

# Current state of Tariff Faced and Applied

David Laborde

[d.laborde@cgiar.org](mailto:d.laborde@cgiar.org)

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What are we talking about?

# WORDS AND GRAPHS

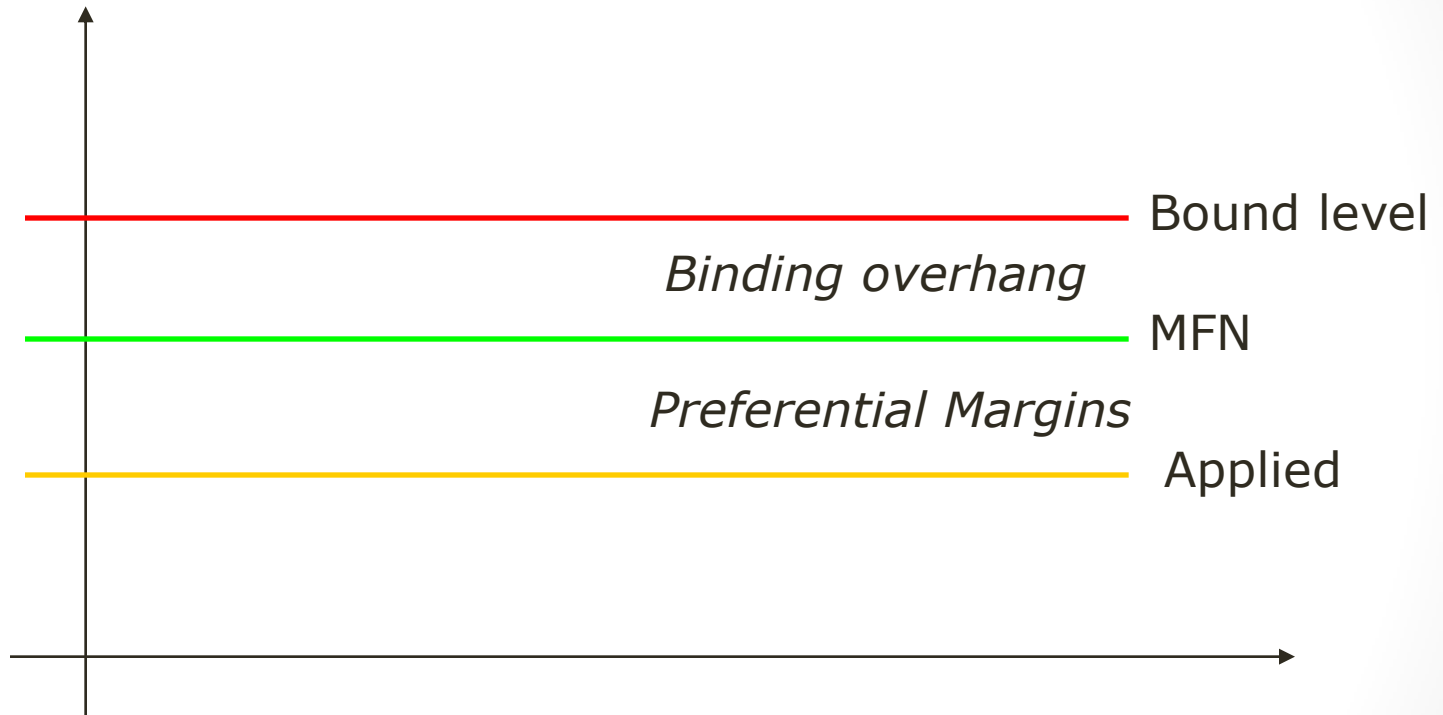
# Trade policy tools

- **Tariffs**
  - Ad Valorem (5%)
  - Specific (5 euro / ton)
  - Mixed and Compound ( more complex : 5% min 4 euro / ton)
- Quotas
  - Traditional quotas
  - **Tariff Rate quotas**
- Statutory versus contingent protection
  - Anti-dumping, countervailing duties and safeguard
- Norms, rules and other NTBs
- **Export subsidies** (+ Export Credit + Food Aid) and domestic support
- **Export restrictions**

# Which Tariffs?

- Bound and applied tariff
  - Bound = upper cap, negotiated at the WTO/GATT
  - Applied Tariff < Bound Tariff
- Multilateral versus preferential rates
  - Most Favored Nation or MFN tariff
  - Preferential tariff

