United States International Trade Commission

Processed Foods and Beverages:

A Description of Tariff and Non-tariff Barriers for Major Products and Their Impact on Trade

Volume 1: Executive Summary and Chapters 1-15

Report on Investigation No. 332-421 under section 332(g) of the Tariff Act of 1930

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October 2001

U.S. International Trade Commission

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ABSTRACT

Following receipt on October 31, 2000, of a request from the U.S. House of Representatives, Committee on Ways and Means (Committee), the U.S. International Trade Commission (Commission) instituted investigation No. 332-421, *Processed Foods and Beverages: A Description of Tariff and Non-tariff Barriers for Major Products and Their Impact on Trade*. As requested by the Committee, this report provides (1) a description of the tariff and non-tariff barriers affecting trade in the processed food and beverage sectors in major and potential markets, including complex tariffs, tariff-rate quotas, regional trade agreements, licensing arrangements, certification and registration requirements, and variable levies; (2) an evaluation of the prevalence of tariff escalation for processed food and beverage products; and (3) an analysis of the impact of tariff and non-tariff barriers on trade and investment in the processed food and beverage sectors. Copies of the notice of the investigation were posted in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C. 20436, and the notice was published in the *Federal Register* (Volume 65, Number 229) on November 28, 2000 (see appendix B). In addition, interested parties were invited to submit written statements concerning the investigation and a public hearing was held on May 22, 2001.

For the purpose of this study, the Committee asked the Commission to consider major products in the following processed food and beverage sectors: dairy products; sugars and sugar-containing products; vegetable oils; meats; eggs and egg products; flours and other intermediate goods; grain-based foods; fruits and vegetables; edible nuts and nut products; alcoholic beverages; pet food; and other miscellaneous food and beverage products. The Commission gathered information on trade barriers and industry concerns in the Quad countries (the United States, Canada, the European Union, and Japan) as well as a number of important developing and emerging markets that have the potential to be important markets for U.S. exports of processed foods and beverages.

The findings in this report document numerous barriers and concerns of U.S. exporters of processed foods and beverages. Tariff barriers, in the form of high tariffs, variable levies, and tariff-rate quotas, can reduce the competitiveness of U.S. exports in foreign markets. A number of non-tariff measures complicate, and in some cases restrict, U.S. exports of processed food and beverage products, including sanitary and phytosanitary restrictions, difficult certification and labeling requirements, differential food standards, shelf-life requirements, export subsidies, plant inspection requirements, state trading enterprises, taxes, and customs procedures. No clear patterns could be drawn on the prevalence of tariff escalation for processed food and beverage products, although it does exist on certain products in some markets. While trade barriers can have some effect on decisions to export or invest in a foreign market, conditions in the foreign market and desires to reduce costs by producing locally are generally more important factors.

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EXECUTIVE SUMMARY

Introduction

On October 31, 2000, the U.S. International Trade Commission (Commission) received a request from the Committee on Ways and Means, U.S. House of Representatives, that the Commission provide a report that (1) describes the tariff and non-tariff barriers affecting trade in the processed food and beverage sectors in major and potential markets, including complex tariffs, tariff-rate quotas, regional trade agreements, licensing arrangements, certification and registration requirements, and variable levies; (2) evaluates the prevalence of tariff escalation for processed food and beverage products; and (3) analyzes the impact of tariff and non-tariff barriers on trade and investment in the processed food and beverage sectors. As requested by the Committee, this report covers twelve sectors: dairy products; sugars and sugar-containing products; vegetable oils; meats; eggs and egg products; flours and other intermediate goods; grain-based foods; fruits and vegetables; edible nuts and nut products; alcoholic beverages; pet food; and other miscellaneous food and beverage products. The principal findings of this investigation are presented below.

Trends in U.S. Processed Food and Beverage Exports

- U.S. exports of processed foods and beverages have become an increasingly important component of U.S. agricultural exports. The proportion of U.S. exports of processed foods and beverages (as defined in this study) to U.S. agricultural exports has risen from 31 percent in 1996 to 38 percent in 2000. U.S. exports of processed foods and beverages (as defined in the study) were valued at $21.5 billion in 2000, an increase of 6 percent since 1996. However, since 1997, the value of these U.S. exports has been relatively stagnant.

- While U.S. processed food and beverage exports have increased, the market in the United States remains the main outlet for sales of U.S. processed foods and beverages, comprising over 90 percent of sales in most sectors. Limited evidence suggests that the proportion of export sales to domestic production has not significantly increased during 1996-2000.

- The EU and the United States are the two largest global exporters of processed foods and beverages. The United States accounted for 16 percent of global (intra-EU trade excluded) exports of processed foods and beverages in 1999 (the most recent year available), second behind the 26 percent share of the EU. The U.S. share of global processed food and beverage exports has increased marginally since 1996, while the share of the EU has fallen slightly.

- The products and markets targeted by the United States and the EU are quite different. The United States exports more food and beverage products to Asia and Central America, while the EU exports more to South America and dominates

trade in the Middle East. The United States exports more meat products, processed fruits and vegetables, juices, and pet food, while the EU exports more dairy products, sweeteners, alcoholic beverages, and snack foods.

General Trade Barriers Affecting Processed Food and Beverage Products

- Tariffs are a significant trade barrier for processed food and beverage products. High tariffs are often maintained on processed foods and beverages to keep value-added production and employment in a market, while low tariffs are kept on raw agricultural products ("tariff escalation"). In some cases, particularly in developed markets, high tariffs on processed foods and beverages are due to protection on sensitive commodities that is passed through to the final processed product.

- The effect of tariffs varies by sector and the type of product exported, but can reduce the price competitiveness of U.S. exports in foreign markets. High tariffs can also keep products out of a foreign market altogether. Variable tariffs, stemming for instance from price bands, complicate the orderly planning of U.S. exports to foreign markets.

- Tariff-rate quotas, or TRQs, are a barrier for certain sectors, such as dairy products, meat, sugars and sugar-containing products, fruits and vegetables, and certain grain-based products. Small quotas, prohibitive over-quota rates, and administrative barriers associated with TRQ's are the major impediments to U.S. exports.

- Regional and preferential trade agreements potentially disadvantage U.S. exports of processed foods and beverages to third markets. There have been reported instances of U.S. exports diverted away from third-country markets as a result of these agreements.

- In many cases, non-tariff measures and concerns are more important than tariffs. Major issues cited by the industry that are common to most processed food and beverage products include export certification and registration, labeling, food standards, intellectual property rights, and Customs procedures. Other non-tariff issues, such as sanitary and phytosanitary (SPS) restrictions, export subsidies, domestic assistance, and state trading enterprises are generally sector-specific.

- Export certification and registration procedures are an ongoing problem for many U.S. exporters. Country-specific requirements add costs to trade and, in some cases, discourage small exporters from trading internationally. Major competitors, such as Canada and Australia, have government entities that assist exporters with the provision of export certificates, while the United States lacks a central organization to deal with these matters. In some cases, certification and registration requirements necessitate the provision of proprietary information that U.S. companies are often unwilling to provide. However, non-U.S. companies in other markets have been reported to be more accommodating of such requests.

- Labeling is an issue of concern for U.S. exporters of processed foods and beverages. For example, products derived from genetically-modified organisms (GMOs) are subject to a multitude of different labeling regimes and thresholds that have created uncertainty in the market. For the EU market, U.S. companies have been forced to reformulate their products, move production to the EU, or cease trade altogether.

- Traceability, whereby the source of the ingredients used is documented from the farm to the retailer, is a burgeoning issue for the processed food and beverage sectors. While this is currently a commercial issue driven by retailers, regulations to mandate traceability have been proposed in the EU.

- Differential food standards complicate U.S. exports as well. Most countries utilize a positive list of accepted food ingredients which specifies the additives that can be used in certain applications. Ingredients that are not on the approved list are prohibited, even if there are no health or safety reasons to merit their exclusion. Some countries also prohibit the fortification of processed foods and beverages with vitamins and nutrients. Other countries impose rigid product-specific shelf-life restrictions that are not based on modern packaging technology. These restrictions can force companies to reformulate products, which can be costly and unprofitable in small markets.

Sector-Specific Trade Barriers

Dairy products

- Tariffs are the primary barrier restricting international trade in major dairy products, especially among the world's major importing countries. In these countries (the United States, the EU, Canada, Japan, and Mexico), imports of major bulk dairy products (i.e., cheese, butter, and milk powders) are subject to tariff-rate quotas (TRQs), with the over-quota tariff rates generally extremely high. U.S. dairy companies claim that dairy TRQ administration is unfair in foreign markets. In certain countries, key dairy products are also subject to special agricultural safeguards, which allow for even higher tariffs during periods of low international prices. Even in countries that do not have tariff-rate quotas, fixed tariff rates ranging from 30 percent to 50 percent on dairy imports significantly restrict international trade.

- Numerous non-tariff measures are also applied on imports of dairy products. U.S. exports to the EU are restricted by differences in health standards, despite U.S. industry claims that many EU producers fail to meet EU standards. Plant inspection requirements impede U.S. exports to Brazil, even though the United States has complied with all other requirements. Japan has extensive testing, registration, and inspection requirements that have been cited by the U.S. industry as restricting U.S. exports. Other important non-tariff barriers and concerns noted by the industry include labeling requirements, rigid shelf-life requirements (particularly in the Middle East), and differential food standards.

- U.S. firms complain that EU and Canadian export subsidies have cut their market share in Mexico, Japan, and the Philippines. Some U.S. companies have complained that the USDA is not aggressive enough in providing export subsidies to compete with such subsidies.

- The issue of tariff escalation is a difficult one to analyze in dairy products. In some cases, certain processed products such as cheese have the same tariff classification for various levels of processing. There is mixed evidence of tariff escalation in dairy products, with the United States and a few Asian countries placing lower tariffs on fluid milk than on processed products such as cheese, butter, nonfat dry milk, and whole milk powder. In the EU, Canada, and Japan, there is no pattern of tariff escalation, but tariffs are set at extremely high levels.

Sugars and Sugar-Containing Products

- Sugar is one of the most protected commodities in the world. High tariffs and TRQs are the primary barriers to increased exports of U.S. sugar and sugar-containing products (SCPs). The U.S. domestic sugar program is a barrier for sugar exports as well. The high internal price offered to U.S. producers through the loan rate program creates no incentive for sugar producers to export sugar at low world market prices.

- Other significant barriers to U.S. exports of SCPs that have been cited by the U.S. industry include restrictions on U.S. and internationally accepted food colorings, flavors, and additives; mandatory reporting of recipes and manufacturing practices; extensive testing at the port of entry; labeling requirements; import licensing; and pre- and post-shipment inspections. TRQ administration procedures and EU export subsidies also restrict U.S. exports of refined sugar. U.S. exports of high fructose corn syrup have been hampered by the anti-dumping duties assessed by the Government of Mexico. Mexico was the largest market for U.S. exports prior to the implementation of U.S. company-specific compensatory duties in 1997.

- Tariff de-escalation, whereby tariffs are highest on unprocessed products, occurs for SCPs in several key export markets, such as the EU, China, Korea, Japan, and Mexico, as a result of protection of raw and refined sugar in these markets.

Vegetable Oils

- Tariff barriers on vegetable oils tend to be higher than those on other oilseed products. Ad valorem tariffs on vegetable oils in developed countries (the EU, Canada, the United States, and Japan) range from free to 11 percent, while tariffs in developing countries range from free to 100 percent.

- The Andean Community (Venezuela, Colombia, Ecuador, Bolivia, and Peru) includes vegetable oils in its price band system of variable ad valorem tariffs. Under this system, tariffs are raised when world prices fall and lowered when world prices rise. In 1999, U.S. exports of vegetable oils to these countries faced

tariffs of up to 82 percent. In addition to the high tariffs imposed by the Andean price band system, preferential tariffs for imports of vegetable oils from Argentina, Brazil, and Paraguay to countries within the Andean Community are impediments to U.S. sales in the Andean Community.

