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The Consequences of WTO Revised Draft Modalities for Agricultural market access in the European Union

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Introduction

Market access liberalisation in the European Union is among the stumbling blocks of the whole Doha Round negotiation. The size of the European market (the largest for developing countries), combined with a significant level of initial border protection, explains its special interest for trading partners. Meanwhile, market access liberalisation faces harsh resistances in the EU. The principle of intervention prices, aimed at maintaining domestic prices above a given level, is still key to EU's Common Agricultural Policy, even though its importance has been considerably reduced by the successive reforms; and such interventions needs border protection to be maintained above the level corresponding to the gap between world and domestic prices. Liberalising border protection would thus not only increase, in some cases dramatically, the extent of foreign competition faced by European farmer, it also put into question the nature and scope of agricultural policies.

European border protection is highly uneven across products, and serious concerns focus on a handful of sectors. Given the different importance of agriculture and agrofood industries across member countries, as well as the different sectoral specialisation, market access liberalisation is also a source of internal conflicts in the EU. Countries with still large and relatively powerful agricultural sectors, like France, Spain or Poland, have repeatedly expressed their opposition to liberalising above the initial European proposal which ambition lies far below the revised draft modalities. Other member countries, like the UK, Germany or the Netherlands, see in agricultural market access liberalisation a powerful leverage to obtain further concessions from their partners on issues like non-agricultural market access and services liberalisation, where offensive interests clearly dominate for the EU.

The existence of numerous and widespread preferential trade agreements complicates further the problem. Countries benefiting from bilateral agreements (including recently signed or still negotiated Economic Partnership Agreements), from the GSP+ or from the Everything But Arms initiative, face little protection in accessing the European market; their main concern lies in the erosion of their preferential margin. Non-European developed countries and developing countries in East Asia and Latin America, in contrast, consider EU's border protection as a major obstacle to the development of their agricultural and agro-food exports.

The situation is evolving, however. By reducing the scope and depth of price support, successive reforms, among which the 2003 reform and the 2008's Health Check during the Round's negotiations themselves, have reduced the intensity of the problems potentially posed by market access liberalisation. Unfavourable rulings in WTO panel against EU's protection on banana and sugar have required further reforms for these two products, among the most sensitive. Lastly, the recent surge in world prices of many agricultural products has potentially opened new room of manoeuvre.

EU agricultural border protection is complex, and the revised draft modalities include a number of different (and not always simply applied) provisions. The assessment proposed here thus mainly aims at making clear what the actual consequences of the modalities might be for market access in the EU.

EU's agricultural protection at the outset

Before asking what the impact of liberalisation could be, assessing in detail the starting point is in order. In so doing, we take 2004 as the reference year and use the WTO rule to compute the ad-valorem equivalent (AVE) of specific tariffs (TN/MA/20). Even though no agreement has been reached so far on the computation of AVEs for the sugar sector, we use the general rule for this sector.

Summarising protection requires choosing a weighting scheme. Much has been written on this important issue, and using theoretically sound aggregators is beyond the reach of this paper. Unless otherwise specified, we will use in what follows import weighted averages. Such computations are widely used, and provide useful information, in particular as far as market access is concerned (Anderson and Neary, 2007). Still, they are also known to suffer from an endogeneity bias: imports tend to be lower on highly protected products –and zero for prohibitive tariffs-, inducing an understatement of the true extent of protection. But import-weighted averages are also sensitive to the presence of tariff rate quotas (TRQs). This protection instrument typically allows substantial imports in highly protected sectors; when only the outside-quota tariff rate is accounted for, as is the case here, this originates an upward bias in the average.

We use in some cases as additional information the unweighted average across tariff lines. This metric is easily calculated and widely used, but it does not account for the relative trade importance of tariff line. This is why we also report in this section averages weighted by exports of WTO partners as a group, toward a reference group of industrialised importers ("reference-group weighted averages", see Bouët et al., 2008 for details). Such calculation limits the extent of the endogeneity bias, while taking into account the respective importance of tariff lines in terms of potential imports.