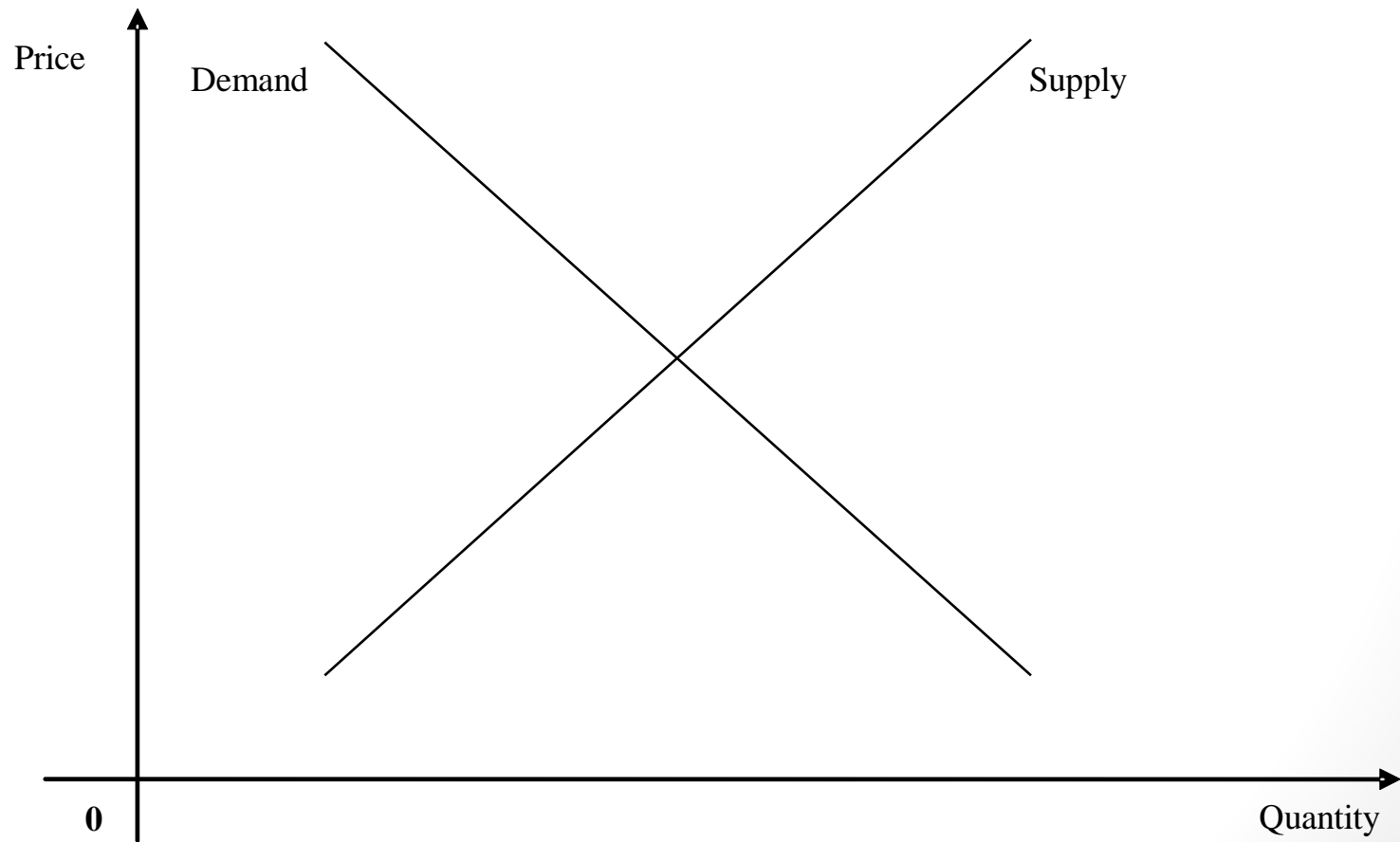
# Illustration

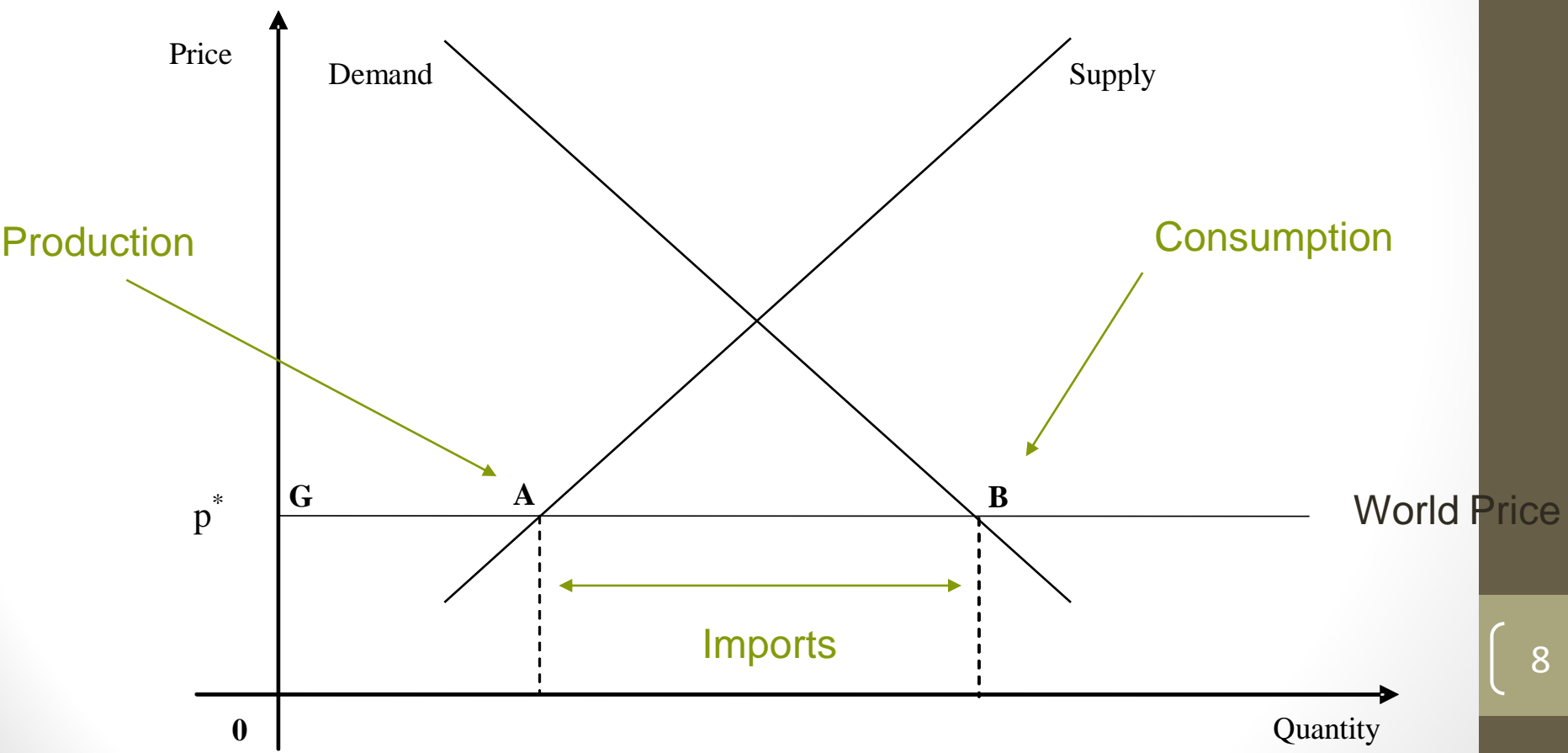


Why trade policies?