- There are relatively few non-tariff measures affecting trade in this sector. U.S. exporters are concerned that EU labeling requirements on GMO soybeans may adversely affect sales of vegetable oils.

- Tariff escalation is an issue for this sector, with tariffs on vegetable oils much higher than the tariffs on oilseeds, which tend to be free or low.

Meats

- Fresh, chilled, or frozen beef and fresh, chilled, or frozen pork are restricted by relatively high applied tariffs imposed by Japan, Korea, China, and the EU. Tariff-rate quotas are imposed by the EU, with over-quota rates that can be prohibitive. The United States has been concerned that the Philippine TRQs for pork are administered in a manner which allocates import licenses to domestic pork producers who have no interest in importing.

- Several major markets for U.S. poultry exports, such as Mexico, India, and Pakistan, impose tariffs of over 35 percent. U.S. exports of poultry meat to Canada, the EU, Korea, Poland, and South Africa are subject to tariff-rate quotas, with over-quota tariff rates that can be prohibitive. Tariffs in other important markets for U.S. poultry tend to be lower. Russia, the second-largest market for U.S. poultry, has a tariff of 15 percent. Many important Asian markets for U.S. poultry meat, such as Indonesia and Hong Kong, have applied tariffs that are 5 percent or less.

- According to the U.S. industry, numerous sanitary and phytosanitary restrictions (SPS) limit U.S. exports of meat products. For example, the EU bans imports of beef derived from cattle treated with growth-promoting hormones. The EU has banned U.S. poultry meat since 1997 because the EU does not approve certain anti-microbial treatments in U.S. poultry production. Australia and New Zealand maintain heat treatment requirements that the U.S. considers excessive.

- Other barriers to international trade cited by the U.S. industry include plant inspection requirements in a number of markets, Israeli kosher regulations, and labeling requirements.

- Tariff escalation is prevalent for beef and beef products for the EU, China, Canada, and the United States when comparing tariffs on carcasses and fresh and frozen boneless beef with those on beef cattle. However, there is no difference in the tariffs on carcasses and tariffs on fresh or frozen boneless beef in China, Canada, or the United States. There is no clear evidence of tariff escalation for poultry products, with the exception of Korea. In many countries, such as the United States, Japan, Mexico, and the EU, the lowest tariffs are on processed chicken.

Eggs and Egg Products

- Canada and the EU are the only markets imposing TRQs on egg imports. In both markets, the over-quota tariffs are extremely high and can be prohibitive. Japan, the largest market for U.S. processed egg exports, maintains tariffs of about 20 percent, while Mexico and Korea impose tariffs on egg and egg products of 20 percent and 27 percent, respectively. However, in two other important markets for U.S. eggs, Hong Kong and Singapore, the tariff rate is free.

- Numerous sanitary and phytosanitary measures affect U.S. exports of eggs and egg products. EU regulations require that table eggs can only be classed as Grade A if they have not been washed. Thus U.S. table eggs (which are washed) are excluded from the EU market. Inedible eggs imported into the EU are not allowed to have caramel added as a denaturant. U.S. egg exporters are also concerned that eggs from hens which have been fed GMO feed will be restricted by several countries.

- Other non-tariff barriers and concerns cited by the U.S. industry include strict labeling requirements in certain Middle Eastern markets, the use of export refunds by the EU on eggs in third markets, and proposed regulations by the EU that would require labeling of method of production (free range, cages, etc.).

- Tariff escalation for eggs and egg products is prevalent in the EU, the United States, and Japan. In a number of developing countries, such as Mexico, Korea, and Russia, the tariff on table eggs is the same as the tariff on egg products. However, where tariff escalation exists, it may not be the result of attempts to discourage imports of processed products. Rather, high transportation costs on table eggs provide natural protection that makes high tariffs unnecessary.

Flours and Other Intermediate Goods

- Tariffs hinder trade in flour and other intermediate goods in many developed and developing countries. Developed countries apply ad valorem tariffs or specific tariffs, while developing countries typically maintain ad valorem tariffs.

- TRQs also restrict trade in flour and intermediate grains. Canada and Japan maintain TRQs on wheat and barley products. Japan and Korea also impose TRQs on products derived from rice. Although corn grits are included in a large TRQ for corn and corn products, the ability to import corn grits into Korea is extremely difficult because the Korean Government limits access to this quota to two domestic corn associations and strictly limits the quantity of corn grits (less than 0.01 percent of the total quota) that can be imported within this quota.

- The European Union provides export subsidies for its flour exports which have distorted world trade in flour and displaced U.S. flour exports. The European Union provides export subsidies for its malt exports which have distorted world trade in malt. In Japan, the Japan Food Agency controls all in-quota imports of wheat flour and wheat starch, effectively denying private firms the ability to import flour or starch at the in-quota rates of duty.

- With respect to soy protein concentrate, different biotechnology labeling requirements in foreign markets are confusing and make it necessary to reformulate products for different markets and to establish different preservation and testing routines.

Grain-Based Foods

- While tariffs on grain-based foods are generally under 10 percent in the United States, they are higher in Latin America (ranging between 17 percent and 21 percent), and quite variable in many Asian markets such as Korea, Taiwan, and China (ranging from 10 percent to 50 percent). The tariffs assessed by the European Union are complicated and variable, with additional duties added based on the percentage by weight of starch, sugar, milk fat, and milk protein present. Canada and Japan subject certain products, such as pasta and cereal products, to TRQs on the basis of the wheat and barley content, while Japan and Korea maintain TRQs on products derived from rice.

- The U.S. industry has complained that certain countries object to many of the additives used in the fortification or preservation of breakfast cereal products. Canada and Chile maintain that U.S. breakfast cereals are over-fortified, necessitating separate production runs by U.S. plants for export into these countries. Japan bans the use of a number of preservatives, minerals, and additives, such as zinc, magnesium, BHT, and potassium bicarbonate, as well as certain food colorings. Similar bans on specific additives and colorings exist in the EU, Korea, Thailand, and Malaysia.

- Other non-tariff barriers and concerns of the U.S. industry include shelf-life restrictions in certain Middle Eastern markets, registration requirements, and the labeling of products derived from genetically-modified materials.

- Tariff escalation is prevalent between wheat and more processed products such as flour, mixes and doughs, and cookies in developing markets such as Brazil, Hungary, and Taiwan. In the United States, the EU, and Japan, however, tariffs are much higher on the raw inputs, such as wheat and flour.

Fruits and Vegetables (Including Beverages)

- Tariffs on processed fruits and vegetables in the Quad countries (the United States, the EU, Japan, and Canada) are generally under 20 percent, while those in developing countries such as India, Korea, and China are over 20 percent. Tariffs on fruit juices are often high in the EU. The EU also imposes tariffs and TRQs on grape juices that vary depending on seasonality, container size, degree of concentration, and whether in- or out-of-quota.

- The U.S. industry has cited shelf-life standards as an important barrier to trade for processed fruits and vegetables. In the Middle East, these products are given a shelf-life of 12 months, without regard to the packaging technology used, and must have 50 percent of their shelf-life remaining upon entry into the country. However, many processed fruits and vegetables are produced once a year from fresh products harvested in season and distributed from inventory. Shelf-life restrictions prevent the year-round distribution of these products.

- Fruit juice sold in the EU must comply with the Council Fruit Juice Directive, which bans the in-line pulp wash process used by major U.S. juice processors, and which the U.S. industry cites as effectively hindering U.S. exports of fruit juices. The EU also has a Code of Practice (COP) that sets forth numerous compositional standards and analytical methods for all major fruit juices that often contradict commercial standards used in the United States. Labeling and registration issues have hampered U.S. exports of certain potato products to Chile. Other non-tariff barriers and concerns of the U.S. industry include SPS restrictions and food additive prohibitions.

- Tariff escalation is prevalent in a number of markets for pineapples and pineapple products. For other fruit and vegetable products, the incidence of tariff escalation is mixed and widely variable by product and market.

Edible Nuts and Nut Products

- Tariffs in the edible nuts sector are typically less than 15 percent in the Quad countries, with the exception of peanuts. The United States, Japan, and Korea maintain TRQs on peanuts, with high over-quota rates. The United States also has a TRQ on peanut butter and peanut paste.

- U.S. industry sources indicate that the EU's comprehensive regulation on allowable aflatoxin tolerances, which is alleged to have no scientific basis, is beginning to have an adverse impact on trade.

- Tariff escalation is prevalent in the edible nuts sector for almonds and almond products and peanuts and peanut products. In Canada, Saudi Arabia, and the United States, the tariffs on raw and processed peanut products are the same.

Alcoholic Beverages

- Tariff rates on beer are generally lower than tariffs on other alcoholic beverages. For the Quad countries, duties range from about 1 percent to 6 percent. For other markets, tariffs are variable: 5 percent in Taiwan, 30 percent in Korea and Mexico, and 100 percent in India. Tariffs on distilled spirits in the Quad countries are either free or scheduled to be duty free, while tariffs in developing markets vary markedly and are particularly high in China (54 percent) and India (210 percent). Tariffs on wine are relatively low in the United States and the EU, while developing countries such as China, Brazil, and India have duties ranging from 23 percent to 100 percent.

- EU wine subsidization is a major concern to the U.S. industry. The EU will provide $1.3 billion in subsidies for its wine industry in 2001. Major subsidies include funding for vineyard conversion (to more marketable grape varieties) and distillation. Domestic subsidies by individual EU members are also significant and include subsidies for market promotion activities at many times the level of similar U.S. market promotion. Other EU barriers cited by the U.S. industry that restrict U.S. exports include limited and temporary acceptance of certain U.S. oenological practices, labeling restrictions, certification regulations, and non-transparency of member state wine regulations that in some cases are more stringent than EU-wide regulations.

- The U.S. industry has claimed that monopolies in other major markets pose significant barriers to U.S. exports of wine. In Canada, Liquor Control Boards limit access and marketing flexibility for U.S. products. In Finland, Norway, China, Sweden, and Taiwan, there are either state or provincial monopolies that also limit the importation of U.S. wine.

- Other barriers to U.S. exports of alcoholic beverages cited by the industry include high taxes that discriminate against imports, nonscientific SPS requirements, and difficult licensing, certification, and documentation procedures in certain export markets.

Pet Food

- Tariff barriers on pet food in North American and most Asian markets are generally less than 10 percent. While tariffs in China are currently 27 percent, they are scheduled to fall to 15 percent by 2004. Tariffs in Latin America are moderately high (17 percent in Mercosur) and, in some cases, not transparent. In certain Andean Pact countries (Ecuador, Colombia, and Venezuela), tariffs are based on the price band system and are thus variable, changing every two weeks based on the international price of corn. Tariffs in these Andean Pact countries can approach 100 percent.

- Tariffs in the European Union are variable, based on the starch and milk content of the pet food product. According to the U.S. industry, the tests used to determine the starch content have been reported to be inaccurate, with different labs giving different results for the same product shipment.

- Non-tariff measures cited by the U.S. industry on pet food products include SPS issues (particularly in the EU) and registration requirements, such as demands for information on proprietary ingredients, differential health certificate requirements, and differential labeling issues. Current health issues such as Bovine Spongiform Encephalopathy (BSE, or "Mad Cow Disease") and Foot-and-Mouth Disease have had a significant impact on the pet food industry in terms of sourcing ingredients and exporting final products. Many countries require an extensive breakdown of the ingredients used in pet food products. Others require additional documentation to support nutritional claims that are on the label. Health certificates and product testing limits also vary widely across countries.

