

## Tariffs on Commodities of Export Interest to the United States

In 1999, U.S. agricultural exports totalled almost \$53 billion, spread across more than 130 countries. The existence of import tariffs in these countries was one of several factors affecting the size of this trade. Tariffs alter the relative prices of imported and domestically produced goods and thus alter the volume of imports. How much greater would U.S. agricultural exports be if global agricultural tariffs were eliminated or substantially reduced? This is a question not easily answered, as it is subject to a host of factors, including producer and consumer responses to price changes, market structures, and time lags in the adjustment process. While the answer is beyond the scope of this study, some insight can be gained by identifying those markets in which U.S. agricultural exports continue to face high tariffs.

### *Main Agricultural Products Exported by the United States*

The top 30 categories of U.S. agricultural exports are shown in table 8. For the countries reviewed in this report, these items earned \$32.7 billion, or about 62 percent of total U.S. agricultural export revenue in 1999. Of these, the top 10 each accounted for at least \$1 billion in revenue and include the traditional bulk commodities: corn, soybeans, wheat, and tobacco, as well as intermediate goods such as beef (fresh/chilled and frozen), frozen chicken cuts, and soymeal. Also included in the top 10 are two consumer-oriented categories: cigarettes and miscellaneous food preparations.

The top 30 destinations for these U.S. agricultural exports are also shown in table 8. The countries listed are a subset of the countries reviewed in this report, which accounted for 86 percent of the \$32.7 billion U.S. exports attributed to these 30 categories.<sup>11</sup> The top 30 countries alone accounted for \$26.4 billion, or 81 percent. Japan was by far the most important destination for the U.S. commodities making up these 30 categories, with imports of over \$7.6 billion. The EU, Mexico, Korea, and Canada represented billion dollar markets for these commodities. In terms of both commodities and countries, there is a high degree of con-

centration at the top. The top ten commodity groupings account for 71 percent of the \$32.7 billion subtotal, while the top ten destinations for this trade account for 68 percent.

Also contained in table 8 are the top 30 markets for the top 30 U.S. agricultural exports. In 1999, the United States registered exports worth \$14.8 billion to these markets. A large share of the markets for these U.S. exports is found in Japan and the EU. The single most lucrative export destination for U.S. agriculture is associated with import demand for cigarettes by Japan. Other billion dollar markets for U.S. exporters in 1999 resulted from import demand for corn in Japan and soybeans in the EU. Rounding out the top five were the Japanese markets for soybeans and fresh and chilled beef. The sixth largest market for U.S. exporters (soybeans to Mexico) was one of eight NAFTA markets listed in table 8. U.S. exports of soybeans, wheat, corn, sorghum, fresh and chilled beef, and cotton to Mexico and bread, pastries, etc., and miscellaneous food preparations to Canada were among our top 30 export markets in 1999 (for the top 30 categories).

It is informative to compare the level of tariffs in those markets that imported U.S. products with those that did not. While most U.S. exports to Mexico and Canada would have been subject to preferential, and in some cases, zero tariffs, U.S. exports to some other markets were constrained by very high tariffs, in some cases high enough to preclude any trade from taking place.

### *Exports Subject to Megatariffs*

Figure 12 displays the mean and upper bound tariffs facing U.S. exporters, for each of the top 30 U.S. agricultural exports.<sup>12</sup> To better illustrate the means, the upper bounds have been cut off at 500 percent. The simple means range from 47 percent for mixed feeds to 98 percent for frozen beef. Also shown is the global tariff mean of 62 percent. As might be expected, these means are inflated by a few very high tariffs in some countries. Note, in particular, that ten of the categories (corn, sorghum, rice, tobacco, frozen beef, frozen potatoes, apples, wine, whiskey, and miscellaneous food preparations) are subject to at least one tariff in excess of 500 percent. This section focuses on those markets where U.S. exports continue to face tariff

<sup>11</sup> Of the remaining trade, two-thirds went to just four of the countries not currently WTO members, and therefore not reviewed in this report: Taiwan, China, Saudi Arabia, and Russia.

<sup>12</sup> Consistent with previous sections, the means are simple averages and do not include the in-quota rates of TRQ's.

