



# Geneva WATCH

An overview of the bilateral, plurilateral and multilateral trade negotiations

## The U.S.'s Take on Tariff Peaks

**Ahead of the October 28<sup>th</sup> Agriculture talks, the U.S. circulated its latest analysis on market access and more specifically, on tariff implementation issues.**

This time the paper focused on tariff peaks which, according to the World Trade Organization (WTO) definition, represent “relatively high tariffs, usually on ‘sensitive’ products, amidst generally low tariff levels.” For developed countries, the WTO says “tariffs of 15% and above” are generally recognized as tariff peaks.

The U.S. said that its 29-page analysis “aims to provide a deeper understanding of the tariff treatment, primarily focusing on tariff peaks faced by Members” given that agricultural tariffs remain much higher than in other sectors.

Certain Members have bound agricultural tariffs above 1,000% and apply duties “at a very high level across an entire sensitive sector,” the U.S. wrote. These very high bound and applied duties are usually found in G-10 countries (group of Members lobbying for agriculture to be treated as diverse and special because of non-trade concerns: Iceland, Israel, Japan, the Republic of Korea, Liechtenstein, Mauritius, Norway, Switzerland, and Chinese Taipei) but also in many developing countries such as Egypt and Malaysia. In fact, “five of the top agricultural trading economies have applied rates above 500%,” the study shows.

For instance, “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.” That being said, the frequency of tariff peaks is higher in developing and large agricultural trading economies than small trading economies and industrialized nations, the U.S. found.

### Canada’s Tariffs Targeted

Even though tariff peaks are prevalent in all major agricultural products groups, they are mostly concentrated in sectors such as beverage and tobacco, cereals, fruits & vegetables, animal 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 U.S. tobacco products, and EU sugar beets exceed 300%,” the study cites.

Some of these high tariffs take the form of over-quota duties following the tariffication of former quantitative and non-tariff measures. “TRQs (tariff rate quotas) that were created to safeguard traditional trade flows while creating new minimum access opportunities for the trade of all WTO Members,” the U.S. wrote, while criticizing the quotas allocated as generally “too limited to provide for the intended outcome.”

Given the high value of agricultural imports, “locking-in tariff reductions for agriculture can contribute further to global welfare,” the U.S. said. To reach that feat, transparency and up-to-date notifications are critical to improve access to customers and secure better return for farmers.

### Reactions

Some Members expressed strong concerns with respect to singling out tariff peaks for any specific treatment, one WTO official said. Others, like the EU and Switzerland, highlighted the role of TRQs in facilitating market access. Generally speaking, the G-10 and the EU were not convinced of the inclusion of market access in balancing the agriculture package for the twelfth WTO Ministerial Conference to be held in Kazakhstan (MC12).

At the other end of the spectrum, Cairns Group Members and Art. XII countries (Members that joined the organization after 1995) sided with the U.S., claiming that progress in the area of market access was paramount to achieve a balanced outcome in the agriculture negotiations. Canada said it supports the technical engagement in market access, including the transparency-related elements (such as *Goods en route*).

### Toward Negotiating Proposals?

The tariff peaks analysis is the third thematic paper tabled by the U.S. after having previously circulated papers on bound versus applied tariffs and complex tariffs. The U.S. stressed that these papers are meant to provide “summarized analysis in six areas of the market access pillar where further analysis of Members’ current implementation of tariffs should be considered and discussed.” In addition to the 3 above listed topics, the other areas targeted by the U.S. inquiries are: issues with TRQs, agricultural safeguards (SSGs), and regional/preferential trade agreements.

Following this third opus, Argentina asked when the U.S. intends to table actual negotiating proposals as requested by the negotiating group Chair, Ambassador Deep Ford (Guyana). Replying to Argentina, the U.S. said it would only consider doing so after completing the current analytical work it has undertaken since 2018 toward better understanding today’s market access challenges and Members’ current tariff regimes.

### Domestic Support

The vast majority of Members – both developed and developing countries – consider domestic support the top priority for MC12, before market access and cotton. On domestic support, however, the divergences remain on the starting point.

If it’s clear for some like Cairns Group Members that all domestic support elements should be taken into account to ensure a balanced outcome, others – mostly developing countries including ACP (African, Caribbean and Pacific

countries) & African Groups, China, and India) continue to call for the elimination of AMS (aggregate measurement of support) first, leaving the *de minimis* and Article 6.2 (development box) untouched.

In order to advance in this area of the talks, Russia said it plans to submit a “formula-based proposal” on domestic support by the end of November.

### Options Needed

With the limited progress achieved thus far and the little change in Members’ position, some like the EU and the U.S. believe that transparency may end up being the only area with a potential outcome in Nur-Sultan.

However, many developing countries – ACP, African Group, India most notably – opposed this idea, claiming that new transparency measures will simply create additional burden on them. For these Members, a MC12 outcome focusing solely on transparency in agriculture is not viable.

Ambassador Ford, meanwhile, asked that Members start circulating submissions in the form of options. “It is now the time to prioritize and phase elements on which options can be examined for possible agreement,” he said. The Chair believes that some issues need to be prioritized and phased for a meaningful outcome at MC12 and others will be addressed post-MC12.

“The phasing would not necessarily reflect importance of the element, but rather complexity of work needed and doability in a limited time period. We will have to work together as Members to see how soon we can agree on which elements and when they should be dealt with.”

Ambassador Ford plans to circulate a revised report in December which will outline “clear options for the probable doable elements” for Nur-Sultan. This is likely be accompanied by a work program on the more complex elements that would need additional time and work.

**Geneva Watch is published monthly by Dairy Farmers of Canada, Chicken Farmers of Canada, Turkey Farmers of Canada, Canadian Hatching Egg Producers, and Egg Farmers of Canada to report on the various events occurring in Geneva, especially on agriculture.**

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