



Agricultural Market Access Under Tariff-Rate Quotas

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What Is the Issue?

Tariff-rate quotas (TRQs) were established during multilateral trade negotiations within the World Trade Organization (WTO) in the 1990s to facilitate market access for agricultural commodities that were subject to import quotas and nontariff measures. Under a TRQ, imports up to a specified quota face a lower tariff than imports above the quota. More than 20 years after the measures were first adopted, 40 World Trade Organization (WTO) members have a total of 1,125 TRQs in their bound schedules (i.e., inventories of tariffs for specific commodities at maximum allowable rates). This report provides information about the prevalence of TRQs and their impact on global agricultural trade.

What Did the Study Find?

The authors' review of TRQs shows that they vary widely in the size of quotas, tariff levels, implementation procedures, and commodities covered.

- A significant proportion of TRQs have low fill rates (the percentage of the quota filled): 36 percent had import volumes less than 20 percent of the quota during 2006-15. However, a larger proportion (40 percent of TRQs) had imports that were at least 80 percent of the quota. Only 6 percent of TRQs had fill rates of 40-60 percent—the range that includes the 56-percent average.
- In meetings of the WTO Committee on Agriculture during 1996-2015, WTO members asked 1,972 questions about other members' TRQs, 925 questions about TRQ transparency issues (47 percent), and 435 questions about administration issues (22 percent).

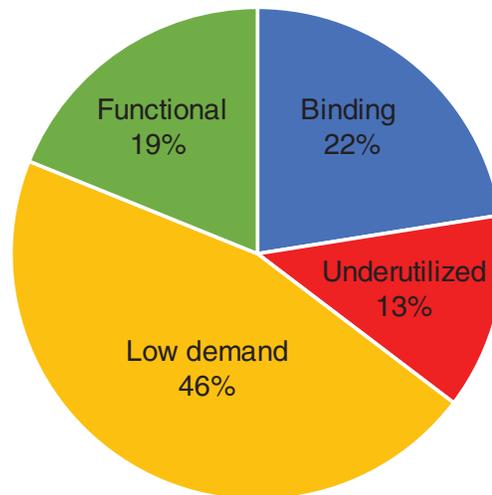
To assess the impact of TRQs on agricultural trade, the study authors characterized TRQs in terms of two indicators: (1) whether the TRQ fill rate exceeded a 65-percent threshold set by a Decision issued at the 2013 Bali Ministerial Conference of the WTO, and (2) whether domestic prices exceeded the cost of imports (border prices plus the in-quota tariff). The TRQs were then classified into four groups that allow for analysis of the TRQ impact on agricultural trade:

- *Underutilized TRQs (13 percent)*—imports filled less than 65 percent of the quota, and domestic prices exceeded the estimated cost of imports, suggesting that potential demand for additional imports may be constrained by administrative procedures or other nontariff measures that impede trade.

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- *Low-demand TRQs (46 percent)*—imports filled less than 65 percent of the quota, but domestic prices were less than the estimated cost of imported products. Many “low-demand” quotas have high in-quota tariffs, while other “low-demand” quotas are set by countries that have abundant supplies of domestic products that reduce demand for imports.
- *Binding TRQs (22 percent)*—imports filled more than 65 percent of the quota and domestic prices exceeded import cost, implying potential for greater imports if the quota is expanded or over-quota tariffs reduced.
- *Functional TRQs (21 percent)*—imports filled more than 65 percent of the quota and domestic prices were equal to or less than the cost of imports, implying that demand for imports may be sensitive to a reduction in over-quota tariffs.

ERS classification of Tariff-Rate Quotas



Note: Based on a sample of TRQs (using last 3 years of reported data).

Source: USDA, Economic Research Service analysis of data from World Trade Organization and the Organization for Economic Cooperation and Development.

How Was the Study Conducted?

This report summarizes the current state of TRQs by synthesizing information from previous studies, WTO meeting records, and member notifications submitted to the WTO. To determine the prevalence of TRQs and their fill rates, the authors reviewed past studies and analyzed a database of TRQs volumes, tariffs, and actual imports compiled from WTO notifications for 1995-2015, along with a recent WTO background paper. The report summarizes questions and issues raised at WTO Committee on Agriculture meetings about various aspects of TRQ implementation. TRQs are classified into four regimes based on their fill rates and indicators of border protection, as calculated by the Organization for Economic Cooperation and Development (OECD). The classification identifies commodities with TRQs that are underfilled despite indicators of strong demand for imports and commodities that have potential for greater imports if market access could be enlarged by expanding quotas or by reducing over-quota tariffs.