**Table 8—Top 30 U.S. agricultural exports, ranked and sorted by commodity groupings, countries, and markets**

Top 30 U.S. agricultural exports		Top 30 destinations		Top 30 markets		
Category	U.S. Exports	Country	U.S. Exports	Category	Country	U.S. exports
	\$000		\$000			\$000
Corn	4,973,917	Japan	7,623,789	Cigarettes	Japan	1,719,226
Soybeans	4,554,950	EU-15	4,293,349	Corn	Japan	1,426,405
Wheat	3,386,567	Mexico	3,321,848	Soybeans	EU	1,049,384
Cigarettes	3,231,504	Korea	1,978,992	Soybeans	Japan	785,485
Food preparation, NES	1,524,608	Canada	1,962,863	Beef, boneless, fresh/chilled	Japan	705,520
Beef, boneless, fresh/chilled	1,276,390	Egypt	892,566	Soybeans	Mexico	662,716
Poultry cuts, frozen	1,111,902	Hong Kong	635,169	Tobacco, unprocessed	EU	617,020
Tobacco, unprocessed	1,082,396	Philippines	574,739	Beef, boneless, frozen	Japan	579,979
Soymeal	1,069,642	Indonesia	460,420	Corn	Korea	574,936
Beef, boneless, frozen	1,024,026	Turkey	430,166	Corn	Mexico	534,868
Cotton	968,220	Israel	407,776	Wheat	Egypt	479,115
Cattle hides & skins	879,227	Switzerland	387,905	Wheat	Japan	452,771
Dog and cat food	631,738	Colombia	344,001	Residual starch manuf.	EU	410,016
Residual starch manuf.	571,955	Thailand	339,446	Cigarettes	EU	408,046
Sorghum	555,308	Venezuela	284,143	Sorghum	Mexico	385,094
Rice, milled	555,255	Dominican Republic	280,576	Almonds, fresh/dry, shelled	EU	338,218
Almonds, frsh/dry, shelled	540,958	Peru	246,015	Beef, boneless, fresh/chl'd	Mexico	326,365
Mixed feeds, etc.	466,111	Malaysia	236,584	Food preparation, NES	Canada	314,816
Peptones and derivatives	461,943	Australia	171,889	Pork, fresh/chilled	Japan	300,295
Wine	440,284	Morocco	165,872	Cattle hides & skins	Korea	296,603
Beef, sheep, goat fat	377,323	Guatemala	162,177	Cotton	Mexico	285,352
Bread, pastry, etc.	372,421	Niger	160,809	Corn	Egypt	282,625
Pork, fresh/chilled	354,686	Singapore	153,751	Peptones and derivatives	Switzerland	265,054
Potatoes, frozen	353,541	El Salvador	138,041	Wine	EU	256,906
Apples, fresh	347,653	South Africa	137,775	Forage	Japan	252,729
Manufactured tobacco	330,430	Chile	121,715	Beef, boneless, frozen	Korea	240,811
Whiskies	326,998	Costa Rica	114,632	Wheat	Philippines	234,655
Soyoil	320,059	Honduras	111,086	Soybeans	Korea	225,232
Grapes, fresh	308,596	Panama	109,181	Wheat	Mexico	214,625
Forage	295,315	United Arab Emirates	108,404	Bread, pastry, etc.	Canada	211,230
Sub-total	32,693,922	Sub-total	26,355,681	Sub-total		14,836,097
Others	20,203,166	Other	6,338,241	Others		17,857,825
<b>Total</b>	<b>52,897,088</b>	<b>Total</b>	<b>32,693,922</b>	<b>Total</b>		<b>32,693,922</b>

Note: Commodities are grouped at the 6-digit HS level.

Source: Compiled from official statistics of the U.S. Department of Commerce.

peaks, defined here as being synonymous with megatariffs, or tariffs equal to or greater than 100 percent.

Table 9 summarizes, for each of the top U.S. export categories, selected characteristics of the markets where this trade faces megatariffs.<sup>13</sup> In these 30 commodity categories, 47 different countries have at least one tariff bound at 100 percent or above. Twenty-five of these countries have bound their entire agricultural schedules at rates equal to or above 100 percent. For the remainder, megatariffs are found in between 1

