIBLE FRUIT AND NUTS	13	12	11	43	90	2	70	99
09	COFFEE, TEA, MATÉ AND SPICES	1	1	0	49	90	3	106	98
10	CEREALS	76	53	24	76	85	27	100	94
11	PRODUCTS OF THE MILLING INDUSTRY; MALT AND STARCHES	41	61	14	47	90	15	59	98
12	OIL SEEDS AND OLEAGINOUS FRUITS	4	31	7	32	79	8	105	94
13	LAC; GUMS AND RESINS	1	4	0	47	84	1	91	91
14	VEGETABLE PLAITING MATERIALS	1	1	0	23	82	0	90	91
15	ANIMAL OR VEGETABLE FATS AND OILS	9	32	6	84	87	20	134	98
16	PREPARATIONS OF MEAT, OF FISH OR OF OTHER AQUATIC INVERTEBRATES	14	30	16	25	85	12	54	89
17	SUGARS AND SUGAR CONFECTIONERY	47	44	9	69	89	27	117	97
18	COCOA AND COCOA PREPARATIONS	15	43	20	25	88	5	73	100
19	PREPARATIONS OF CEREALS, FLOUR, STARCH OR MILK	23	48	24	39	90	5	75	97
20	PREPARATIONS OF VEGETABLES, FRUIT AND NUTS	15	46	6	43	95	3	85	99
21	MISCELLANEOUS EDIBLE PREPARATIONS	20	39	13	44	92	7	77	99
22	BEVERAGES, SPIRITS AND VINEGAR	7	23	3	75	87	3	75	98
23	RESIDUES AND WASTE FROM THE FOOD INDUSTRIES	20	29	10	33	83	10	127	97
24	TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES	21	28	8	83	95	14	71	100

Source: UNCTAD TRAINS/WITS database using latest available data.