Unless otherwise specified, calculations are based in what follows on data from the TARIC, the Integrated Community Tariff database, harmonized at the HS6 level following the MAcMapHS6 methodology (Bouët et al., 2008). Even though EU tariff schedule is defined using an eight digit nomenclature and applied at the ten-digit level (with four additional codes), working at the six digit level facilitates cross-country comparisons. Moreover, in spite of the desire to promote transparency in the WTO negotiations, several key elements in order to perform detailed analysis at the tariff line level are still restricted to negotiators, for instance the mapping table between Uruguay Round schedule nomenclature and the current applied tariff schedule (cf. For SH2002 G/SECRET/HS02/EEC/1), or the official AVEs computed by each delegation. While 2004 is used as a base year, the data is update to consider the consequences of the poultry cases initiated by Brazil and Thailand (WT/DS269 and WT/DS286) in 2003 against the EU, which induced the EU to increase its bound tariffs for several tariff lines in 2006.

The average bound duty for agricultural products in the EU was 23.8% in 2004 when weighted by imports, and 23.5% unweighted (Table 1). Weighted by reference group exports, the average amounts to 30.1%. This protection is markedly heterogeneous, as reflected in the import-weighted standard deviation of 42%. High protection is largely clustered in a handful of chapters, in particular sugar (chapter 17, import-weighted average bound duty of 129%), cereals (chapter 10, 78.4%), meat and

edible meat offal (chapter 2, 67.5%), dairy produce (chapter 4, 55.9%) and products of the milling industry (chapter 11, 44.4%). In each case, these high levels of protection mainly result from specific duties. For fruits and vegetables, seasonal tariffs and entry prices increase the difficulty to compute *ad valorem* tariff with precision; we cannot exclude that protection in the corresponding chapters (7 and 8) be underestimated in our calculations.

In contrast, bound protection is zero in textiles of agricultural origin (agricultural products in chapters 41, 43, 50, 51, 52, 53), in vegetable plaiting materials (chapter 14), in "other products of animal origin" (chapter 5), and it is less than 5% in a few other chapters, including important tropical products (cocoa, coffee, tea), as well as oil seeds and oleaginous fruits (chapter 12).

As a preamble to assessing the impact of the revised draft modalities, it is also useful to examine how tariff lines are spread across the bands upon which the tariff cutting formula is based. Among the 2204 eight-digit level agricultural tariff lines in the EU, 1569 exhibit an AVE bound duty less than or equal to 20% (i.e. are not dutiable or pertain to the first band –see Table 2). 351 tariff lines belong to the second band (AVE between 20 and 50%), 134 to the third band (50 to 75%), and 150 to the fourth band (above 75%). Not surprisingly, the bulk of tariff lines in the last two bands are clustered in the above-mentioned high-protection sectors. The importance of cattle products is especially noteworthy, with chapters 1, 2 and 4 jointly accounting for almost two-thirds the number of tariff lines in the fourth band, and more than half the tariff lines in the third band. A significant number of products belonging to these two bands are also found in cereals and the milling industry (chapters 10 and 11), in the sugar sector (chapter 17), in preparation of fruits and vegetables (chapter 20) and in residues and waste of the food industry[1] (chapter 23).

Since the EU bounded its MFN duties at their applied level in the Uruguay round, there is little difference between bound and applied MFN duties. Still, the seasonality of protection in vegetables, fruits and cereals is a source of significant binding overhang (4.4% for vegetables, 6.0% for fruits, and 3.5% for preparations thereof). More recently, the unilateral liberalisation of applied MFN duties for wheat, except barley, has created an additional, important source of binding overhang, averaging to 42.8% for the chapter.[2]

In practice, the border protection level applied by the EU differs significantly from the MFN duties described so far, due to the large number of reciprocal and non-reciprocal preferential trade agreements signed by the EU. As a result, the trade-weighted average of preferential duties was 18.0% in 2004, when only the outside-quota tariff rate is taken into account for TRQ products.[3]

[1] Protection is high for some products in this sector because it includes downstream products, or byproducts, of highly protected industries such as cereals, sugar or meat.

[2] In addition, EU tariffs on cereals include discrimination based on the entry point in Europe. For example, the same product, on a specific day, will face a different tariff if it enters by trains (land) or by boat (sea), going through the Suez channel or not.

[3] Computing the AVE of TRQ is cumbersome, since it is often difficult to know to what extent the quota is actually binding, and who benefited from the corresponding rent. According to our calculations, accounting for inside-quota tariff rates would lower the average duty by 0.9 percentage points.

Assessing the tariff-cutting impact of the formula

The revised draft modalities include a number of complementary provisions for liberalising market access. In this section, we focus on the core element of these modalities, the tariff-cutting formula, without taking into account the specific treatment associated with sensitive products or TRQs.