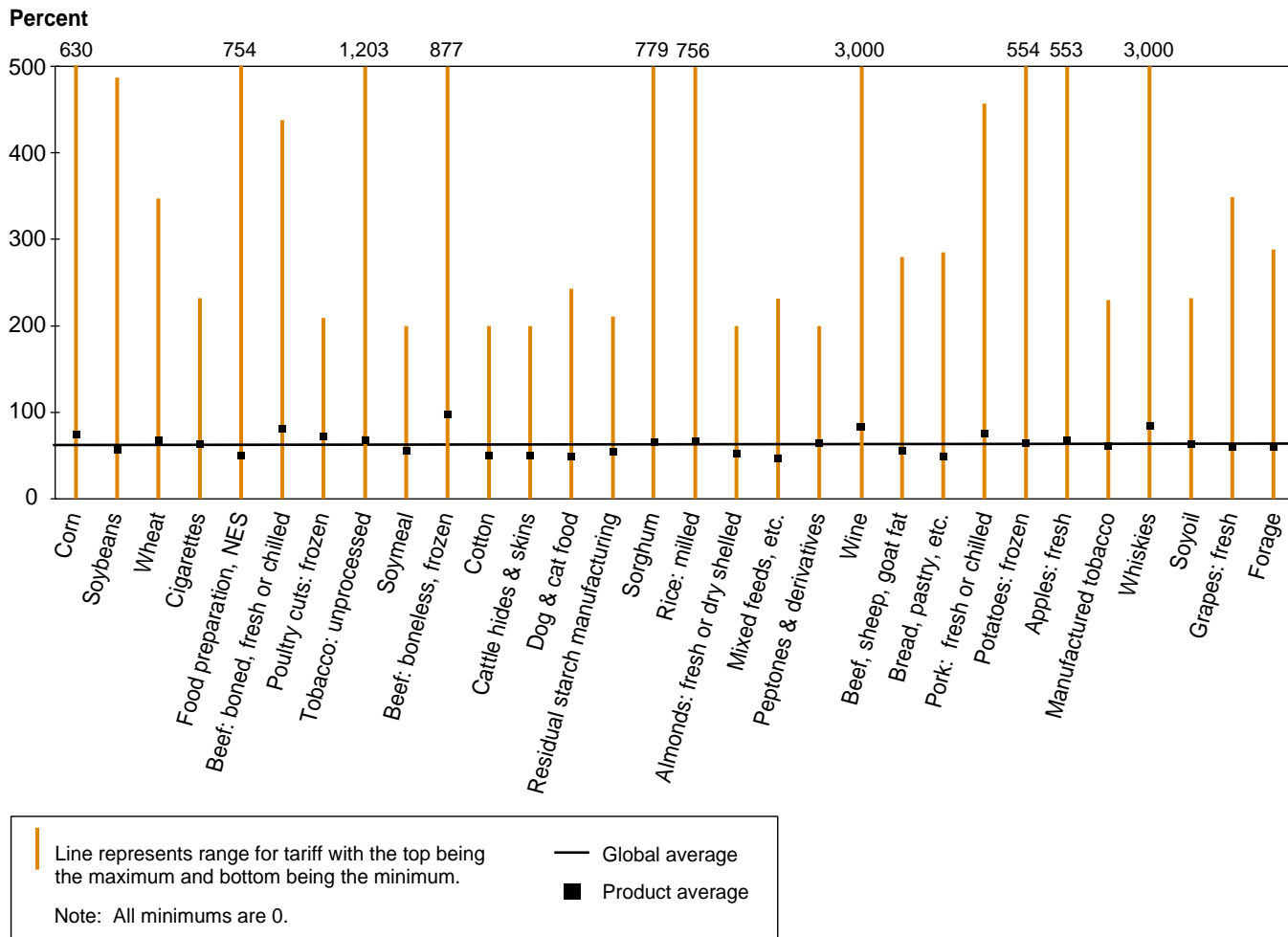
(India, Malaysia, Morocco, and Thailand) and 17 (Norway) of the 30 commodity categories. Across categories, the two beef groupings, frozen and fresh/chilled boneless beef, top the list, with U.S. exports of these products subject to megatariffs in 36 and 37 countries, respectively.

Eleven of these markets (wine and whiskey exports to Egypt; unprocessed tobacco to Malaysia; frozen beef to Iceland, Norway, and Switzerland; milled rice to Japan; apples to Israel; and corn, sorghum, and miscellaneous food preparations to South Korea) are subject to at least one tariff above 500 percent. In eight of these cases, however, the tariff is the over-quota rate of a TRQ, so there is some opportunity for exports at the lower in-quota rate. In most cases, the within-quota tariff is significantly below the over-quota megatariff,

<sup>13</sup> Appendix table 3 lists these markets, the tariffs faced by U.S. agricultural exports, and the value of U.S. exports. Not included in this list are those countries that bound tariffs at 100 percent or above, but where available data indicated that they were applying rates at below 100 percent.