- Tariff escalation is a difficult issue to analyze in the pet food sector because pet food is a composite product derived from multiple inputs. Pet food tariffs are generally higher than those placed on certain inputs such as soybean meal and meat and bone meal, but lower than those placed on corn.

Miscellaneous Food and Beverage Products

- Tariffs are the primary trade barrier for U.S. coffee and tea products and are particularly high on roasted and instant coffee in developing countries. Mexico, a very large potential market for U.S. processed coffee products, maintains a non-transparent TRQ, according to the U.S. industry.

- Tariffs on spices average between 10 percent and 30 percent in developing countries. Tariffs on sauces, soups, and condiments are under 15 percent in the Quad countries, while developing countries maintain tariffs as high as 60 percent on certain products. Other miscellaneous food products have widely variable duty rates, with higher tariffs and/or TRQs imposed on products that contain sugar, dairy products, or alcohol in the United States, the EU, and Japan.

- Non-tariff measures cited by the industry in this sector are common to many other types of processed foods and include labeling issues and restrictions on food additives.

- Tariff escalation is prevalent in most markets for coffee products, with the highest tariffs placed on instant coffee. In the EU, Japan, and the United States, instant coffee with sugar has even higher tariffs. Tariff escalation is generally not present in pepper products, as tariffs on uncrushed pepper are often the same as those on ground pepper.

Effects of Trade Barriers on Processed Foods and Beverages

- The economics literature describes numerous methodologies, including econometrics, partial equilibrium models, and general equilibrium models, to analyze the effects of tariff liberalization on a number of processed food and beverage sectors. The effects reported by a subset of these studies are wide-ranging, but suggest that the reduction of tariff barriers can have a positive effect on exports of processed foods and beverages.

- While tariff escalation is often cited as discriminating against processed food and beverage products, the existence of tariff de-escalation (i.e., when tariffs on inputs are higher than tariffs on finished products) can also negatively affect processed foods and beverages. Effective rates of protection (ERPs) are a tool that can be used to calculate the effects of commodity tariffs on the nominal tariff of a processed food product. In the case of cookies, positive ERPs (i.e., effective tariff escalation) have sheltered the EU cookie industry from international competition,

while negative ERPs (i.e., effective tariff de-escalation) in the United States and Japan, due in large part to high tariffs on sugar, may be a factor in the increased investment of U.S. and Japanese companies in offshore production facilities.

The Relationship Between Trade and Investment for Processed Food and Beverage Products

- Foreign direct investment (FDI) is an important component of U.S. processed food and beverage companies' international sales. The level of foreign sales of processed foods and beverages by U.S. affiliates operating in foreign markets is five times larger than U.S. exports and is growing at a faster rate. While most sales by U.S. foreign affiliates are sold in the market where they are produced, there has been some growth in the level of exports from these foreign affiliates.

- The literature on the relationship between FDI and exports suggests FDI can either be a substitute for, or complement to, exports. Studies that have looked explicitly at processed foods have generally found a complementary relationship between FDI and exports, though staff fieldwork found no general pattern.

- The impact of trade barriers on FDI decisions is mixed. In general, decisions to invest in a foreign market are related to conditions in the foreign market and a desire to reduce costs by producing locally. However, trade barriers can expedite such business decisions.

CHAPTER 1
Introduction

Background and Purpose

On October 31, 2000, the U.S. International Trade Commission (Commission) received a request[1] from the Committee on Ways and Means, U.S. House of Representatives (Committee), that the Commission conduct an investigation under Section 332 (g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) for the purpose of preparing a report that (1) describes the tariff and non-tariff barriers affecting trade in the processed food and beverage sectors in major and potential markets, including complex tariffs, tariff-rate quotas, regional trade agreements, licensing arrangements, certification and registration requirements, and variable levies; (2) evaluates the prevalence of tariff escalation for processed food and beverage products; and (3) analyzes the impact of tariff and non-tariff barriers on trade and investment in the processed food and beverage sectors.

The Committee's request cited the increasing importance of processed food and beverage trade, as the sectors provide an additional source of exports for farmers and ranchers. The Committee also noted that while the sectors face significant tariff and non-tariff barriers to trade, there is little information available that assesses the impact of these barriers. The objective of this report is to provide a comprehensive review of the trade barriers that affect U.S. exports of processed foods and beverages and, where possible, assess their impact on trade.

In response to the Committee's request, the Commission instituted Investigation No. 332-421, *Processed Foods and Beverages: A Description of Tariff and Non-tariff Barriers for Major Products and their Impact on Trade*, under section 332(g) of the Tariff Act of 1930 on November 20, 2000.[2] A preliminary public comment period was held between November 2000 and February 2001. A public hearing in connection with this investigation was held on May 22, 2001.[3]

[1] A copy of the request letter is provided in appendix A.

[2] A copy of the *Federal Register* notice instituting the study is provided in appendix B.

[3] A copy of the witness list for the public hearing is provided in appendix C. Appendix R presents a summary of the hearing testimony.

Scope

As requested by the Committee on Ways and Means, the report describes trade barriers identified by industry and other sources that affect major processed food and beverage products in major and potential markets for twelve sectors: dairy products; sugars and sugar-containing products; vegetable oils; meats; eggs and egg products; flours and other intermediate goods; grain-based foods; fruits and vegetables; edible nuts and nut products; alcoholic beverages; pet food; and other miscellaneous food and beverage products.

Broadly speaking, major products included in this study generally include food and beverage products that have some degree of value-added through processing beyond any minimal first-stage processing (e.g., grading, sorting, washing) and either (i) can be directly consumed as a food or beverage product, either immediately or with minimal preparation, or (ii) can be directly used as an input in the production of a food or beverage product without significant further processing. For the purposes of this study, the coverage of major processed food and beverage products was limited to selected items in chapters 2, 4, 7, 8, 9, 11, 12, 15-23, and 35 of the Harmonized Tariff Schedule. Products in these chapters were then limited to those defined at a 6-digit Harmonized System (HS) level[4] where there were at least $5 million in U.S. exports during 1995-99, or where there is the potential for a significant increase in U.S. exports in the absence of trade barriers, as determined by Commission research and interviews. In some cases, products defined at a 6-digit HS level include both processed and unprocessed products. For the purposes of this study, these products were also included. Major products were divided into subsectors that either represent a natural product grouping and/or where U.S. exports (or the potential for expanded U.S. exports) are large.

Information on the Quad countries (the United States, EU, Canada, and Japan) is given for all sectors. Other major markets are those which account for at least 10 percent of U.S. exports at a 6-digit HS level. In addition, a number of markets with the potential for expanded U.S. exports were identified based on Commission research and interviews with relevant industry sources; these markets are referred throughout the text as “potential markets.” The analysis in each sector concentrates primarily on the most important products in each of the sectors in which trade barriers are a significant issue. For each sector, tariff information is provided for all products at a 6-digit level in the appendix.[5]

[4] The HS codes for the products covered in the study are presented at the outset of each chapter for a particular sector.

[5] A glossary of terms and brief discussion of the nomenclature used in the sector tariff tables is provided in appendix D.

Approach and Organization of the Report

This study examines the trade barriers that affect the processed food and beverage sectors. Its intent is to present a detailed description of the major trade barriers identified as affecting exporters of processed food and beverage products and, where possible, to assess the effect of these barriers on trade. Information was gathered from a number of sources, including publicly available reports from government, academic, and industry sources; Commission staff interviews; public submissions; and testimony from the hearing. Commission staff conducted fieldwork domestically and in a number of foreign countries, including Australia, Thailand, Germany, Hungary, Belgium, the United Kingdom, Chile, and Argentina.

Trade barriers are presented by the sectors defined in the request letter from the Committee on Ways and Means. General trade barriers that affect a number of sectors are provided in chapter 2. Chapter 2 also highlights some of the important trends in trade for processed food and beverage products and summarizes many of the key findings of the report. It also briefly discusses some of the empirical work that has been conducted on the effects of trade barriers on processed foods and beverages; a detailed discussion is provided in appendix E.

In the sector chapters (chapters 3 through 14), an introduction to the sector is provided, highlighting trends in U.S. exports to major and potential markets. This is followed by a discussion of the policy environment that exists in selected markets in the sector. The public policies in major and potential markets that underpin tariff support in the processed food and beverage sectors are analyzed. These include analyses of any protection placed on processed products that is derived from protection placed on the farm sector.

Major tariff barriers, including variable levies and tariff-rate quotas (TRQs), are subsequently presented. In addition, information on tariff rates and relevant TRQs for all 6-digit HS codes covered in a sector is included in tables found in the appendixes. Regional trade agreements are examined in the next section, focusing on the major regional and preferential tariff agreements that affect U.S. exports of processed foods and beverages. Where possible, preferential tariffs for major and potential markets are included in the appendix tables, though in some cases, there were too many tariff rates to list; these tariffs are denoted in the tables as “Numerous.” All tariffs, unless otherwise indicated, are 2000 applied rates obtained from publicly available tariff schedules.

The section on non-tariff barriers and industry concerns in the sector chapters highlights the major barriers and issues raised by the U.S. industry that are specific to a particular sector. The non-tariff measures reported in the text are, in many cases, derived from anecdotal information collected from industry, government, and trade association sources. These barriers are also summarized in the appendix tables. Finally, most chapters conclude with an analysis of tariff escalation. The Commission developed a number of processing chains (raw product to final product) for a subset of products in each sector to determine the prevalence of tariff escalation for that particular processing chain. In some cases, a number of final products derived from a given raw product are presented. Where necessary, specific and compound tariffs were converted to ad valorem equivalents using reference prices. These reference prices varied by product. Since most processed foods do not have a “world price,” a proxy price,

such as an export unit value, was used.[6] Over-quota rates were used when a TRQ was applied, since this represents the binding constraint on exporters. These rates were plotted graphically for a number of important and potential markets for U.S. exports. Tariff escalation graphs were not included in the chapters on alcoholic beverages or flours and other intermediate goods. However, the prevalence of tariff escalation between raw grapes and wine can be found in chapter 10 (Fruits and Vegetables). Also, products covered in the flours and other intermediate goods chapter (chapter 8) are included in the tariff escalation discussion in chapter 9 (grain-based foods).

Chapter 15 presents information on the relationship between foreign investment and exports. This chapter looks at recent trends in foreign investment and some of the theoretical and empirical approaches taken in the economics literature on this issue. It also examines some of the experiences U.S. companies, importers, and exporters have had in international markets and the impact of trade barriers on their business.

[6] Reference prices in this study were chosen on the basis of quantifying the tariff faced by a U.S.-based company exporting into a foreign market. The price used varied by product. It should be emphasized that the reference price is only used to compare specific tariffs for a given product. Further research will be required to develop appropriate methodologies to calculate suitable reference prices for processed food products.

CHAPTER 2
Trends and Issues in the Processed Food and Beverage Sectors

Introduction

The following chapter presents some of the trends and issues that are currently facing exporters of processed food and beverage products. U.S. and global trends in trade in processed food and beverage products are presented first, followed by an analysis of a number of the reported trade barriers that are common to most types of processed foods and beverages. Specific details on the trade barriers that affect a particular sector (or sectors) are provided for in the relevant chapter on that sector. An analysis of tariff escalation is also provided, highlighting many of the issues that arise in assessing its prevalence in processed foods and beverages. A detailed analysis of tariff escalation on a sectoral basis is provided in each chapter. The chapter concludes with a summary of empirical analysis on the effects of trade barriers on selected processed food products. A more detailed review of this analysis can be found in appendix E.