The percentage cuts involved in the proposed tiered formula are still being negotiated, as reflected in the bracketed numbers in the text. In each case, we use as a proxy the median of two bracketed numbers. The tiered formula used here thus entails cutting by 50% bound duties with AVE below 20%, by 57.5% duties between 20% and 50%, by 63.5% duties between 50 and 75%, and by 69.5% duties with AVE above 75%. As before, the calculations rest on the agreed computation of AVEs of specific tariffs, extended to the sugar sector. For TRQ products, only the OQTR is accounted for.

Applying without any exception the core tiered formula to the EU would cut its (import-weighted) average bound duty from 23.8% down to 8.8% (8.9% in unweighted average, 11.0% in reference-group weighted average –see Table 3). This would represent a 63% cut in the average bound duty, whatever weighting scheme is used. As is logical for such a progressive formula, the cut in the average bound duty would be even higher for highly protected sectors such as sugar (-68%), residues and waste from the food industry (-68%), cereals (-67%), meat (-66%) or dairy produce (-64%). The standard deviation of bound duties across products would accordingly fall by a factor of three, from 42% down to 14%, i.e. by more than the average. As a result of such tariff cuts, the highest sectoral average bound duties would be found in the sugar sector (41.2%), cereals (26.2%), meat (23.0%) and dairy produce (20.1%).

As part of the special and differential treatment granted to developing countries, additional provisions are proposed to ensure "fullest liberalization of trade in tropical and diversification products", by requiring larger cuts for these products (§ 140-141). Since the corresponding list of products concerned is still being negotiated, we base our assessment of these provisions on the Uruguay Round's list of tropical products. These provisions are found to reduce the average bound duty by an additional 0.7 percentage point, down to 8.1%. At the HS chapter level, their impact is mainly significant on products of the milling industry, oils and fats, plants, fruits and their preparations, and cocoa.

In order to gain a comprehensive appreciation of the potential impact of the tariff-cutting formula, provisions aimed at addressing tariff escalation must be taken into account (§ 80-86). We find that these provisions have little impact here: the only chapter significantly impacted is residues and waste of the food industries (-1.2 percentage points), and the average bound duty is further reduced by 0.1 percentage point only. Outside this sector, tariff escalation is actually not widespread in the EU, even though many processing industries benefit from domestic support through input subsidies instead of border protection (cf. tomato based products, subsidized butter for cookies industries), allowing them to remain competitive on the world market despite high domestic prices on some inputs. Still, the limited effect of tariff escalation provisions is also related to the restrictive coverage of the draft modalities list, which for instance excludes orange juice and chocolate products.

While this does not appear clearly in the calculations, the provisions concerning tariff simplification (§ 98-104) would also entail substantial changes in European protection since the highest protection levels generally result from specific duties, or from the specific component of complex duties. This provision will change MFN bound and applied tariffs but also the GSP scheme since, in the EU, GSP preferences for sensitive products are mainly granted through the elimination of the Ad Valorem compoment of the compound tariffs. Moreover, it is noteworthy that protection in the fruits and vegetables sectors involves a large number of complex tariffs, often including provisions linked to the entry price of imports. The AVE of such tariffs is difficult to compute, and it remains unclear at this point how they may be adapted to comply with the proposed modalities.

Given the extent of trade preferences in the EU market, the implications of the formula for applied duties are worth investigating, in order to evaluate how changes in bound duties are actually transmitted to applied preferential duties, and what the implications are in terms of preferential margins. This assessment should be interpreted with caution, however, since it is unclear how applied duties may be adapted to the liberalisation of bound duties. We make here the conservative assumption that applied duties are set at their initial level or at the new bound duty level, whichever is lower. Another issue is the market access conditions available to ACP countries (still negotiating Economic Partnership Agreements for many of them) when the formula is applied. The conditions prevailing in 2004 are taken here as a basis (except for EBA, the implementation of which is assumed to be completed). Our calculations show that the average applied preferential duty would be cut by approximately the same proportion as bound duties, from 18.0% down to 6.5% (Table 4). Since applied duties are weighted by bilateral imports instead of total imports from WTO partners, however, this result is difficult to interpret in terms of preferential margin.