# WORDS AND GRAPHS

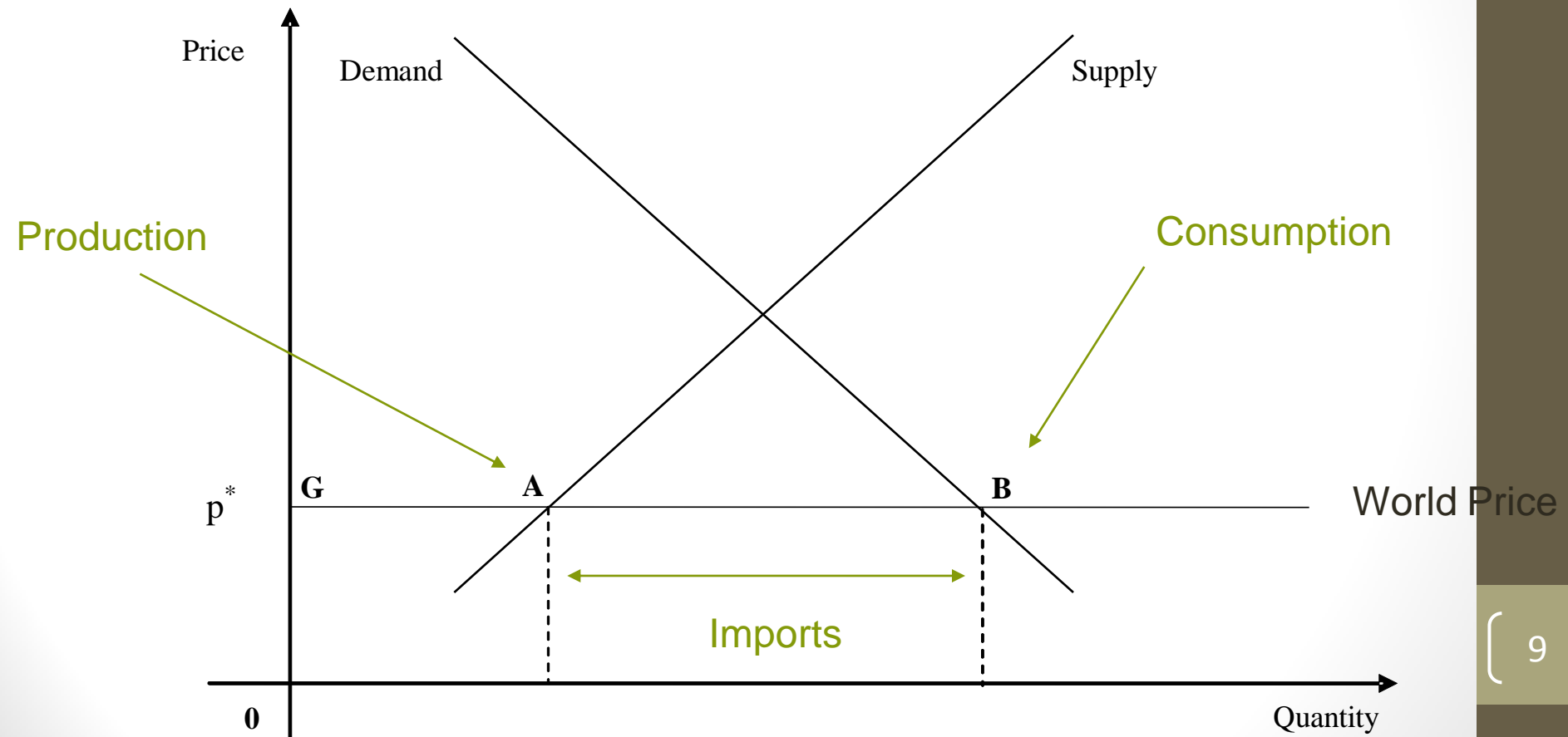
# Partial Equilibrium



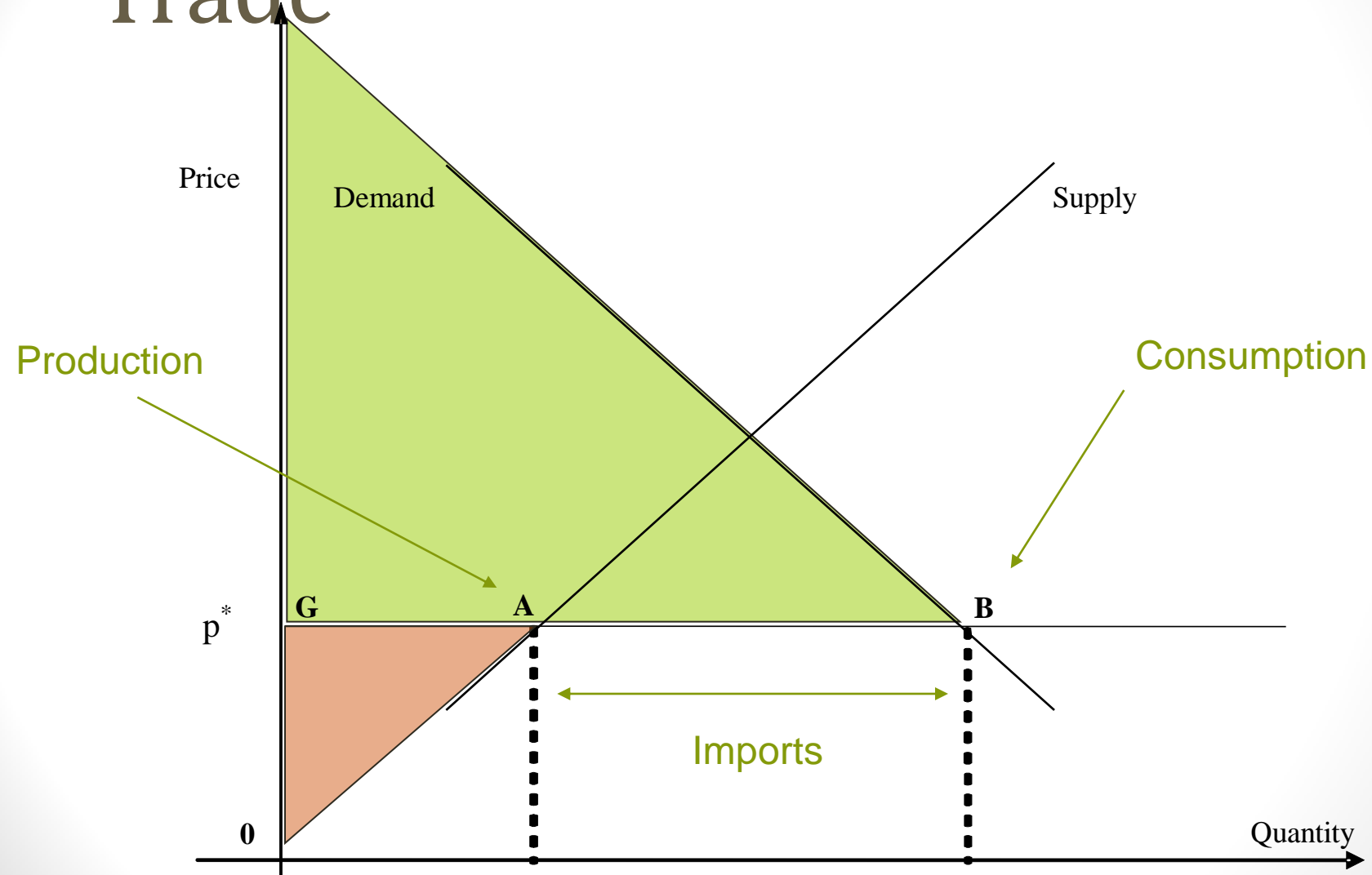




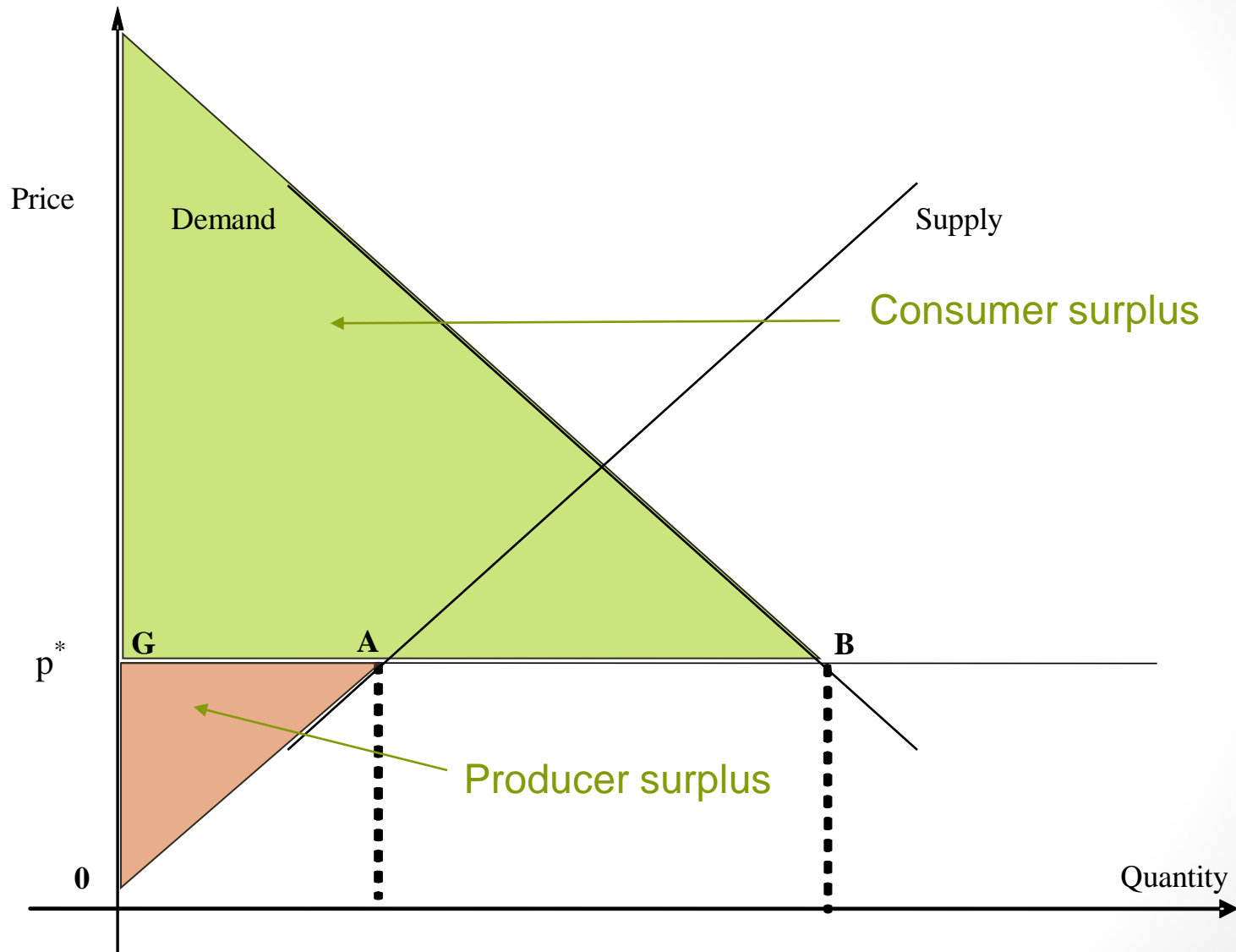
# Partial Equilibrium – Free Trade



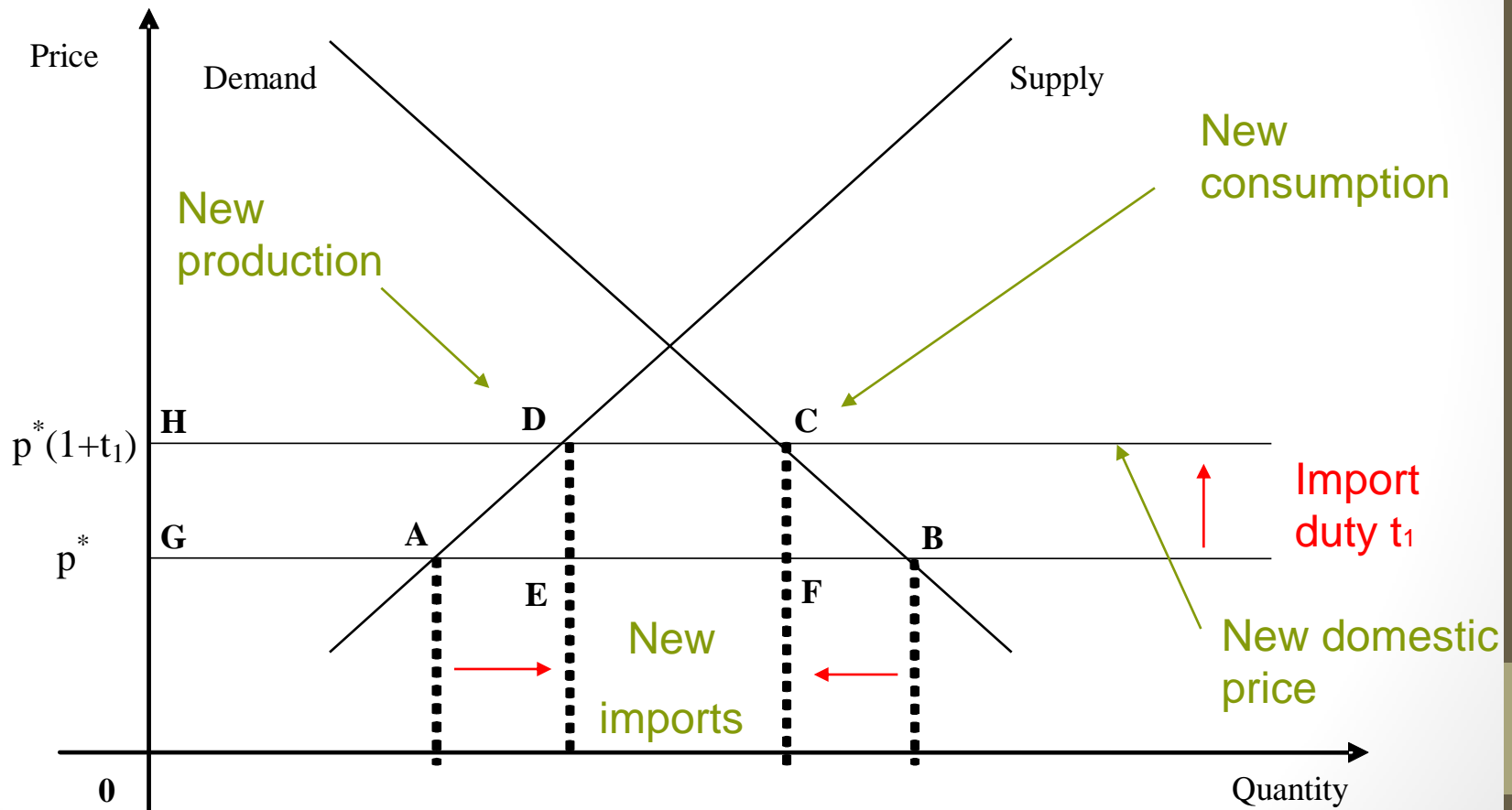