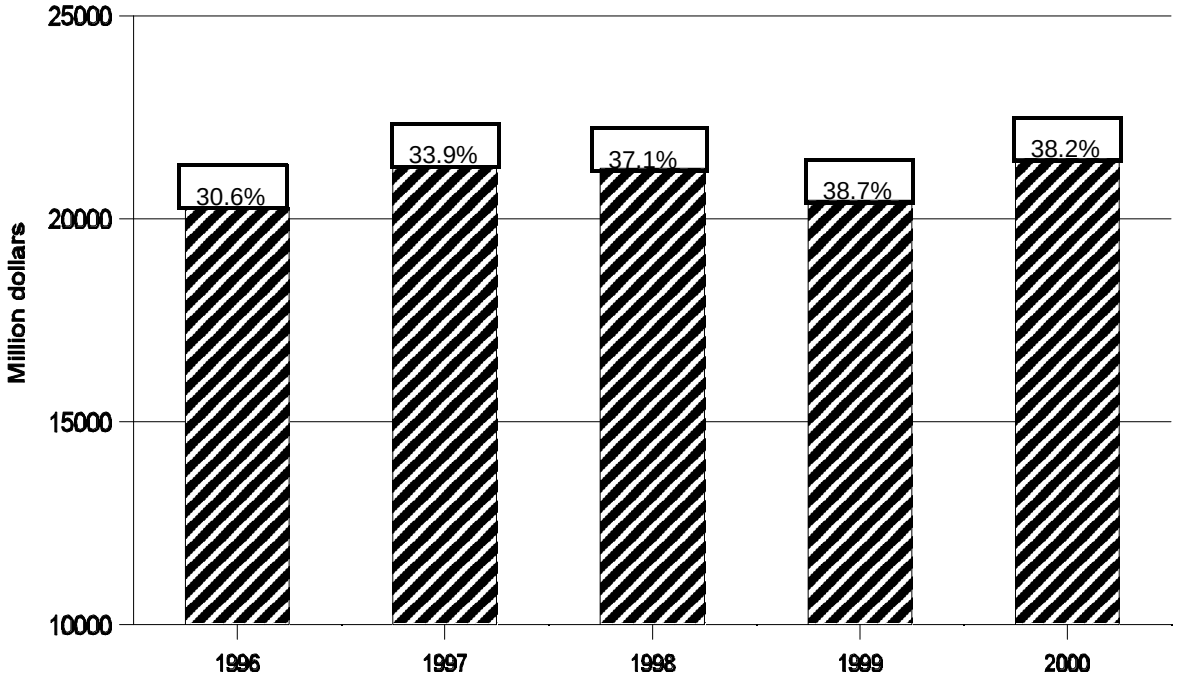
Trends in U.S. Exports of Processed Foods and Beverages

U.S. exports of processed foods and beverages are an increasingly important component of U.S. agricultural exports. U.S. processed food exports[1] as a share of total U.S. agricultural exports increased (in value-terms) from 30.6 percent in 1996 to 38.2 percent in 2000 (figure 2-1). The value of U.S. exports of processed foods and beverages, as defined in this study, rose irregularly between 1996 and 2000. In 2000, the value of these exports was $21.5 billion.

The meat sector represented the largest component of U.S. processed food exports in 2000, comprising 33 percent of the total (figure 2-2). U.S. exports of fruits and vegetables (including beverages) accounted for 16 percent of U.S. processed food exports, while miscellaneous foods and beverages, encompassing a diverse range of products such as spices, sauces, coffee, tea, and a host of other food preparations, represented 12 percent of U.S. processed food exports. There has been a steady rise in the share of U.S. exports of dairy products, grain-based foods, pet foods, and miscellaneous foods and beverages since 1996, while there has been a decline in the share of U.S. exports of alcoholic beverages, edible nuts and nut products, and vegetable oils.

[1] Processed foods and beverages in this context refer to the products defined in the scope of this study.

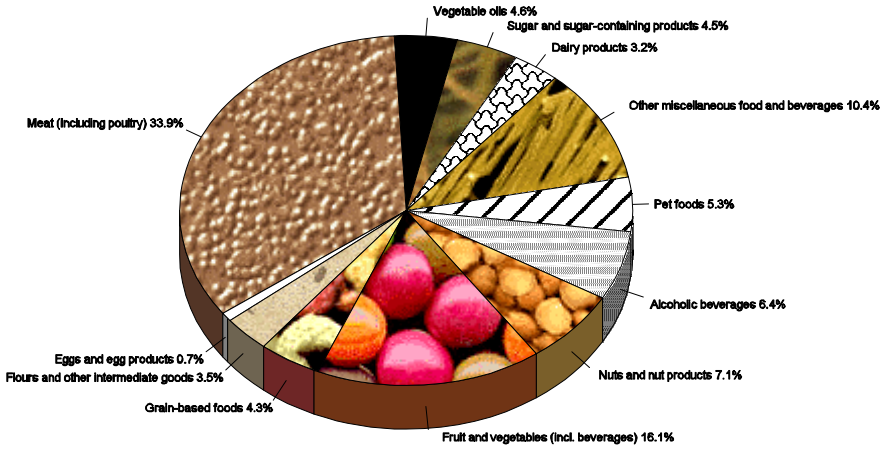
Figure 2-1
U.S. exports of processed foods and beverages and share of U.S. agricultural exports, 1996-2000



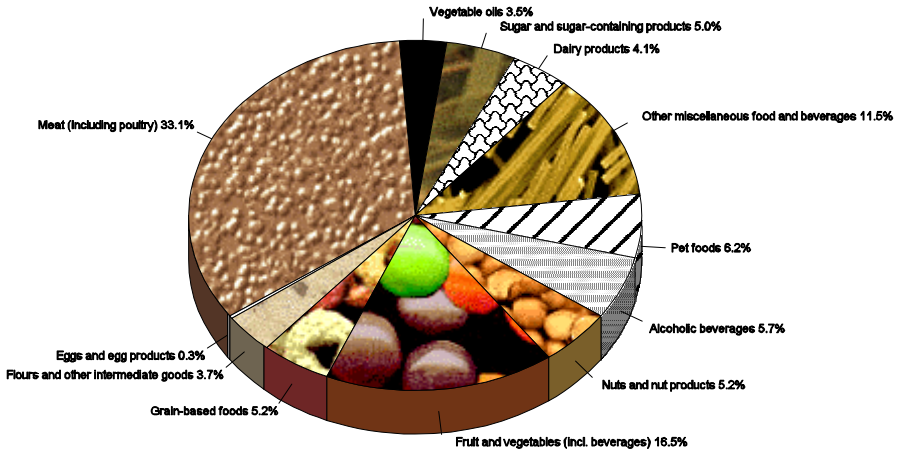
Source: Compiled from official statistics of the U.S. Department of Commerce.

Figure 2-2
Composition of U.S. processed food and beverage exports, 1996 and 2000

1996



2000



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

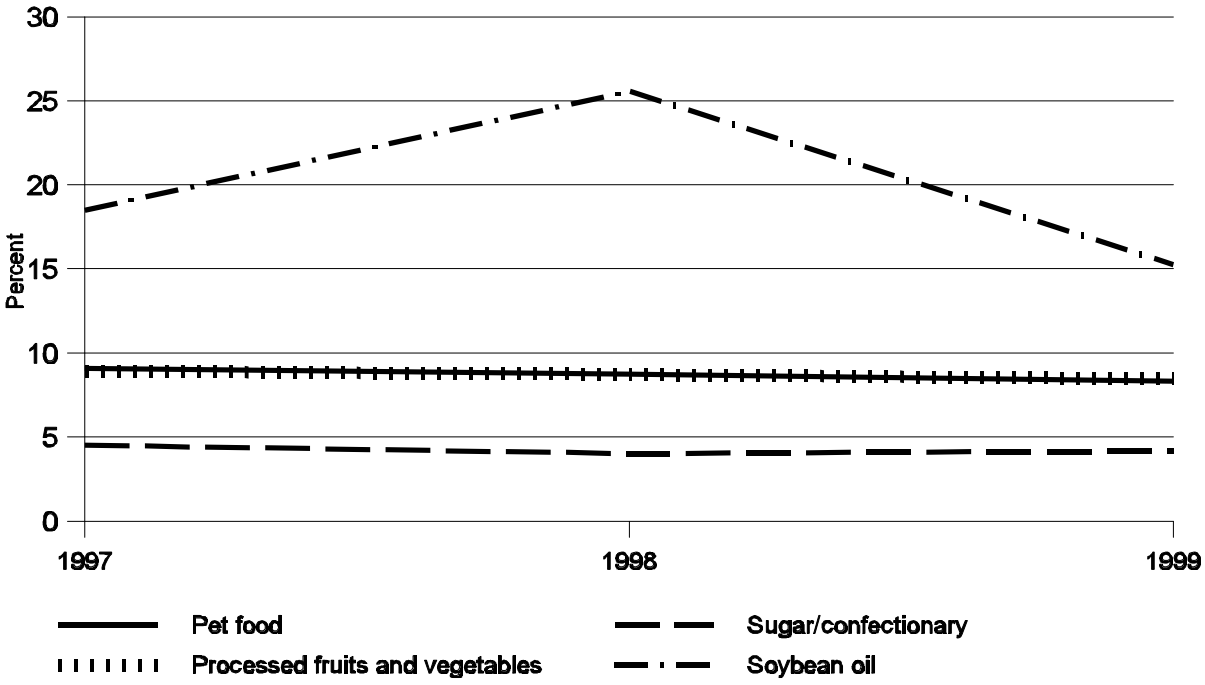
The U.S. processed food industry has been traditionally oriented towards the large domestic market in the United States. Data for the period 1997-1999 show export sales represented less than 10 percent of U.S. production for selected products (figure 2-3).[2] The main exception is soybean oil, which is traded more like a commodity and of which the United States is a significant global producer and exporter. With the exception of wine, where the share of U.S. exports to U.S. production has been steadily rising, there has been no clear trend between export sales and production during this period. Foreign markets are often serviced by U.S.-owned affiliates operating in those foreign markets, rather than through exports (see chapter 15).

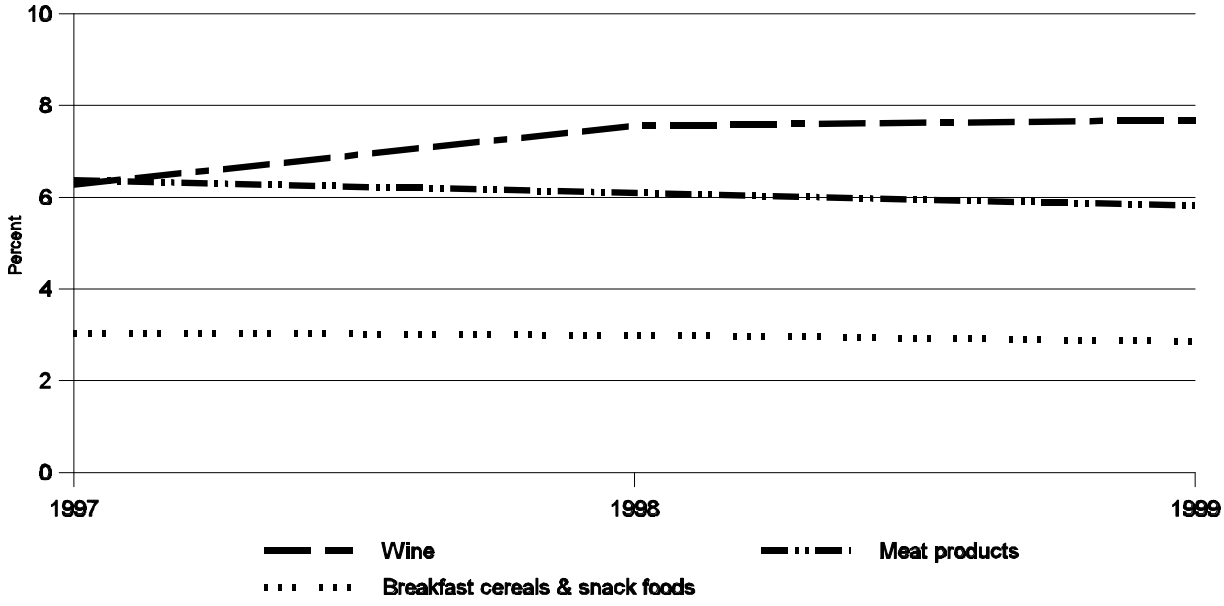
When intra-EU trade is excluded, the United States is the second-leading global exporter of processed foods[3] behind the EU, with 16 percent of global trade in these products (figure 2-4). EU exports to non-EU destinations totaled $35 billion in 1999, or 26 percent of global, non-intra-EU trade in processed foods and beverages. Other important global exporters of processed foods include Australia, Canada, China, Brazil, and Malaysia. The United States increased its share of global exports from 15 percent in 1996 to over 16 percent in 1999, while the EU's share fell from over 27 percent to 26 percent. The types of products and markets that are targeted by U.S. and EU exporters are significantly different, as evidenced in table 2-1. On balance, the United States typically exports more to Asian and Central American markets, whereas the EU exports more to South America and dominates trade in the Middle East. The United States specializes in exports of meat products, processed fruits and vegetables, juices, and pet food, while the EU exports more in the form of dairy products, sweeteners, wine and beer, and snack foods.