We therefore compute average preferential margins as the difference between MFN applied duties and the lowest preferential tariff the exporter is eligible to, weighted by total imports from WTO partners. This calculation shows that the average preferential margin, initially equal to 3.7 percentage points, is reduced to 1.3 percentage points, i.e. by approximately two thirds. This is more than the average percentage cut, illustrating the reality of preference erosion. This is no surprise, and the provisions concerning long-standing preferences and preference erosion (§ 142-144) are largely meant to address the problems posed by the erosion of European preferences, in particular with regards to ACP countries. Averaging across all partners as is done here for the sake of consistency and brevity makes it difficult to assess the issue in detail, but sugar appear as the chapter where the problem is by far most acute; the erosion of preferential margins is also significant for fruits and vegetables (with outstanding issue of bananas), for cereal products and for tobacco.

Sensitive products: likely selection and consequences

Sensitive products are increasingly considered as one of the focal points of the Doha Round negotiation. This is especially true for the EU, where the unevenness of

border protection and potential conflicts with price support in some sectors, make this issue important from the point of view of both European farmers and trading partners.

The selection of sensitive products is constrained by a set of specific rules, but left to the discretion of policy makers. Guessing which products may be selected as sensitive is therefore inevitably hazardous. Nevertheless, the elaboration of trade policy has already been scrutinised in depth in the literature, allowing well-grounded simulations to be made.

We assume that sensitive products are selected according to the political economy criterion described in Jean, Laborde and Martin (2008). This criterion is based on the assumption that the political economy motivations that led to the present trade policy pattern are still valid; in this context, the political economy benefit of selecting a given product as sensitive can be shown to be proportional to the squared initial tariff, to the squared proportional cut implied by the formula, and to the level of imports. Those products for which this political economy benefit is the highest are therefore considered to be most likely selected as sensitive.

The allowed number of sensitive products is still being negotiated. The calculations presented here are based on the assumption that 5% of tariff lines can be treated as sensitive, and that they are applied two-third the cut entailed by the formula (one third and one half are also considered in the draft modalities, with corresponding different options for compensation through TRQs). The analysis is carried out at the HS6 level, which entails significant simplification compared to the tariff line level at which the EU's lists should actually be established.

The results of this systematic procedure must be considered with caution. They should be though of as a best guess based on trade and protection information, but the calculation does not account for cross-product specific relationships (complementarity between co-products, substitutability between differentiated products, etc.) nor for interactions with domestic support policies, which may also influence the choice. Table 5 shows the fifteen HS6 products coming up as most likely to be treated as sensitive by the EU. This list includes products widely recognised as sensitive, such as sugar, bananas and bovine meat or dairy produce. The list also features other meats (sheep, fowl), vegetables (manioc, garlic) and cereals and related products (maize residuals, rice, residues of starch).

A broader analysis by chapter confirms that meat and meat products (chapter 2), dairy produce (chapter 4), cereals (chapter 10), residues and waste from the food industries (chapter 23) and sugar are the most likely to be concerned with sensitive products exemptions, together with olive oil in chapter 15.

The impact of sensitive product exemptions on average protection is summarised in Table 6. According to our calculation, the 5% tariff lines selected as sensitive account for 18% of EU imports. Based on the formula including provisions for tropical products and tariff escalation, the corresponding flexibility reduces the cut in the import-weighted average bound duty from 66% to 50%. From 8.1% without flexibility, the final average is enhanced to 11.8%. This represents a considerable dampening of the tariff-cutting impact of the formula.

However, import-weighted averages are somewhat misleading for sensitive products, because most of them are covered by TRQs. In this case, the duty is assumed to be equal to the (often very high) OQTR, and imports are frequently

large. Protection in these products is thus arguably overweighted in this calculation, which does not account for the lower protection faced by in-quota imports. As a matter of fact, unweighted calculations provide a less dramatic picture about the impact of sensitive product exemption: from 64%, the proportional cut is found in this case to be reduced to 59%. This corresponds to a final average tariff level of 9.5%, instead of 8.4% without sensitive product exemptions.
It may be argued that these unweighted calculation in turn underweight sensitive products, since policy makers have incentives to designate as sensitive products with above-average trade importance, insofar as restrictions are only expressed in terms of number of tariff lines. The bottom line is that these two calculations can be considered as lower and upper bounds of the impact of sensitive products. The unweighted cut in the average bound duty (59%) also shows that, accounting for sensitive products treatment (under the assumption that two-third the formula cut is applied to them), the EU would not be constrained by the 54% minimum threshold. Meat, sugar, cereals and their by-products in chapter 23 are the sector most strongly impact by sensitive product exemptions.
In any case, this lesser liberalisation should be accompanied significant TRQ creations or expansions. This clause may influence significantly the choice of sensitive products, and the actual market access impact of implied deviations from tariff-cutting formula, in a way that is uneasy to predict.
<To be added: more on consequences in terms of TRQs creation or enlargement>