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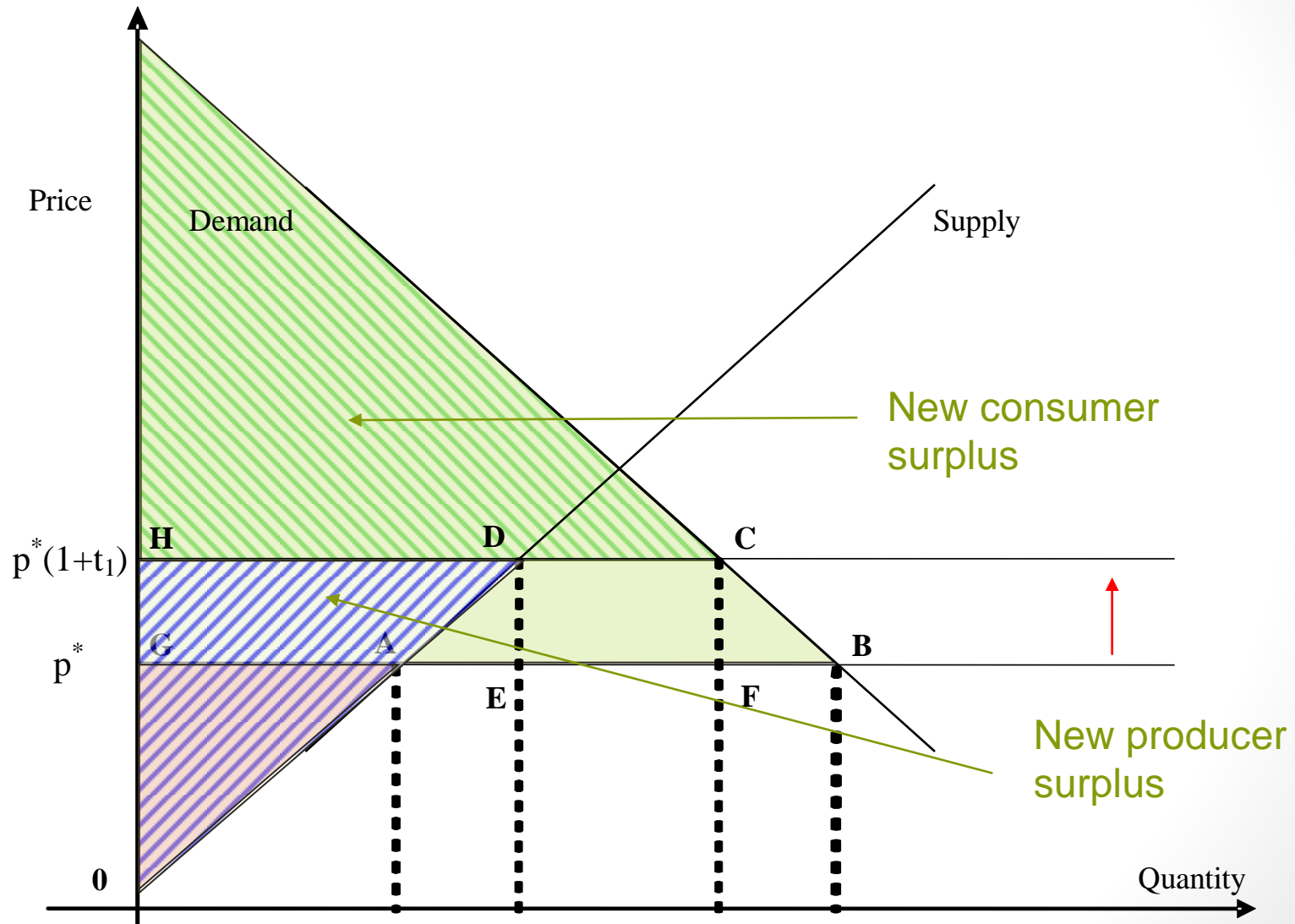
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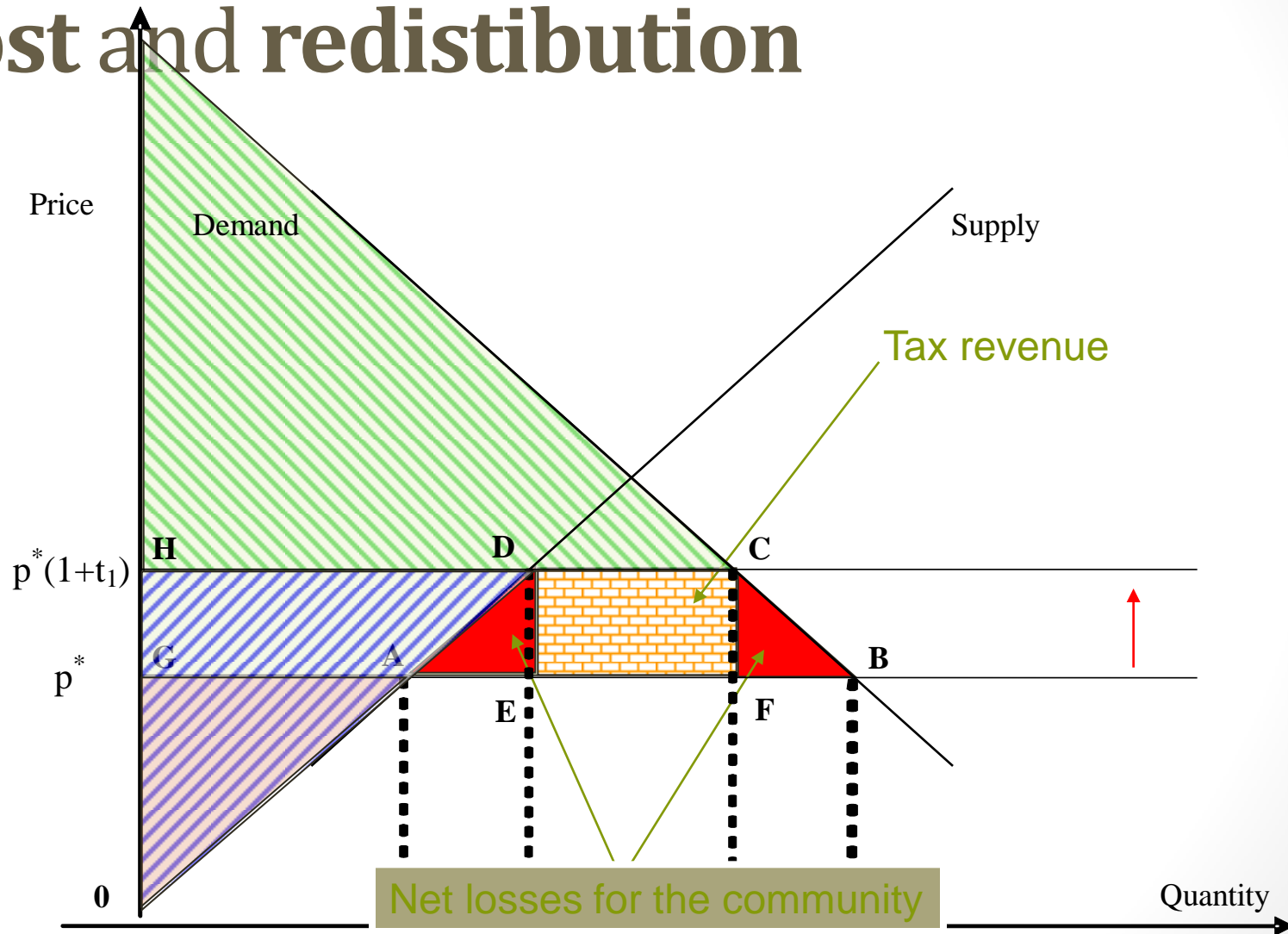
# Partial Equilibrium: Impact of an Import Duty