[2] The period 1997-99 is the most recent period for which data are available on U.S. production on a North American Industry Classification System (NAICS) basis. Note also that there are slight differences between trade data on an HS basis and production data on a NAICS basis.

[3] In the case of global trends discussed in this paragraph, the definition of processed foods is slightly different than the one used in the rest of the study due to slight differences in the HS codes in the UN database used to compile this information.

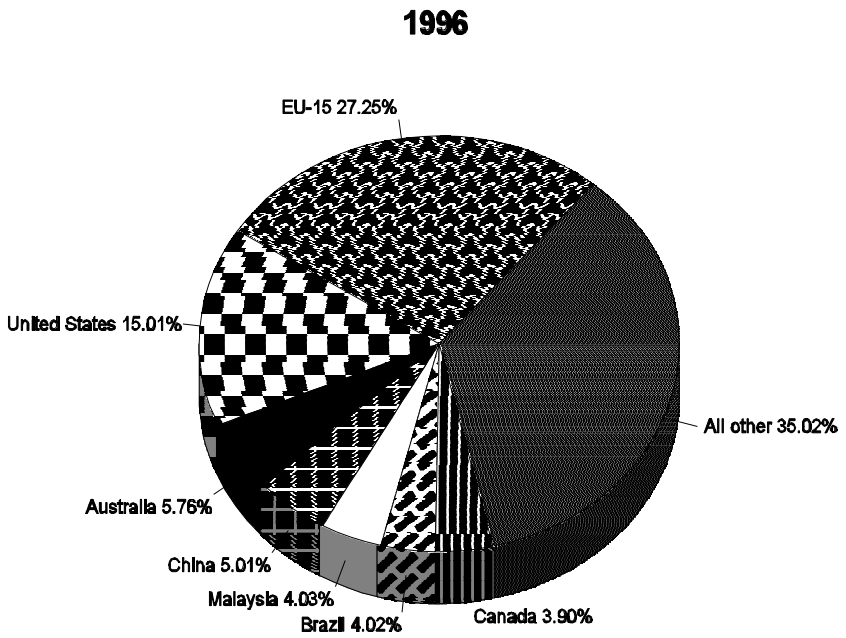
Figure 2-3
U.S. exports of selected processed food products as a share of U.S. production, 1997-99

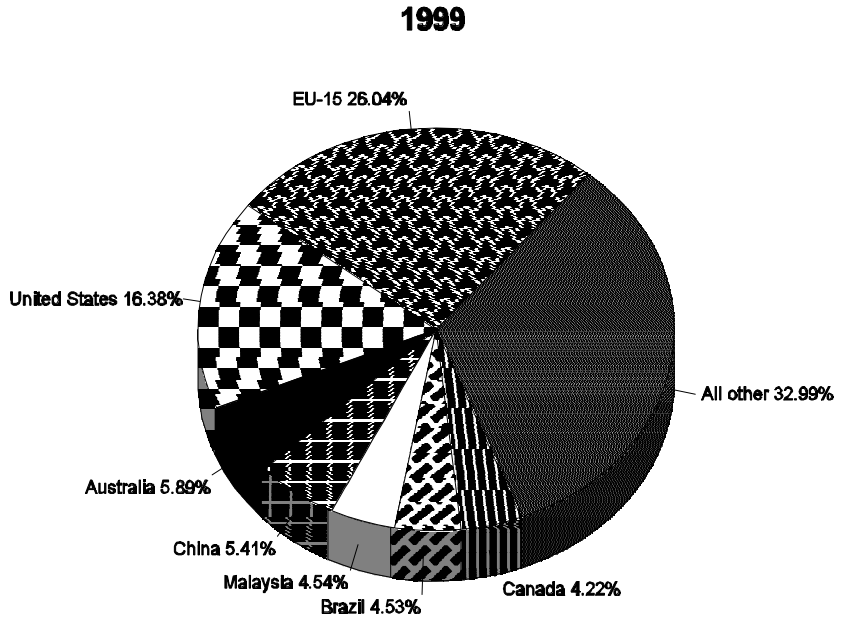




Source: Compiled from official statistics of the U.S. Department of Commerce.

Figure 2-4
Market share of global trade in processed foods and beverages (excluding intra-EU trade), 1996 and 1999





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

Table 2-1
U.S. and EU exports of selected processed food products to emerging regions, 1999

(*U.S. 1,000 dollars*)

		Market			
Product	**Source**	**Asia & Pacific Rim**	**Central America**	**South America**	**Middle East**
Dairy products and cheese	United States	213,863	18,264	31,611	11,665
	EU-15	471,031	43,670	145,504	692,610
Sugars, sweeteners, and beverage bases	United States	49,818	5,922	15,934	4,590
	EU-15	59,330	5,095	5,585	262,169
Snack foods and breakfast cereals	United States	185,993	27,123	28,065	23,678
	EU-15	335,121	4,974	59,992	290,511
Red meats	United States	3,129,243	35,085	34,519	23,609
	EU-15	1,140,556	6,269	47,438	149,481
Poultry meat	United States	652,260	19,836	18,550	29,443
	EU-15	114,502	60	297	53,781
Fruit & vegetable juices	United States	215,740	16,573	13,060	10,364
	EU-15	70,398	277	1,402	20,673
Pet food	United States	190,000	10,715	25,532	4,592
	EU-15	17,156	28	379	13,981
Wine and beer	United States	169,871	13,220	15,870	5,506
	EU-15	441,777	10,887	75,876	47,415
Processed fruits and vegetables	United States	1,053,760	38,891	55,551	57,712
	EU-15	198,568	5,035	87,926	146,144
Eggs and egg products	United States	58,897	6,693	5,063	788
	EU-15	78,103	53	1,459	35,385
Total	United States	5,919,445	192,322	243,755	171,947
	EU-15	2,926,542	76,348	425,858	1,712,150

Source: Computed from official data from the United Nations, using commodity and region groupings defined in the UN database. The products covered in the groups may include some products that are not covered in the study or exclude some products that are covered in the study.

Trade Issues Facing the Processed Food and Beverage Sectors

The following sections outline the major tariff and non-tariff issues affecting the U.S. processed food and beverage sectors. A summary of these issues is provided in table 2-2.

Tariff Barriers

Tariff barriers, specifically high tariffs, complex tariffs, and variable levies, have been cited by the U.S. industry as significant impediments to trade in processed foods and beverages. There are many examples in the processed food and beverage sectors of high tariffs. Tariffs on dairy and sugar products, for example, tend to be extremely high, due to existence of tariff-rate quotas (see next section) with small quota quantities and extremely high over-quota rates. Other sectors where high tariffs are common include beef, poultry, pork, eggs, fruit juices, and certain types of processed fruit and vegetable products. While a number of different types of tariff regimes are used on processed food and beverage products, the most common type of tariff is an ad valorem rate, which is a simple percentage applied to the import price.[4] The majority of developing countries use only ad valorem tariffs in their tariff schedules. By contrast, developed countries, particularly those in the Quad group (United States, EU, Japan, and Canada), have the greatest complexity of tariff regimes. In these countries, tariffs are sometimes expressed as specific rates, where a fixed value per unit quantity is added to the import price, or as compound rates, where the duty has both a percentage ad valorem rate and an additional specific duty. Imports of grape juice in the EU are subject to double compound tariffs, with specific duties added on the basis of volume and weight, and variable rates depending on the season and product value. Other complex tariff forms also exist. In the EU, Japan, and Korea, some products are assessed the maximum (or minimum) of two rates, while others are assigned a tariff rate based on certain attributes of the product, such as the percentage by weight of sugar or the percentage by volume of alcohol. Import-sensitive products will often have an additional safeguard duty added when imports reach a certain level or the price falls below a certain point, as is the case of sugar in the United States and dairy products in Japan. These thresholds are sometimes established such that the safeguard is always imposed.

There are several rationales for the existence of higher tariffs in the food processing industry. The most common is to protect the domestic processing industry and hence maintain value-added production and employment in the domestic market. This can be achieved through "tariff escalation," whereby low tariffs are placed on raw commodities and higher tariffs placed on further processed products. These types of tariff structures are particularly common in developing countries, such as in Latin America and Asia. In developed markets, such as the United States, Canada, the EU, and Japan, tariff escalation exists in certain sectors; however, the domestic policy environment for commodity agriculture is often a more important factor in tariff policy. In some instances, particularly

[4] Most countries assess duties on a CIF basis, which is the price of the product at the port of export plus the insurance and freight to the port of import. The United States and Canada assess duties on an FOB basis, which is the price of the product at the port of export.

Table 2-2
Summary of selected trade measures and industry concerns by sector

Sector	Selected trade measures and industry concerns
Dairy products	• High tariffs and/or restrictive TRQs on many dairy products in the United States, the EU, Japan, and Canada • Sanitary and phytosanitary restrictions • Plant inspection • Labeling requirements • Food standards • Refrigeration and shelf-life requirements • TRQ administration • Export subsidies • State-trading enterprises
Sugars and sugar-containing products	• High tariffs and/or restrictive TRQs on refined sugar in the United States, the EU, Japan, Mexico, Korea, and China • High tariffs on refined sugar from price band system in the Andean Pact countries and in Chile • Complex tariffs on sugar-containing products in the EU • State-trading enterprises • Sanitary and phytosanitary restrictions • Production registration, food additives, and health standards • TRQ administration • Export subsidies
Vegetable oils	• High tariffs on vegetable oils from price band system in the Andean Pact countries • Labeling requirements • Domestic assistance and government policies
Meats	• High tariffs and/or restrictive TRQs on beef, pork, and poultry in numerous developed and developing markets • Sanitary and phytosanitary restrictions • Labeling requirements • Plant inspection • State-trading enterprises • TRQ administration
Eggs and egg products	• High tariffs and/or restrictive TRQs on eggs and egg products in Canada and the EU • Sanitary and phytosanitary restrictions • Shelf-life and labeling requirements • Export refunds • TRQ administration
Flours and other intermediate goods	• High tariffs and/or restrictive TRQs on many intermediate products in the EU, Canada, Korea, and Japan • Export subsidies • State-trading enterprises • Labeling requirements • TRQ administration

Table 2-2—*Continued*
Summary of selected trade measures and industry concerns by sector