Conclusion

The revised draft modalities would imply deep liberalisation of agricultural market access in Europe. The progressive nature of the tariff-cutting formula means that the handful of highly protected sectors would experiment a large fall in their average bound duties, with potential deep implications for European producers. The flexibility allowed for sensitive products changes somewhat the picture, but our calculations suggest that liberalisation would remain important even in the most concerned sectors, like sugar or meat products.
At this point, it is remains unclear whether this proposal is likely to be deemed palatable by European representatives. The proposed liberalisation clearly overcomes the initial European proposal, recently again claimed by Member Countries' officials to be a "red line". But a negotiation entails bargaining, and agricultural market access liberalisation is clearly for the EU a sine qua non condition to obtain concessions in other domains.

Table 1: Initial bound protection level in the EU (base year 2004, AVE in %)

HS chapter	Import-weighted mean	Unweighted mean	Reference group-weighted mean	Mean AVE of specific component	Mean binding overhang	Mean applied preferential duty	Highest bound duty	Share in EU agric.
1 Live Animals	1.7%	19.5%	26.7%	0.6%	0.5%	0.9%	114.1%	0.7%
2 Meat and Edible Meat Offal	67.5%	42.2%	73.3%	58.8%	0.0%	70.0%	407.8%	5.3%
4 Dairy Produce. Birds Eggs	55.9%	76.9%	70.9%	52.2%	0.0%	53.3%	264.3%	2.0%
5 Other products of Animal Origin	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%
6 Live Trees and othr Plants	7.3%	5.9%	7.9%	0.0%	0.1%	2.6%	12.0%	1.8%
7 Edible Vegetables	25.0%	17.4%	23.0%	17.9%	4.4%	20.0%	118.9%	4.0%
8 Edible Fruit	25.2%	10.2%	23.2%	17.5%	6.0%	18.5%	117.1%	14.6%
9 Coffee, Tea, Maté and Spices	0.7%	2.4%	1.2%	0.0%	0.0%	0.3%	12.5%	6.1%
10 Cereals	78.4%	69.8%	88.2%	76.7%	42.8%	36.8%	93.6%	4.2%
11 Products of the Milling Industry	44.4%	56.3%	59.9%	41.0%	0.4%	42.1%	100.8%	0.2%
12 Oil Seeds and Oleaginous Fruits	0.3%	7.7%	0.5%	0.0%	0.0%	0.2%	179.1%	8.7%
13 Lac. Gums Resins	1.3%	1.9%	1.3%	0.0%	0.0%	0.9%	19.2%	0.8%
14 Vegetable Plaiting Materials	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
15 Fats and Oils	11.9%	14.3%	10.7%	7.0%	0.0%	10.8%	118.7%	5.3%
16 Preparations of Meat or Fish	28.4%	23.8%	27.8%	18.7%	0.0%	30.7%	87.6%	0.9%
17 Sugars and Sugar Confectionery	129.1%	67.6%	104.4%	127.4%	0.2%	107.9%	218.1%	3.0%
18 Cocoa and Cocoa Preparations	3.1%	8.7%	4.6%	0.1%	0.0%	0.6%	66.4%	5.3%
19 Preparations of Cereals	16.6%	23.1%	18.3%	7.7%	0.1%	10.9%	50.1%	1.1%
20 Preparations of Vegetables & Fruits	27.2%	28.5%	28.7%	8.4%	3.5%	18.2%	217.4%	5.6%
21 Miscellaneous Edible Preparations	10.5%	12.0%	10.5%	3.6%	1.6%	6.3%	69.3%	2.5%
22 Beverages Spirits and Vinegar	8.4%	17.0%	8.4%	8.0%	0.3%	7.7%	136.8%	5.8%
23 Residues & Waste From the Food Ind.	28.7%	49.5%	37.8%	28.5%	0.0%	18.1%	174.9%	8.2%
24 Tobacco	18.6%	31.0%	24.4%	0.0%	0.0%	11.9%	74.9%	4.3%
29 Organic Chemicals	14.3%	36.6%	18.9%	9.4%	0.0%	14.2%	56.2%	0.0%
33 Essential Oils, Cosmetics	7.3%	3.6%	7.9%	0.0%	2.4%	3.2%	17.3%	1.2%
35 Albuminoidals, Modified Starches	8.4%	13.1%	11.1%	3.4%	0.1%	7.7%	29.3%	0.9%
38 Miscellaneous Chemical Products	3.5%	18.2%	4.4%	0.3%	0.2%	0.5%	66.0%	1.1%
41 Raw Hides and Skins	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%
43 Furskins	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%
50 Silk	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
51 Wool Fine or Coarse Animal Hair	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.6%
52 Cotton	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.8%
53 Other Vegetable Textile Fibres	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Agricultural products	23.8%	23.5%	30.1%	18.6%	3.1%	18.0%	407.8%	100.0%

Source: Authors' calculations based on MAcMap-HS6 version 2 and TARIC (European Commission).
Note: Unless otherwise specified, import-weighted averages are reported.