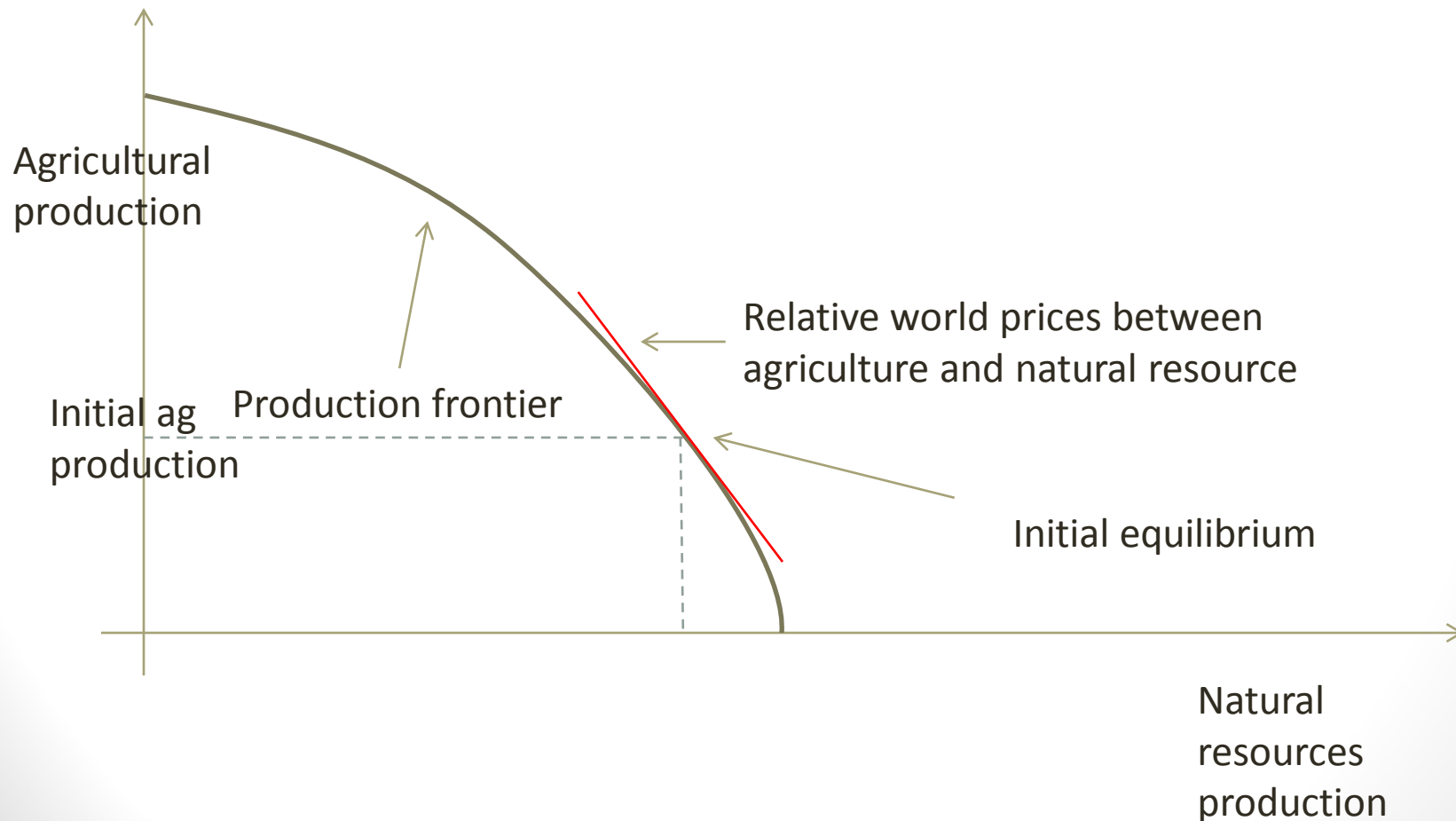
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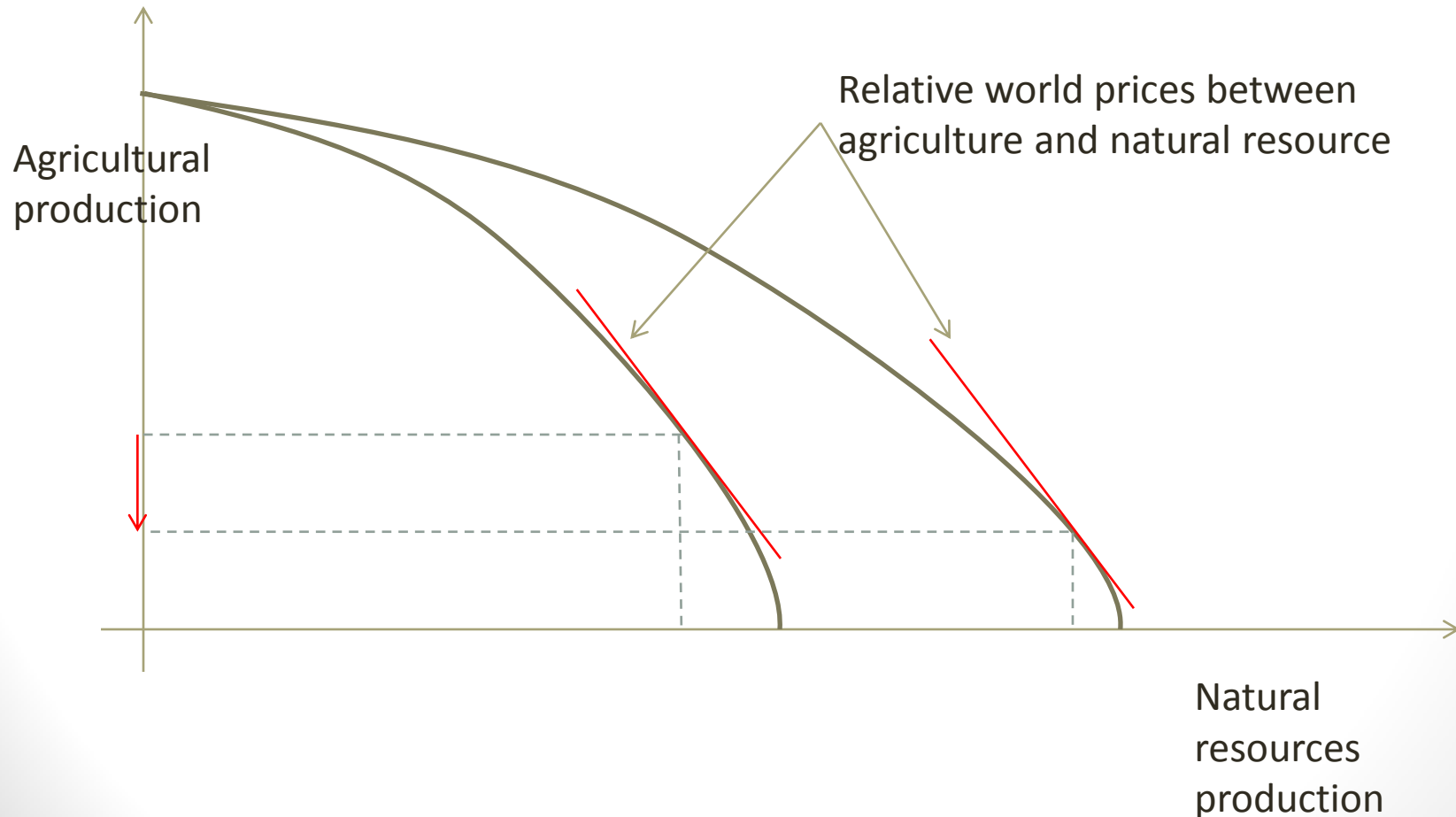
# Partial Equilibrium: Impact of an import duty: **efficiency cost and redistribution**