Sector	Selected trade measures and industry concerns
Grain-based foods	• TRQs on certain grain-based foods in Canada and Japan • Complex tariffs on sugar- and dairy-containing grain-based foods in the EU • Restrictions on vitamin fortification, additives, and food colorings • Labeling, certification, and registration requirements • Government policies • Taxes and other fees
Fruits and vegetables	• High tariffs on fruits, vegetables, and juices in India, China, and Korea • Complex tariffs and TRQs on grape juice in the EU • Shelf-life and other labeling restrictions • Composition, formulation, and analytical testing standards • Product classification, registration, and licensing • Domestic assistance
Edible nuts and nut products	• TRQs on peanuts in the United States and Japan • Sanitary and phytosanitary restrictions • Export subsidies
Alcoholic beverages	• High tariffs on alcoholic beverages in India, China, Taiwan, Korea, and Brazil • Subsidies • Certification, licensing, and labeling requirements • State monopolies • Taxes
Pet food	• High tariffs on pet food from price band system in the Andean Pact countries • Variable tariffs on pet food in the EU • Certification and registration requirements • Sanitary and phytosanitary restrictions • Taxes
Other miscellaneous food and beverage products	• TRQs on sugar- and dairy-containing edible preparations in the United States and Japan • Labeling, registration, and customs procedures

Source: Compiled from information in chapters 3-14.

in the EU and Japan, domestic policies that protect commodity agriculture result in higher prices for the inputs paid by food processors; this can have the effect of driving investment in processed foods and beverages offshore. In order to maintain the competitiveness of the food processing industry in these markets, high tariffs and/or tariff-rate quotas are placed on processed products, though these tariffs are not always as high as those found on the raw commodities. High tariffs and/or tariff-rate quotas also prevent the extraction of the protected raw commodity from the processed product. In other cases, high tariffs are a source of revenue for the government. One Australian exporter noted that high tariffs in Pacific Island countries, such as Fiji, New Guinea, and New Caledonia, do nothing but raise prices for consumers, since there is little in the way of a domestic industry to protect.[5]

The impact of high tariffs on the volume of U.S. exports varies significantly, depending both on the market and the product. The main impact of tariffs is to raise the price of imported products in a foreign market. At the same time, imported products in many markets are luxury items that are bought for their "snob" appeal. One importer in Argentina noted that the recent decision by the Government to raise tariffs to 35 percent on most processed food products (from 17 percent to 21 percent) would not particularly affect consumption of many imported food products because the groups purchasing such products in Argentina are relatively insensitive to price.[6] A European importer commented that imports are almost never competitive on price and require other attributes (such as the production process or something unique to the United States) in order to be competitive.[7] In other cases, moderately high tariffs can disadvantage imported products. One group noted that given the small profit margins that exist in the meat industry, tariffs of 15 percent to 20 percent can effectively keep imported products out of a market.[8] High tariffs also make it much more difficult for retailers to meet certain "price points" required to competitively price imported goods relative to locally produced products. For example, in Japan, a retailer was unable to sell a type of walnut pastry because the price could not be profitably lowered by just ¥2 (less than 2¢), which is less than the duty paid on the imported U.S. walnuts used in the product.[9] Similar complaints were levied by Smuckers, which in a written submission noted that high tariffs of over 30 percent in Asia raise the price of imported jams and peanut butter to super-premium levels and disadvantage their products relative to domestic products.[10] A retailer in Latin America noted that its policy for its private label brands was to offer a product of similar or better quality as the leading local product at a discounted price.[11] High tariffs thus make it harder for this group to use imported products for their private label brands. Finally, high tariffs will often cause an inefficient allocation of resources and product lines across borders and can serve as a motivation for foreign investment outside the United States. In many instances, multinational companies have affiliates in a number of countries, but produce certain product lines only in the United States (or in other markets). High tariffs can force them to duplicate production lines in other countries, which can be quite costly.[12] For example, high tariffs on cheese in

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[5] USITC staff interview with Australian industry representative, Mar. 20, 2001.

[6] USITC staff interview with Argentine importer, June 7, 2001.

[7] USITC staff interview with European importer, May 23, 2001.

[8] USITC staff interview with U.S. industry representative, May 21, 2001.

[9] USITC staff interview with U.S. industry association, June 19, 2001.

[10] Tina Knauss, Manager, Government Affairs, The J.M. Smucker Company, written submission to the Commission, Feb. 13, 2001.

[11] USITC staff interview with Argentine retailer, June 7, 2001.

[12] Janet A. Nuzum, Vice President and General Counsel, International Dairy Foods Association (IDFA), testimony before the USITC, May 22, 2001, transcript, p. 58.

Japan have prevented a U.S. company's factory in Australia from supplementing production of its affiliate in Japan, which is operating at full capacity.[13]

Equally difficult for U.S. exporters, if not more so, are the existence of variable levies and other non-transparent forms of tariff protection. Price bands[14] in the Andean Pact (Bolivia, Colombia, Venezuela, and Ecuador)[15] on grain products, meat, dairy products, vegetable oils, and pet food have been noted by a number of groups as significantly affecting exports to those markets. Chile also applies price bands on sugar, vegetable oils, wheat, and wheat flour. The existence of large gaps between bound and applied tariff rates gives countries the flexibility to raise tariff rates arbitrarily in response to economic conditions. This recently occurred in Argentina, which raised tariffs on a number of processed food products to their bound levels of 35 percent (from 17 percent to 21 percent). The variability that sometimes occurs in the application of tariffs is also a concern of U.S. exporters. One industry group noted that the Japanese Government will often not apply the specific component of a compound tariff, or will arbitrarily lower the ad valorem component on imports of dairy products.[16] In the case of meat imports into Japan, it has been alleged that there are no clear guidelines for the tariff line assessment for some meat products, with the result being that the tariff assigned could differ by port or by the inspection official.[17] In other cases, products have been misclassified and consequently assessed a higher duty. For example, a U.S. industry association cited that certain flavoring products have been classified in chapter 21 (miscellaneous edible preparations) of the tariff schedule instead of chapter 33 (mixtures of odoriferous substances and mixtures, of a kind used in the food or drink industries); in some cases the duty in chapter 21 is higher than the duty in chapter 33.[18] Variable tariffs or the threat or possibility of changing tariff rates prevent companies from the orderly planning of exports to foreign markets.

Tariffs are clearly a major issue for the processed food and beverage industry. Tariffs will generally be the first hurdle for companies approaching a market to consider and will determine whether the costs involved make it worthwhile to pursue export opportunities.[19] It should be emphasized that while moderate tariffs may slow U.S. exports to foreign markets, in some cases non-tariff barriers, such as export certification requirements, export subsidies, registration issues, labeling, and a host of other requirements, can impede U.S. exports altogether.[20] At the same time, because tariffs are often the first issue considered by exporters,

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[13] USITC staff interview with industry representative, Mar. 22, 2001.

[14] The price band system subjects covered products to a variable tariff based on movements in international commodity prices relative to a pre-set reference price. In Andean Pact countries, a variable levy is added (or subtracted) to (from) the base tariff depending on these price movements. When international prices are lower than the reference price, the additional levy, and corresponding tariff, is high.

[15] Peru is also a member of the Andean Pact but does not apply price bands.

[16] USITC staff interview with Australian industry association, Mar. 22, 2001.

[17] USITC staff interview with Australian industry association, Mar. 20, 2001.

[18] Glenn Roberts, Executive Director, Flavor and Extract Manufacturers Association of the United States, written submission to the Commission, Feb. 16, 2001. A trade association in the EU mentioned to USITC staff that this also occurs for concentrates classified in chapters 33 and 38 of the Harmonized Tariff Schedule, May 21, 2001.

[19] Janet Nuzum, IDFA, testimony before the USITC, transcript, p. 85.

[20] Peggy Rochette, Senior Director of International Policy, National Food Processors Association (NFPA), testimony before the USITC, May 22, 2001, transcript, p. 90.

recognition of the non-tariff barriers that also exist in a foreign market may not occur if the tariffs are high enough to keep out imports altogether.[21]

Tariff-Rate Quotas and Administration Procedures

Tariff-rate quotas are also a problem for exporters of processed foods and beverages. A tariff-rate quota (TRQ), is a two-tiered tariff that allows for the import of a fixed (and often small) quota quantity of a product at a low tariff rate (the in-quota rate), after which a high or prohibitive over-quota tariff is applied.[22] A number of processed products are covered by TRQs. These include dairy products, sugar and confectionary products, grain products (including intermediate goods and grain-based foods), meat, fruits and vegetables, peanuts, vegetable oils, and eggs. In some cases, TRQs are "global" TRQs in the sense that they include a number of raw, intermediate, and processed products under the same quota quantity. Japan, for instance, has a TRQ on wheat and wheat products that covers all products derived from wheat.

One of the major issues concerning TRQs are the methods used for TRQ administration.[23] The type of administration used varies significantly by market and by product. The most commonly used[24] is known as an applied tariff regime, in which importers are allowed to import unlimited quantities within the quota. The second-most common regime is a system known as licenses on demand, whereby licenses are allocated prior to the period in which imports take place. The means by which these quotas are rationed depends on whether demand for the licenses is smaller than or exceeds the TRQ quantity. If demand is smaller than the TRQ quantity, the TRQ typically operates like a first-come, first-serve quota (FCFS, explained below). If demand exceeds the TRQ quantity, licenses are typically reduced on a pro rata basis. In some cases, such as in the United States, when demand for licenses is greater than the TRQ quantity, quotas are issued based on a lottery. A FCFS quota allows imports to enter at the in-quota rate without respect to their origin and provided they have been imported before the quota has been filled. Otherwise, imports enter at the over-quota rate. There is some risk involved for importers under this method of administration because the TRQ could fill while the shipments are en route, leaving the importer to face the over-quota rate when the product arrives at the port. State-trading enterprises or producer groups control the allocation of a number of commodities, particularly in Asia. The Japanese Food Agency controls the administration of the TRQs on wheat, barley, and rice. In the case of starch, the Japanese government has allocated the import licenses to a federation of producer cooperatives. In Korea, control of the TRQs on corn is through two producer associations that limit the amount of corn that can be used for purposes outside the purview of those two groups. TRQs are also administered through auctioning, historical allocations, mixed administration methods, and other methods.

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[21] Janet Nuzum, IDFA, testimony before the USITC, transcript, p. 86.

[22] U.S. Department of Agriculture, Economic Research Service (USDA, ERS), *Economics of Tariff-Rate Quota Administration*, Technical Bulletin No. 1893, April 2001.

[23] This section draws from information in USDA, ERS, "TRQ Administration Methods," *Economics of Tariff-Rate Quota Administration*, Technical Bulletin No. 1893, Apr. 2001, p. 4.

[24] This refers to the percentage of all notified TRQs (including unprocessed agricultural products).

The concerns over the administration of TRQs vary by product.[25] In the case of dairy TRQs, for example, there are two main issues: barriers to entry, which restrict firms' access to import licences, and barriers to trade that result from the quantitative restrictions in place from the TRQ. Several industry representatives indicate that the import licensing systems are costly and cumbersome, and serve as a significant barrier-to-entry for domestic firms wishing to operate in major markets.[26] They point out that many quotas are not filled even though domestic prices in importing countries are significantly above international prices. Although low fill rates can result because of high in-quota tariffs and other market factors,[27] TRQ administration may also lead to imports falling short of TRQ quantities. Reasons for this include (i) country-specific licenses are issued to countries that may not produce or export the product, or are high-cost producers; (ii) allocation of TRQs in insufficient volume to make importing economically viable; (iii) the FCFS import system does not foster long-term business relationships among importers, exporters, and end-users; (iv) the system for reallocating country-specific quotas is complicated; and (v) importing firms fail to surrender unused amounts to be used for reallocation.