Table 2: Distribution of European tariff lines by band (number of tariff lines, 8 digits)

HS chapter	Band I (<20%)	Band II ([20%;50%])	Band III ([50%;75%])	Band IV (>75%)	Total
1 Live Animals	31	3	5	8	47
2 Meat and Edible Meat Offal	127	50	22	34	233
4 Dairy Produce. Birds Eggs	33	44	44	54	175
6 Live Trees and othr Plants	48	0	0	0	48
7 Edible Vegetables	109	7	2	4	122
8 Edible Fruit	140	60	0	1	201
9 Coffee, Tea, Maté and Spices	56	0	0	0	56
10 Cereals	19	23	7	6	55
11 Products of the Milling Industry	28	32	18	5	83
12 Oil Seeds and Oleaginous Fruits	78	0	1	1	80
13 Lac. Gums Resins	19	0	0	0	19
15 Fats and Oils	110	3	4	3	120
16 Preparations of Meat or Fish	34	4	5	2	45
17 Sugars and Sugar Confectionery	30	6	2	9	47
18 Cocoa and Cocoa Preparations	18	7	2	0	27
19 Preparations of Cereals	33	14	1	0	48
20 Preparations of Vegetables & Fruits	214	76	7	10	307
21 Miscellaneous Edible Preparations	36	5	1	0	42
22 Beverages Spirits and Vinegar	165	6	1	4	176
23 Residues & Waste From the Food Ind.	51	2	4	9	66
24 Tobacco	23	3	4	0	30
29 Organic Chemicals	1	3	2	0	6
33 Essential Oils, Cosmetics	36	0	0	0	36
35 Albuminoidals, Modified Starches	24	1	0	0	25
38 Miscellaneous Chemical Products	11	2	2	0	15
Agricultural products	1569	351	134	150	2204

Source: Authors' calculations based on TARIC (European Commission).
Note: Chapters with no dutiable products (i.e. chapters 5, 14, 41, 43, 50-53) are not reported. Tariff lines are defined here at the eight-digit level of the Combined Nomenclature.

Table 3: Impact of the tariff-cutting formula and associated provisions on European bound duties

HS chapter	Initial bound duties	After formula only	After formula + tropical products	After formula + trop. prod. + tariff esc.
1 Live Animals	1.7%	0.8%	0.8%	0.8%
2 Meat and Edible Meat Offal	67.5%	23.0%	23.0%	23.0%
4 Dairy Produce. Birds Eggs	55.9%	20.1%	20.1%	20.1%
6 Live Trees and othr Plants	7.3%	3.6%	2.0%	2.0%
7 Edible Vegetables	25.0%	9.6%	9.4%	9.4%
8 Edible Fruit	25.2%	10.1%	8.7%	8.7%
9 Coffee, Tea, Maté and Spices	0.7%	0.3%	0.0%	0.0%
10 Cereals	78.4%	26.2%	25.8%	25.8%
11 Products of the Milling Industry	44.4%	16.2%	14.2%	14.2%
12 Oil Seeds and Oleaginous Fruits	0.3%	0.1%	0.1%	0.1%
13 Lac. Gums Resins	1.3%	0.7%	0.3%	0.3%
15 Fats and Oils	11.9%	5.0%	3.2%	3.2%
16 Preparations of Meat or Fish	27.9%	12.5%	12.5%	12.5%
17 Sugars and Sugar Confectionery	129.1%	41.2%	41.2%	41.2%
18 Cocoa and Cocoa Preparations	3.1%	1.6%	0.5%	0.5%
19 Preparations of Cereals	16.7%	8.1%	8.1%	8.1%
20 Preparations of Vegetables & Fruits	27.2%	12.0%	10.9%	10.9%
21 Miscellaneous Edible Preparations	10.5%	5.2%	4.3%	4.3%
22 Beverages Spirits and Vinegar	8.4%	3.9%	3.9%	3.9%
23 Residues & Waste From the Food Ind.	28.7%	9.2%	9.2%	7.9%
24 Tobacco	18.6%	8.7%	6.1%	6.1%
29 Organic Chemicals	14.3%	5.6%	5.6%	5.6%
33 Essential Oils, Cosmetics	7.3%	3.7%	3.0%	3.0%
35 Albuminoidals, Modified Starches	8.4%	3.9%	3.9%	3.9%
38 Miscellaneous Chemical Products	3.5%	1.7%	1.7%	1.7%
Agricultural products	23.8%	8.8%	8.1%	8.0%