# General Equilibrium: Playing with allocation of resources

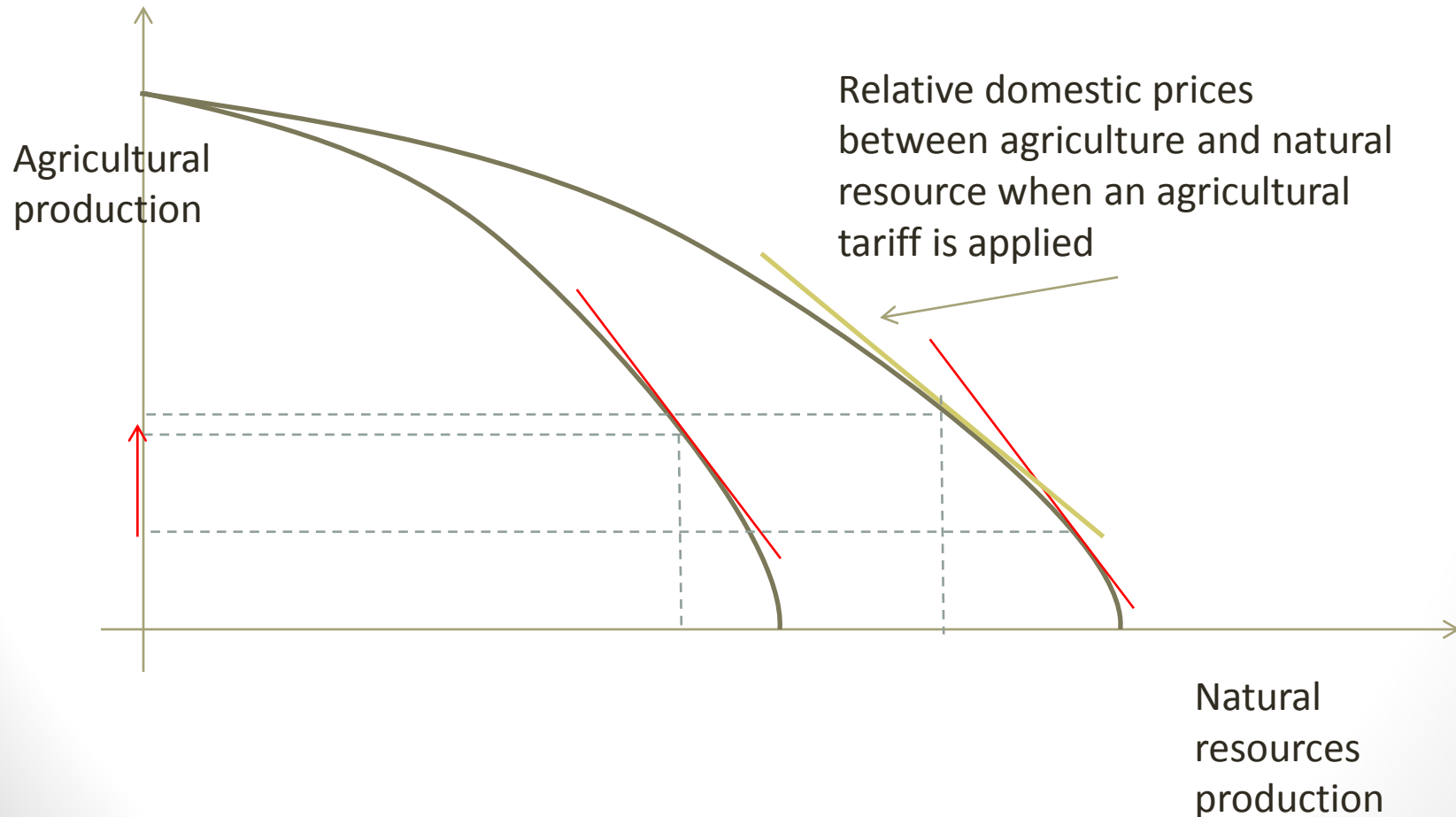


# General Equilibrium: Discovering Gold/Oil





# General Equilibrium: Discovering Gold/Oil and increasing agricultural protection



# Price Stabilization

- We do not discuss here about price regulation (leading to smuggling, black market etc.)
- But family of trade policy tools aimed to disconnect domestic price and world price: price insulation
  - Variable export restrictions and taxes
  - Variable Import duties
- World price + border policy = domestic prices.

Consequence: if domestic price is a policy target: border policy becomes endogenous to world price.

Export taxes go up or import duties go down when world prices go up

# Some questions relevant for WTO accession?

- Is my food security threatened?
  - Food security is **not** self sufficiency
- Is the MFN tariff rate still relevant, when we have some many PTA/RTA?
- Can the WTO be an insurance against domestic lobbies: trade policies are a costly redistribution tools.
- What about terms of trade? WTO as an international cooperative organization.
- More stable policies means larger (and better) investments: WTO as provider of global stability
- Can we secure imports without securing exports?

# STYLIZED FACTS

# Applied protection 2004

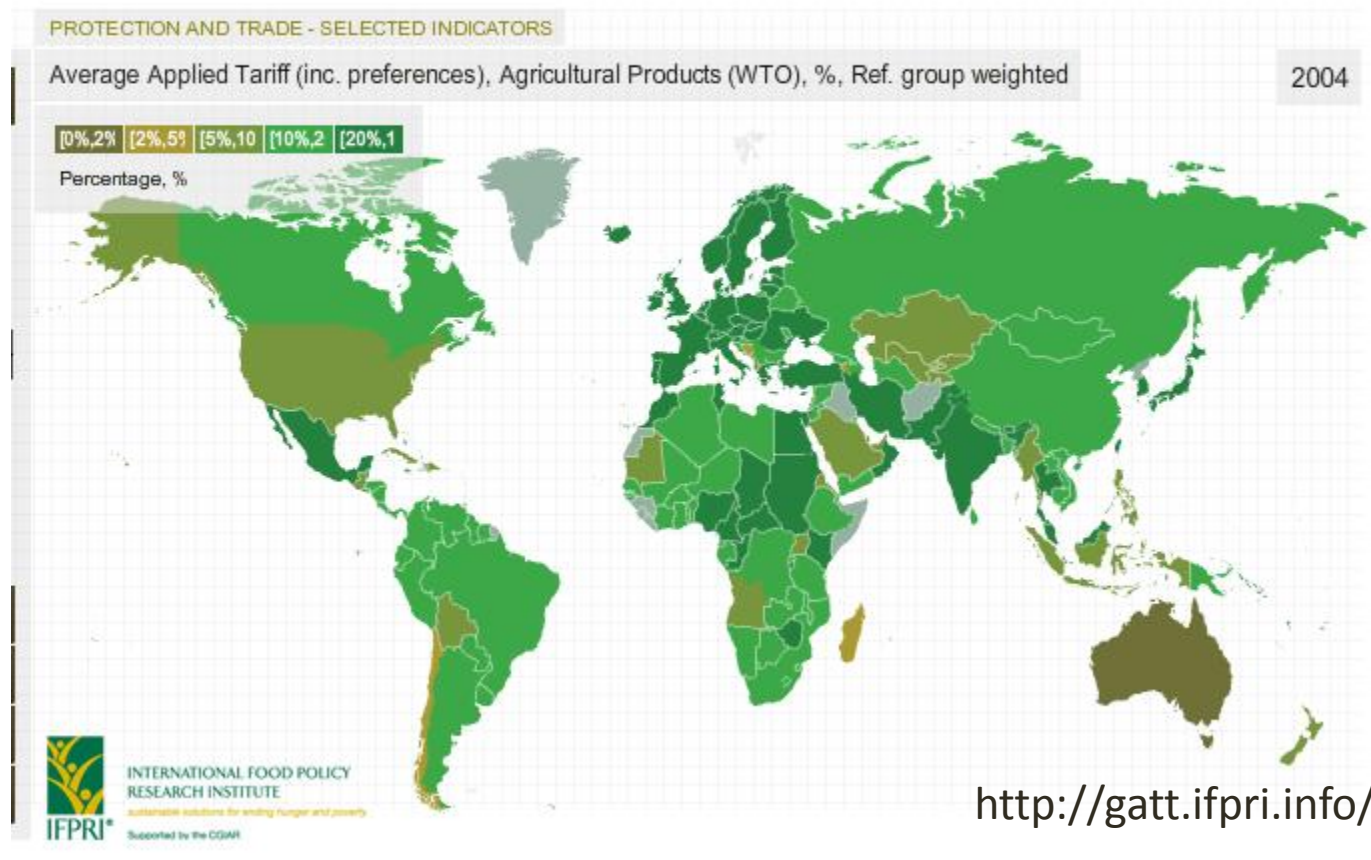
<b>Goods</b>	<b>World</b>	<b>HIC</b>	<b>MIC</b>	<b>LDC</b>
<b>Agricultural goods</b>	<b>18.9</b>	<b>18.0</b>	<b>20.8</b>	<b>14.1</b>
<i>of which:</i>				
<i>primary and semi-processed</i>	12.8	12.1	14.2	9.5
<i>final</i>	22.8	21.7	25.4	16.8
<b>Industrial goods</b>	4.4	2.7	8.9	11.7
<i>of which:</i>				
<i>primary and semi-processed</i>	2.8	1.2	6.2	10.9
<i>final</i>	5.0	2.9	9.9	11.9
<b>Extraction and Energy</b>	1.9	0.6	5.6	12.7
<i>of which:</i>				
<i>primary and semi-processed</i>	1.4	0.3	4.6	14.4
<i>final</i>	3.3	1.4	7.6	11.2
<b>All products</b>	<b>5.1</b>	<b>3.3</b>	<b>9.6</b>	<b>12.2</b>
<i>of which:</i>				
<i>primary and semi-processed</i>	3.3	1.8	6.8	11.4
<i>final</i>	6.0	3.9	11.0	12.4

# Why this pattern?

- Political economy of the farm sector
- Results from the GATT history
- Tariff revenue argument for poor countries
- Effective rate of protection and tariff escalation. Industrial policies
- Role of FDI and globalization