Regional Trade Agreements

The increased proliferation of bilateral and regional trade agreements (RTAs) has had marked impacts on regional and world trade flows. RTAs are commitments made by a group of countries to achieve some sort of economic integration.[28] There are several different types of RTAs with varying levels of economic integration that are relevant to the scope of the current investigation. Regional trade initiatives known as *free trade areas* (FTAs), such as the North American Free Trade Agreement (NAFTA), and bilateral trade initiatives, such as the Canada-Chile free trade agreement, reduce or eliminate tariffs among member countries, but maintain separate external tariffs against the rest of the world.[29] *Customs unions* such as the Central American Common Market (CACM), the Andean Pact, and MERCOSUR result in member countries eliminating tariffs among themselves and adopting a common external tariff for the rest of the world. In *economic unions* such as the European Union, member countries eliminate tariffs among themselves, adopt a common external tariff, remove barriers to movement of factors of production across member-country borders, and unify their fiscal and monetary policies.

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[25] This section draws upon J.R. Coleman and D.S. Boughner, "Issues in Reforming Tariff-rate Import Quotas in the Agreement on Agriculture in the WTO," in International Agricultural Trade Research Consortium (IATRC) Commissioned Paper #13, May 2001.

[26] Janet Nuzum, IDFA, testimony before the USITC, May 22, 2001; New Zealand Dairy Board, submission to the Commission for Inv. No. 332-325, *The Economic Effects of Significant U.S. Import Restraints: Second Biennial Update*, June 10, 1998.

[27] A low quota fill rate does not necessarily mean that the TRQ is acting as a non-tariff barrier to trade. For instance, if there is insufficient domestic demand for the product at prevailing world market prices, imports may not reach the TRQ quantity level. For example, the 1995 in-quota price of butter (the world price plus the in-quota tariff) exceeded the U.S. price by several cents per pound, and thus in-quota imports were limited and resulted in a TRQ fill rate of only 6 percent. During 1996-99, the U.S. price exceeded the in-quota price, and consequently the fill rates were much higher in those years.

[28] USDA, ERS, *Regional Trade Agreements and U.S. Agriculture*, Agricultural Information Bulletin No. 745, Oct. 1998.

[29] NAFTA includes provisions on the flow of capital and labor across borders as well.

The number of RTAs has been on the rise in recent years because countries have wanted to reduce tariff and non-tariff barriers to trade outside of the multilateral negotiation process. Almost every country that is a member of the World Trade Organization (WTO) is a member of an RTA. Over 100 RTAs have been notified to the WTO. The EU is engaged in 28 RTAs, and is the largest single holder of RTAs in the WTO (see figure 2-5). Figure 2-6 and figure 2-7 provide a pictorial overview of some of the key RTAs as well.

The greatest barrier to exports of U.S. processed food and beverage products created by RTAs is tariff differentiation among member and nonmember countries. RTAs result in tariffs being lower than the general most-favored nation (MFN) rate of duty. Lower preferential tariff rates for members of the RTA have two important implications for U.S. exports. First, differential tariffs may divert trade away from the United States and toward countries that are part of an RTA. The United States, while it may be an efficient producer of the processed product, cannot compete with a country that exports the same product, all things being equal, at a substantially lower tariff rate. Second, if tariff differentials are substantial enough, regional trade agreements may encourage investment, allowing companies to be based in a member country and export from that platform into other member countries. Multinational companies may find it particularly attractive to invest in either production facilities in the importing country itself so as to evade the tariffs all together, or in production facilities in the country that has the tariff preferences with the importing country, so as to export at tariff rates that are substantially lower than those offered to the United States. While this has the advantage of reducing logistics and marketing costs for companies within those markets,[30] it deters exports from countries without these tariff advantages that may be more efficient producers.

RTAs have had some impact on trade flows and investment. For instance, as a result of the Canada-Chile free trade agreement, there have been a number of products, such as french fries, which Chile has begun to import from Canada instead of the United States.[31] Similar agreements between Canada and New Zealand have been cited as changing sourcing decisions for products such as maple syrup and pickles away from the United States and towards Canada.[32] Mercosur has led to some investment in member countries because of duty-free internal trade between Mercosur partners and high external tariffs.

EU manufacturers have increasingly taken advantage of RTAs with Central and Eastern European countries (CEECs). In preparation for their joining the EU, the EU recently completed "double-zero" agreements with a number of CEECs, whereby tariffs are mutually eliminated. A number of groups in the EU have commented upon the positive impact of

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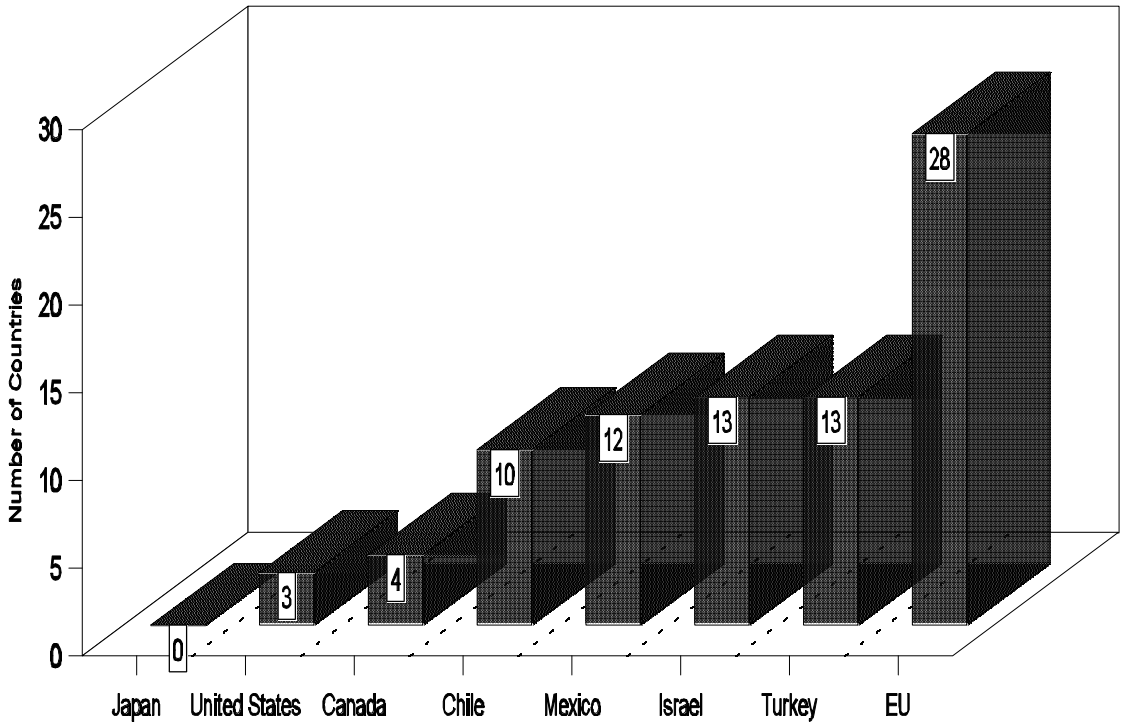
[30] John M. Connor and William A. Schiek, *Food Processing: An Industrial Powerhouse in Transition, 2nd ed.* (New York: John Wiley & Sons, 1995), p. 439.

[31] Sarah A. Fogarty, Director, International Trade, Grocery Manufacturers of America (GMA), testimony before the USITC, May 22, 2001, transcript, p. 67.

[32] U.S. Department of State telegram No. 000341, "USITC Request on Processed Food Trade Barriers – New Zealand," prepared by U.S. Embassy, Wellington, Mar. 28, 2001.

Figure 2-5
Number of countries that have entered into Free Trade Agreements with Japan, the United States, Canada, Chile, Mexico, Israel, Turkey, and the EU[1]



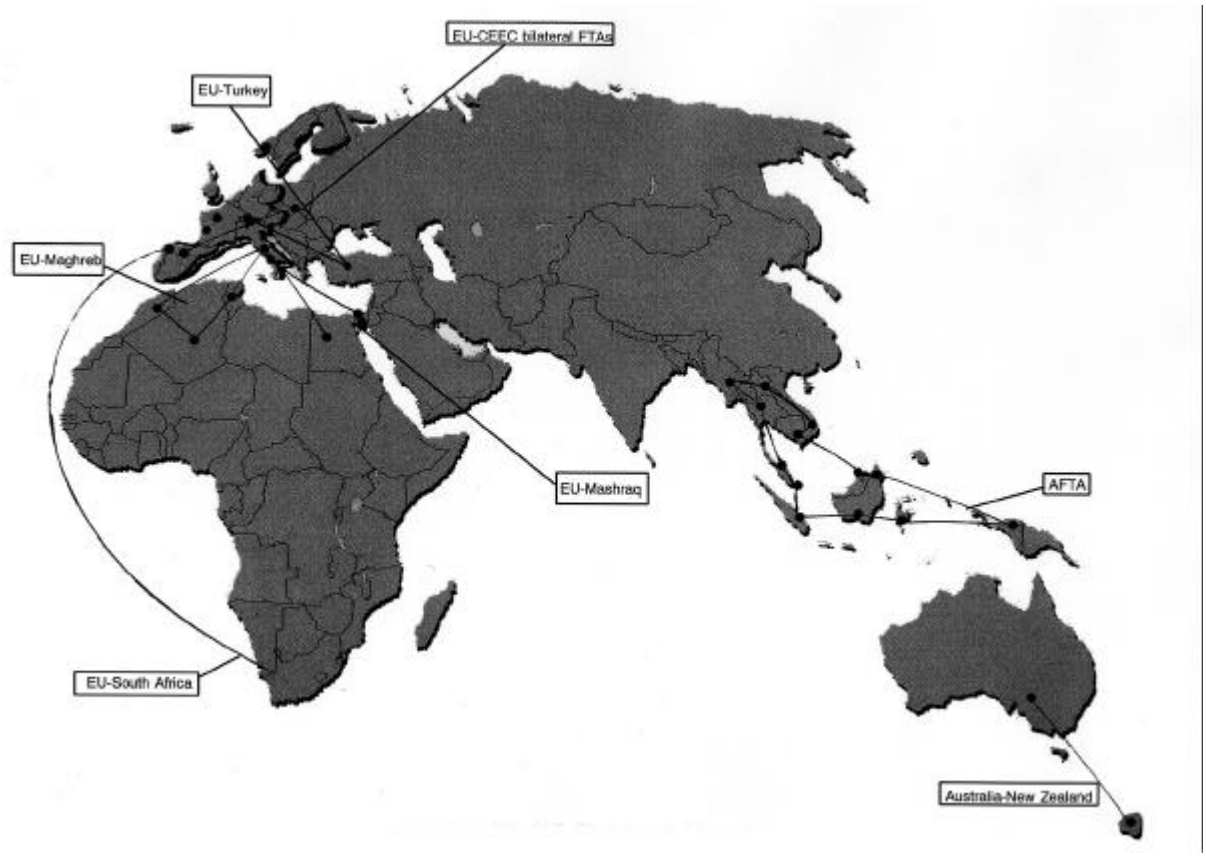
[1] For purposes of this chart, the EU is counted as one country.

Source: World Trade Organization, Organization of American States, and U.S. Department of Agriculture.

Figure 2-6
Selected regional and bilateral trade agreements for the Western Hemisphere

Source: Compiled from information from the websites of the U.S. Department of Agriculture and the World Trade Organization.