Source: Authors' calculations based on MAcMap-HS6 version 2 and TARIC (European Commission).

Table 4: Impact of the tariff-cutting formula and associated provisions on European applied preferential duties

		Applied preferential duty		Avg preferential margin	
	HS chapter	Initial level	After formula	Initial level	After formula
1	Live Animals	0.9%	0.5%	0.3%	0.2%
2	Meat and Edible Meat Offal	70.0%	22.8%	2.8%	0.9%
4	Dairy Produce. Birds Eggs	53.3%	19.2%	3.6%	1.3%
5	Other products of Animal Origin	0.0%	0.0%	0.0%	0.0%
6	Live Trees and othr Plants	2.6%	0.9%	4.5%	1.3%
7	Edible Vegetables	20.0%	6.3%	4.6%	1.9%
8	Edible Fruit	18.5%	5.9%	4.5%	1.7%
9	Coffee, Tea, Maté and Spices	0.3%	0.0%	0.4%	0.0%
10	Cereals	36.8%	20.7%	1.5%	1.0%
11	Products of the Milling Industry	42.1%	13.1%	5.5%	1.1%
12	Oil Seeds and Oleaginous Fruits	0.2%	0.1%	0.1%	0.0%
13	Lac. Gums Resins	0.9%	0.3%	0.4%	0.1%
14	Vegetable Plaiting Materials	0.0%	0.0%	0.0%	0.0%
15	Fats and Oils	10.8%	3.0%	1.3%	0.3%
16	Preparations of Meat or Fish	30.7%	12.3%	0.7%	0.3%
17	Sugars and Sugar Confectionery	107.9%	34.1%	22.1%	4.6%
18	Cocoa and Cocoa Preparations	0.6%	0.1%	2.6%	0.4%
19	Preparations of Cereals	10.9%	6.2%	6.5%	3.2%
20	Preparations of Vegetables & Fruits	18.2%	9.4%	5.6%	2.4%
21	Miscellaneous Edible Preparations	6.3%	3.5%	2.9%	1.2%
22	Beverages Spirits and Vinegar	7.7%	3.4%	1.8%	0.6%
23	Residues & Waste From the Food Ind.	18.1%	4.8%	8.3%	3.1%
24	Tobacco	11.9%	4.4%	6.7%	2.2%
29	Organic Chemicals	14.2%	4.2%	2.9%	1.4%
33	Essential Oils, Cosmetics	3.2%	2.5%	1.7%	0.7%
35	Albuminoidals, Modified Starches	7.7%	3.4%	1.6%	0.8%
38	Miscellaneous Chemical Products	0.5%	0.3%	2.8%	1.4%
41	Raw Hides and Skins	0.0%	0.0%	0.0%	0.0%
43	Furskins	0.0%	0.0%	0.0%	0.0%
50	Silk	0.0%	0.0%	0.0%	0.0%
51	Wool Fine or Coarse Animal Hair	0.0%	0.0%	0.0%	0.0%
52	Cotton	0.0%	0.0%	0.0%	0.0%
53	Other Vegetable Textile Fibres	0.0%	0.0%	0.0%	0.0%
	Agricultural products	18.0%	6.5%	3.7%	1.3%

Source: Authors' calculations based on MAcMap-HS6 version 2 and TARIC (European Commission).