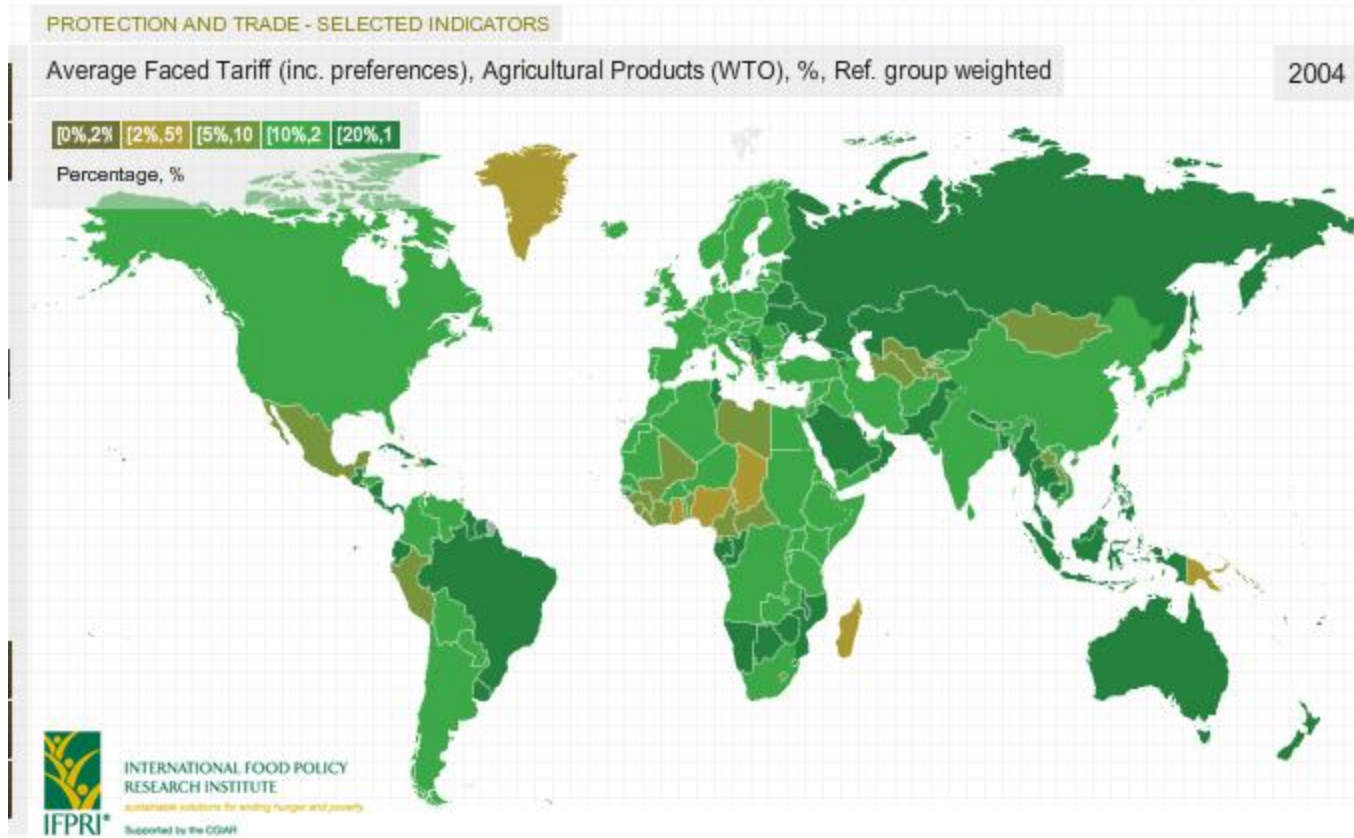
# Average Protection on Agricultural products Applied – 2004

Global Analytical Tools on Trade (GAT) by Markets, Trade and Institutions Division



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Global Analytical Tools on Trade (GAT) by Markets, Trade and Institutions Division

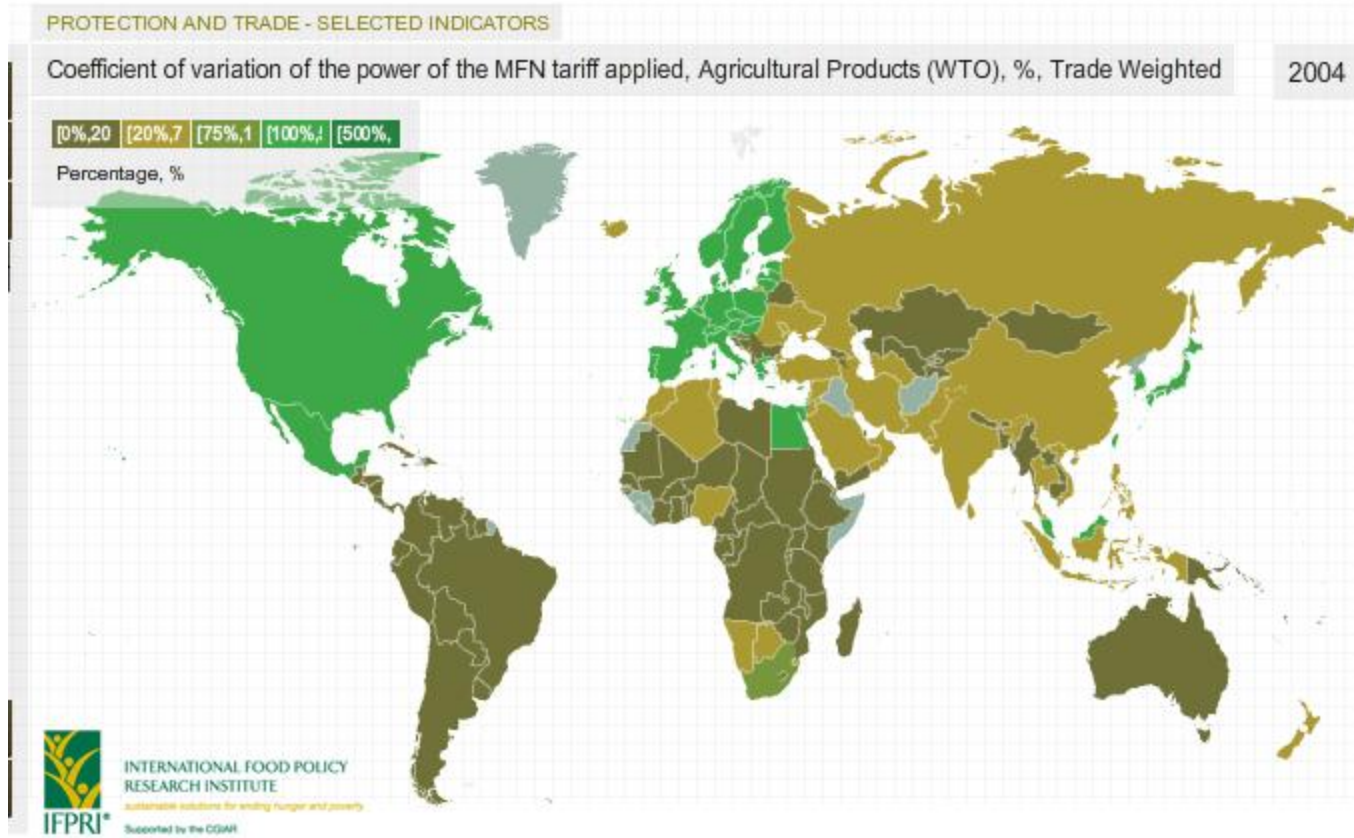


<http://gatt.ifpri.info/>



# Coefficient of Variations of Agricultural protection – 2004

Global Analytical Tools on Trade (GAT) by Markets, Trade and Institutions Division



<http://gatt.ifpri.info/>

# Agricultural vs Food protection

- World protection: agriculture=18.85%, non Food=13.21% , Food = 21.12%

HS2 chapter #	Sector description	World average <sup>1</sup>	Simple Average <sup>2</sup>	>20 percent	>40 percent
			(in percent)		
1	Live animals	12.6	12.9	12.3	4.1
2	Meat and edible meat offal	38.5	27.7	41.8	13.7
3	Fish and crustaceans	6.7	15.8	30.8	4.8
4	Dairy, eggs, honey, & ed. products	37.4	23.2	30.1	15.1
5	Products of animal origin nsp.	4.6	10.2	17.8	2.1
6	Live trees and other plants	7.7	20	16.4	6.2
7	Edible vegetables and certain roots and tubers	13.6	20.2	28.8	7.5
8	Edible fruits & nuts, peel of citrus/melons	14.7	21	40.4	8.9
9	Coffee, tea, maté and spices	6.4	15.4	23.3	4.1
10	Cereals	25.4	13.9	15.1	6.8
11	Milling industry products	27.4	16.4	21.2	6.2
12	Oil seeds/misc. grains/med. plants/straw	5.6	7.5	8.2	1.4