Figure 12

### Average, maximum, and minimum tariffs faced by top 30 U.S. exports<sup>1</sup>



<sup>1</sup>Tariffs are bound MFN rates based on final URAA implementation.  
Source: Economic Research Service, USDA

and U.S. product is being imported (see appendix table 3).

The value of U.S. exports to markets where megatariffs exist totalled \$3.8 billion in 1999, an average of about \$4.4 million per market. This compares with an average trade flow of \$11.2 million per destination to all other markets in this report for these 30 commodities. The difference between those markets where some access was offered via a TRQ versus those where no TRQ was in effect was dramatic. U.S. exports to TRQ markets totalled \$2.2 billion, an average of \$35.6 million per market. When one excludes markets where a TRQ exists, average U.S. exports drop to under \$2 million per market. This suggests that, in those markets subject to megatariffs, TRQs are offering some market access for U.S. imports,

although one must also keep in mind that most of the TRQs tend to be in the wealthier OECD countries.

Japan, the EU, and Korea represent the three most important non-NAFTA destinations for these 30 U.S. commodities. In 1999, U.S. exports to Japan of the four commodities (wheat, rice, fresh and chilled pork, and miscellaneous food preparations) where megatariffs were levied, averaged \$244 million, versus average exports of \$256 million to the 26 other markets. U.S. exports to the four EU markets subject to megatariffs (frozen boneless beef, rice, mixed feeds, and residues of starch manufacture) averaged \$133 million versus \$145 million to the others. Korea applies megatariffs in five of these markets (corn, sorghum, soybeans, forage, and miscellaneous food preparation). U.S. exports averaged \$173 million to these markets versus \$45 million to the other 25. For these three countries, at

**Table 9—Top 30 U.S. agricultural exports face an abundance of megatariffs**

Commodity	Importing countries	Megatariffs <sup>1</sup>
	<i>-- Number --</i>	
Corn	30	34
Soybeans	29	30
Wheat	31	35
Cigarettes	28	28
Food preparation, NES	31	38
Beef, boned, fresh/chilled	36	38
Poultry cuts, frozen	26	26
Tobacco, unprocessed	28	29
Soymeal	27	27
Beef, boneless, frozen	37	54
Cotton	25	25
Cattle hides & skins	26	26
Dog and cat food	26	26
Residual starch manufactured	28	28
Sorghum	29	31
Rice, milled	31	47
Almonds, fresh/dry, shelled	26	26
Mixed feeds, etc.	29	42
Peptones and derivatives	25	25
Wine	28	41
Beef, sheep, goat fat	29	33
Bread, pastry, etc.	28	37
Pork, fresh/chilled	30	35
Potatoes, frozen	28	34
Apples, fresh	29	41
Manufactured tobacco	29	32
Whiskies	34	41
Soyoil	31	33
Grapes, fresh	28	32
Forage	29	31

Note: For detailed breakout, see Appendix table 3.

<sup>1</sup>Count of all over-quota and non-TRQ megatariffs based on bound, MFN tariffs as of final URAA implementation.

Source: Economic Research Service, USDA.

least, the presence of megatariffs in a market did not result in U.S. exports being significantly less than in markets where megatariffs were not being applied. There are several explanations for this situation. In most of the markets where megatariffs are found in these countries, we also find TRQs being applied. With the exception of the Japanese rice TRQ, all have fairly low in-quota rates, and the minimum access amounts in most of these markets are being filled or close to being filled.

Another explanation has to do with the fact that these exports are for all products within these 6-digit categories. In many cases, megatariffs might be applied on some of the sub-categories of these products while other sub-categories are subject to zero or very low tariffs. One example might be a low tariff on corn used as seed, but a high tariff on corn destined for use as food or feed. In the case of some perishable products, tariffs vary over the course of the year, with high tariffs when the product is in season and low ones during the rest of the year. The value of imports may be very high during the time the tariff is low and drop to zero when the megatariffs are in effect. The result is that it can be difficult to have a clear vision of the effect that high tariffs are having on trade, particularly if tariffs and trade are not compared at the same HS level. One thing that is evident, however, is that the wide range in tariffs levied on individual commodities within a number of these 6-digit commodity markets (see appendix table 3) indicates the extent to which countries have strategically tailored their tariff schedules to provide protection for very specific products.