Table 5: Highest-ranking products in terms of sensitivity criterion in the EU

				MFN duty after liberalisation, assuming:			
Rank	HS6		Initial level	no sensitive products	1/3 formula cut on sens.pr.	1/2 formula cut on sens.pr.	2/3 formula cut on sens.pr.
1	170111	RAW CANE SUGAR EXCL. ADDED FLAVOURING O	177.2%	55.8%	136.8%	116.5%	96.3%
2	230890	MAIZE STALKS MAIZE LEAVES MARC AND OTH	423.7%	89.9%	326.9%	278.6%	230.2%
3	080300	BANANAS INCL. PLANTAINS FRESH OR DRIED	63.5%	20.0%	50.1%	43.4%	36.6%
4	170199	CANE OR BEET SUGAR AND CHEMICALLY PURE S	160.9%	50.7%	124.2%	105.8%	87.4%
5	230990	PREPARATIONS OF A KIND USED IN ANIMAL FE	116.6%	36.7%	89.9%	76.6%	63.3%
6	020230	BONELESS FROZEN MEAT OF BOVINE ANIMALS	124.4%	39.2%	96.0%	81.8%	67.6%
7	020130	FRESH OR CHILLED BOVINE MEAT BONELESS	88.2%	27.8%	68.1%	58.0%	47.9%
8	071410	FRESH OR DRIED MANIOC `CASSAVA` WHETHER	139.3%	41.1%	107.5%	91.6%	75.7%
9	020442	FROZEN CUTS OF SHEEP UNBONED EXCL. CAR	67.5%	24.6%	53.2%	46.1%	38.9%
10	100630	SEMI MILLED OR WHOLLY MILLED RICE	109.3%	41.8%	109.2%	93.1%	76.9%
11	040510	BUTTER EXCL. DEHYDRATED BUTTER AND GHEE	78.5%	24.7%	60.6%	51.6%	42.7%
12	070320	GARLIC FRESH OR CHILLED	201.6%	63.5%	155.5%	132.5%	109.5%
13	020443	FROZEN BONED CUTS OF SHEEP	80.3%	25.3%	61.9%	52.8%	43.6%
14	230310	RESIDUES OF STARCH MANUFACTURE AND SIMIL	94.8%	29.9%	73.2%	62.4%	51.5%
15	020714	FROZEN CUTS AND EDIBLE OFFAL OF FOWLS OF	50.9%	18.6%	40.2%	34.8%	29.4%

Source: Authors' calculations based on MAcMap-HS6 version 2 and TARIC (European Commission).

Table 6: Assessed impact of sensitive products exemption on EU market access liberalisation

	Import-weighted averages					Unweighted averages					
	Initial level	Final, without sensitive product	% cut	Final, with sensitive products	% cut	Initial level	Final, without sensitive product	% cut	Final, with sensitive products	% cut	Share in EU's ag. imports
All agricultural products	23.8%	8.1%	66%	11.8%	50%	23.4%	8.4%	64%	9.5%	59%	100.0%
Non-sensitive prod.	9.5%	3.5%	63%	3.5%	63%	19.2%	7.0%	63%	7.0%	63%	81.9%
Sensitive prod.	88.7%	29.1%	67%	49.5%	44%	106.1%	34.5%	68%	58.6%	45%	18.1%
Std-deviation across ag. products	42%	14%	68%	23%	46%	40%	13%	68%	18%	56%	
Individual HS Chapters including sensitive products:											
2	67.5%	23.0%	66%	36.4%	46%	42.2%	15.4%	63%	17.6%	58%	5.3%
4	55.9%	20.1%	64%	29.2%	48%	76.9%	26.1%	66%	31.4%	59%	2.0%
7	25.0%	9.4%	63%	12.6%	50%	17.4%	7.1%	59%	8.5%	51%	4.0%
8	25.2%	8.7%	66%	12.8%	49%	10.2%	4.0%	61%	4.3%	58%	14.6%
10	78.4%	25.8%	67%	35.5%	55%	69.8%	22.7%	68%	28.2%	60%	4.2%
15	11.9%	3.2%	73%	4.4%	63%	14.3%	4.5%	68%	5.1%	64%	5.3%
16	27.9%	12.5%	55%	15.9%	43%	22.4%	10.3%	54%	11.0%	51%	0.9%
17	129.1%	41.2%	68%	69.5%	46%	67.6%	22.9%	66%	28.9%	57%	3.0%
20	27.2%	10.9%	60%	12.5%	54%	28.5%	10.8%	62%	11.7%	59%	5.6%
22	8.4%	3.9%	54%	4.3%	49%	17.0%	6.6%	61%	7.1%	58%	5.8%
23	28.7%	9.2%	68%	15.6%	46%	49.5%	16.1%	67%	22.7%	54%	8.2%
24	18.6%	6.1%	67%	7.1%	62%	31.0%	10.9%	65%	12.0%	61%	4.3%

Source: Authors' calculations based on MAcMap-HS6 version 2 and TARIC (European Commission).