Source: Bouet & Laborde, 2009a

# HS2 protection (2)

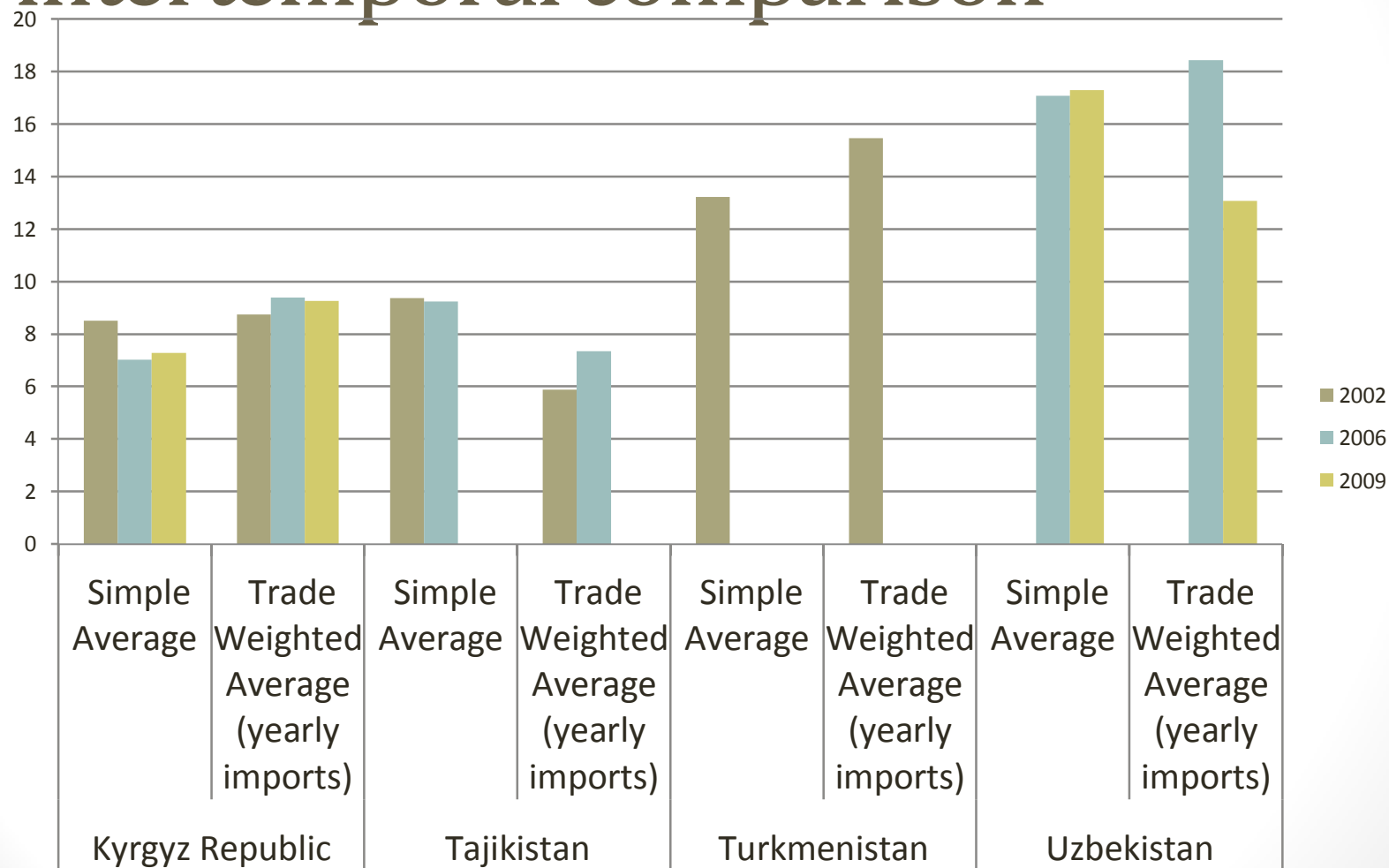
HS2 chapter #	Sector description	World average <sup>1</sup>	Simple Average <sup>2</sup>	>20 percent	>40 percent
				(in percent)	
13	Lac., gums, resins and other veg. saps and extracts	4.5	7.3	7.5	0.7
14	Vegetable plaiting materials	5.9	8.1	6.8	1.4
15	Animal or vegetable fats, oils & waxes	19.3	16	25.3	6.2
16	Edible preparation of meat, fish, crustaceans, etc.	14.4	22.9	39.7	8.9
17	Sugars and sugar confectionery	47.8	22.9	43.8	10.3
18	Cocoa and cocoa preparations	6.4	17.1	29.5	4.8
19	Preparations of cereals, flour, starch or milk	15.7	17.2	28.8	2.1
20	Preparations of vegetables, fruit, nuts etc.	16.5	22.9	41.8	8.9
21	Miscellaneous edible preparations	15	18.3	28.8	4.8
22	Beverages, spirits and vinegar	23.6	55.7	65.1	33.6
23	Residues from food industries, animal feed	10.4	8.7	8.2	0.7
24	Tobacco and manufactured tobacco substitutes	30.1	54.1	52.1	21.2

Source: Bouet & Laborde, 2009a

<b>Agr. Protection</b>	HICs	MICs	LDCs	Central Asia	Russia	World
<b>HICs</b>						
<i>WTO</i>	18.1%	18.6%	9.9%	11.3%	19.3%	18.0%
<b>MICs</b>						
<i>Non WTO</i>	19.4%	20.1%	11.6%	10.3%	17.6%	18.8%
<i>WTO</i>	19.1%	25.8%	20.1%	16.6%	30.3%	21.5%
<i>All</i>	19.1%	25.5%	19.8%	16.1%	29.4%	21.3%
<b>LDCs</b>						
<i>Non WTO</i>	18.0%	15.2%	16.3%	14.5%	13.7%	16.5%
<i>WTO</i>	12.9%	14.3%	10.8%	9.7%	10.8%	13.2%
<i>All</i>	14.5%	14.5%	12.4%	10.6%	11.6%	14.1%
<b>Central Asia</b>						
<i>Non WTO</i>	9.4%	9.2%	14.1%	5.9%	0.0%	9.0%
<i>WTO</i>	12.4%	10.7%	11.7%	10.6%	11.6%	11.7%
<i>All</i>	11.2%	10.0%	13.1%	7.4%	6.0%	10.5%
<b>Russia</b>						
<i>Non WTO</i>	12.7%	12.1%	6.3%	7.5%		12.1%
<b>World</b>						
<i>Non WTO</i>	16.2%	15.8%	12.7%	9.4%	15.0%	15.5%
<i>WTO</i>	18.3%	20.9%	14.6%	14.4%	26.3%	19.0%
<i>All</i>	18.2%	20.6%	14.5%	14.0%	25.6%	18.9%

# Regional Focus

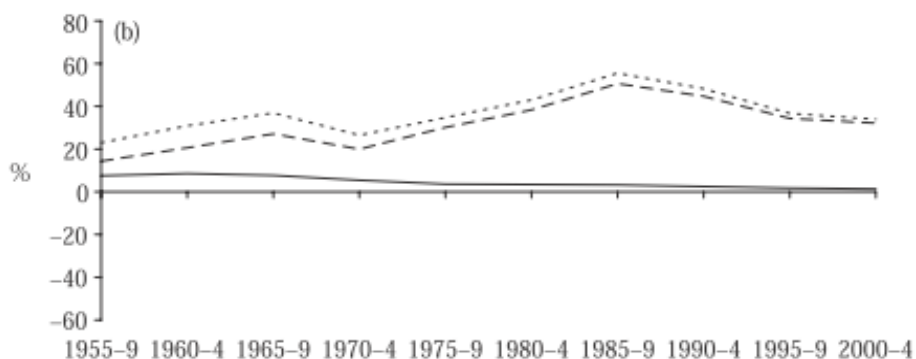
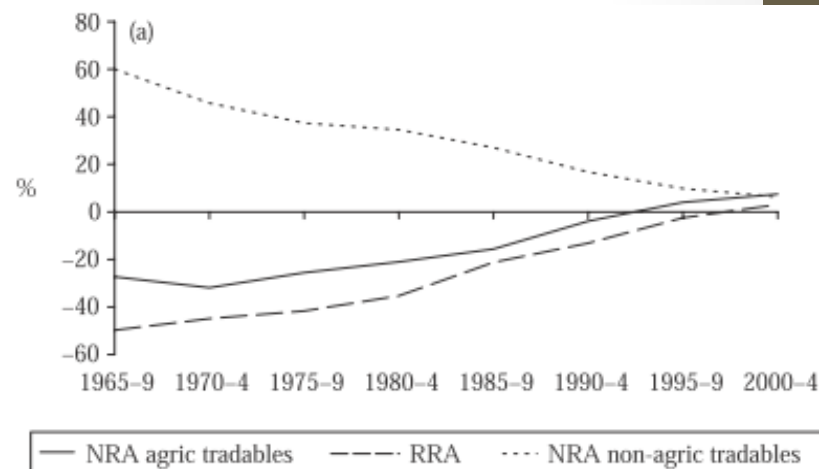
## Agricultural Protection: Caveats for intertemporal comparison



WHERE ARE WE GOING?

# Trend in Ag distortions?

- In developed countries, price distortions have shrunk
- In emerging countries, adverse



**Figure 13.2:** Nominal rates of assistance to agricultural and non-agricultural tradable sectors and RRA: (a) developing and (b) high-income countries, 1955-2004.

The RRA is defined as  $100 \times [(100 + \text{NRA}_{\text{ag}}) / (100 + \text{NRA}_{\text{nonag}}) - 1]$ , where  $\text{NRA}_{\text{ag}}$  and  $\text{NRA}_{\text{nonag}}$  are the percentage NRAs for the tradable parts of the agricultural and non-agricultural sectors, respectively.

Source: Anderson (2009, Chapter 1), based on estimates in Anderson and Valenzuela (2008).