Figure 2-7
Selected regional and bilateral trade agreements for Europe, Africa, Asia, and Australia



Source: Compiled from information from the websites of the U.S. Department of Agriculture and the World Trade Organization.

these RTAs. Representatives of the German Government remarked on the availability of cheaper raw materials, particularly in the fruit and vegetable sector, as a result of these agreements and cited the lower labor costs associated with dairy production in Central and Eastern Europe.[33] Larger companies operating in CEECs are afforded preferential quota rights for export into the EU.[34] EU preferential agreements could negatively influence the competitiveness of U.S. exporters in third markets, however. EU preferential agreements allow EU exporters to divert their allocation of export subsidies towards other third markets, particularly those in which the United States and EU directly compete.[35]

Preferential Tariff Arrangements

Preferential tariff arrangements, or PTAs, by contrast, refer to tariff concessions that are typically instituted by developed countries to provide preferential or duty-free access for imports from developing or least-developed countries. The Generalized System of Preferences (GSP) is an example of a type of preferential tariff arrangement that Quad countries have in place. PTAs are not reciprocal, and as such, do not directly influence U.S. exports to developing country markets in the form of preferential access. However, differential GSP treatment can influence U.S. exports in third markets. For instance, U.S. exports of processed foods may be hindered by the ability of potential export markets to gain access to lower priced raw commodities through PTAs in order to produce a processed product more cheaply locally.

The granting of preferential access for developing countries varies by country. Most countries give least-developed countries duty-free access to all but the most sensitive of import products. The EU provides many forms of preferential access. General GSP access is provided to developing countries, with the tariff rate ranging from free for non-sensitive products to 85 percent of the MFN rate for very sensitive products.[36] Former colonies in Africa and the Caribbean are eligible for special rates under provisions of the Lomé Convention. Overseas colonies and territories (OCT) generally receive duty-free access to the EU as well. In addition, most Central and South American countries, with the exception of Chile, Brazil, and Argentina, are given tariff preferences. In addition to GSP preferences, the United States also provides preferences under the Caribbean Basin Economic Recovery Act (CBERA), Andean Trade Preference Act (ATPA), and African Growth and Opportunity Act (AGOA). In the case of Japan, two sets of preferences are applied for developing and least-developed countries. Unlike the EU, the United States, and Canada, which provide GSP and other preferential treatment for many items, Japan's PTAs cover fewer products. Up until 1999, however, a few relatively developed countries, such as Korea and Taiwan, were eligible for preferential tariff treatment into Japan as developing countries.

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[33] USITC staff interview with European Government officials, May 16, 2001.

[34] USITC staff interview with Hungarian importer, May 17, 2001.

[35] USITC staff interviews with U.S. Government officials, May 21, 2001.

[36] USDA, Office of Agricultural Affairs, U.S. Mission to the European Union, "General information on tariff reductions and quotas," found at *http://www.useu.be/agri/tarreduc.html*, retrieved June 28, 2001.

Non-tariff Measures and U.S. Industry Concerns

The following section describes the non-tariff measures and trade impediments raised by the U.S. industry that are common to a wide range of processed food and beverage products. These relate to issues such as export administration, food safety, biotechnology, traceability, and customs procedures. Details on other non-tariff barriers, measures and industry concerns that are specific to a particular sector (or sectors), such as sanitary and phytosanitary restrictions, export subsidies, and state-trading enterprises, are provided in the relevant chapter for that sector.

Registration, Export Certification, and Product Testing

U.S. industry officials have cited procedures concerning product registration and export certification as a significant barrier to U.S. exports of processed foods and beverages.[37] In order to import products into most markets, products must first be registered in the importing country. The length of time necessary to register a product varies significantly by market and can take up to a year in some instances. A number of markets have registration procedures that make it difficult for U.S. exports to enter the country. Several markets, notably Japan, Korea, Thailand, and Argentina, require information on product composition and formulation that is often deemed proprietary information by companies. Argentina requires a detailed ingredient listing in which all of the ingredients listed must total to 100 percent.[38] Japan, by contrast, requires a statement on ingredients, but the percentages can be expressed as ranges.[39]

Industry representatives also note that Korea, Thailand, and Argentina require information on product formulation. While Argentina only requires a simple flow chart detailing product processes, the information reportedly requested by Korea and Thailand necessitates a much more detailed response.[40] In particular, a U.S. industry association noted that Thailand requires manufacturing information such as the points of ingredient addition, technical information on the packaging material, specifications on the finished product, certificates attesting to the product being free of GMOs (genetically modified organisms) and the Starlink variety of GMO corn, and samples of the product and packaging.[41] Thailand also requires that products be re-registered each time the packaging or a simple ingredient is changed.[42] Many U.S. exporters are reluctant to provide this type of proprietary information. By contrast, a couple of South American importers explained that European companies are much more willing to provide this type of information and are more flexible regarding these types of demands.[43]

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[37] Peggy Rochette, NFPA, written submissions to the Commission, Feb. 16, 2001 and June 6, 2001.

[38] USITC staff interview with Argentine importer, June 7, 2001 and USITC staff correspondence from U.S. industry association, received May 21, 2001.

[39] USITC staff correspondence from U.S. industry association, received May 21, 2001.

[40] USITC staff interview with Argentine importer, June 7, 2001 and Washington State Department of Agriculture, International Marketing Program, *Exporting Washington State Agricultural Products and Processed Foods: Foreign Trade Barriers*, June 1999.

[41] USITC staff correspondence from U.S. industry association, received May 21, 2001.

[42] USITC staff interviews with Australian industry representatives, Mar. 20 and Mar. 22, 2001.

[43] USITC staff interviews with Argentine importers, June 7, 2001.

Differences in business practices between the United States and foreign competitors have been cited by foreign importers as a reason for U.S. difficulties in foreign markets. U.S. producers are more accustomed to operating in the large U.S. market and working in large volumes, while European producers are more experienced in trading and are more willing to ship small quantities, often as small as a pallet or two.[44] A Chilean importer commented that there is a significant difference between selling and exporting products that many U.S. manufacturers do not understand. Exporting requires being cognizant of the regulatory issues that are present in a foreign market and being willing to deal with any problems as they arise.[45] Furthermore, it was also suggested that European companies are more willing to provide money and resources for marketing imports.[46] A number of European importers remarked that U.S. producers often expect that products that meet U.S. standards will naturally adhere to those in the EU.[47]

Once a product has been registered in a foreign market, exporters must still contend with a number of export certification documents that must accompany each shipment and testing procedures on at least some shipments, if not every shipment. In Latin America and Asia, each shipment must provide documentation and certification on the country of origin, health standards, product formulations, and other proof that a product is free of certain types of diseases, such as BSE. In some cases, obtaining these certificates is relatively straightforward. In Chile, for example, one importer explained that the certificates could be signed by company notaries or from quality assurance centers at a state level in the United States.[48] Other countries require official government certification to affirm that these requirements have been met. In many countries, there is a central agency that will assist exporters with the regulatory work needed to bring companies into compliance for exporting. In Canada, the Canadian Food Inspection Agency (CFIA) will issue 62 different certificates for exports, while in Australia, the Australian Quarantine and Inspection Service (AQIS) will work with exporters to get the requisite certification.[49] By contrast, there is no central authority in the United States that assists exporters in this capacity. The U.S. food and beverage industry is currently working on means to document the types of certification required to better assist exporters and work towards changing policy in this area.[50] Export certification requirements especially discourage small exporters from entering foreign markets.[51]

A number of markets also require frequent testing of imported food products. While random sampling for food safety purposes is common in most countries, in some cases, it is applied differentially for imports and domestic products and can be used as an excuse to ban imports altogether. In some cases, each shipment is tested at the port, no matter how long the product

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[44] USITC staff interviews with Chilean and Argentine importers, June 4, 2001 and June 7, 2001. A number of importers in the EU also noted that the large market in the United States discourages many U.S. producers from exporting to foreign markets.

[45] USITC staff interview with Chilean importer, June 4, 2001.

[46] USITC staff interview with Argentine importer, June 7, 2001.

[47] USITC staff interviews with European importers, May 23, 2001.

[48] USITC staff interview with Chilean importer, June 4, 2001.

[49] USITC staff interview with U.S. industry association, June 12, 2001.

[50] Peggy Rochette, NFPA, written submission to the Commission, June 6, 2001.

[51] USITC staff interview with U.S. industry association, June 12, 2001 and Prairie A. Topp, International Sales, Dahlgren & Company, Inc., written submission to the Commission, Jan. 22, 2001. The submission by Dahlgren notes that a number of export certificates are required by Mexico for samples of products as well.

has been imported in the past. In the EU, one importer noted that if testing procedures discovered a problem with a domestic product, production by that company would be halted. However, if an imported product from a foreign company violates food safety standards, all shipments from that country are restricted.[52] In Chile, the penalty for products in violation of food standards varies depending on whether the product is domestically produced or imported. A domestic producer in Chile is fined a relatively small amount for any transgression and is allowed to continue to produce. By contrast, any imports of a product found to be in violation of a food standard are immediately halted. For example, imports of a U.S. potato product into Chile were temporarily halted, despite the fact that the tests used to enforce the food standard (in this case, fat content) were flawed.[53] All cheese exports to Argentina are tested upon arrival, with samples required of all products. This discourages the import of bulk products, such as cheese wheels, which are required to have samples taken before being put up for retail sale.[54] At the same time, similar domestic products are tested at the plant level.

Product Labeling and Traceability

Labeling is emerging as a significant issue for exporters of processed food products, particularly for exports into the EU. Labeling requirements can take many forms, some of which do not necessarily constitute non-tariff barriers. For instance, complaints have been made regarding issues such as requirements for labeling products in a country's native language, different formats for the shelf-life date on the package, and variations in a country's nutrition or product labels. While meeting such requirements can be costly because of the need to design country-specific labels or stickers (particularly for markets where traded volumes are small), these requirements are generally applied equally to both domestic producers and importers and are usually (though not always) not more trade-restrictive than necessary.

Currently, one of the most contentious issues concerns the mandatory labeling of products derived from genetically-modified (GMO) crops, such as corn and soybeans, despite the current lack of strong science-based evidence that such products are harmful or substantially different than GMO-free products. A number of important export markets, including Australia, Brazil, Chile, the EU, Indonesia, Japan, Korea, Mexico, Saudi Arabia, and Taiwan, have regulations in place or pending that require the labeling of products derived from biotechnology.[55] In almost every case, the labeling that has been legislated is a "positive" labeling scheme, meaning that the product must positively identify the presence of GMOs (i.e., a statement along the lines of "produced from genetically modified corn"), rather than identifying products as GMO-free. The threshold allowed for an accidental contamination of processed products with GMO material varies by market. In addition to

[52] USITC staff interview with European importer, May 15, 2001.

[53] USITC staff interviews with Chilean importers and industry representatives, June 4-5, 2001.

[54] USITC staff interview with Argentine importer, June 8, 2001.

[55] This section derives from staff meetings and correspondence with U.S. industry association, Apr. 19, 2001.

mandatory GMO labeling of GMO-derived products, Saudi Arabia requires that importers sign a pledge acknowledging the possible health risks associated with the products.[56]

A number of industry groups have commented upon GMO labeling and the impact it has on the processed food industry. A U.S. group alleges that the mandatory GMO labeling regime of the EU is unnecessary and violates the WTO TBT agreement.[57] An EU group countered that demands for GMO labeling have largely been driven by consumers and retailers, with retailers not wishing to place GMO products on grocery shelves for fear of public reprisals.[58] The trade impact of GMO labeling requirements varies by market, but the effects have been most apparent in the EU. A number of U.S. groups, operating in both the United States and the EU, noted that GMO labeling requirements in the EU have led many U.S. manufacturers to reformulate their products, move production facilities to the EU, or cease trade with the EU altogether.[59] GMO issues have not had as much impact in Latin America, though the issue has begun to be raised in Brazil, Chile, and Argentina.[60] Representatives of the soybean industry remarked that if labeling is to be required for GMO products, there will need to be greater harmonization of GMO labeling schemes and thresholds to help facilitate trade in value-added products.[61]

An issue related to product labeling is traceability, which refers to documenting the origin of all ingredients that went into the production of a processed product, the production process used, or both.[62] Traceability is supposed to give consumers an informed choice about the products they consume,[63] and has been driven by consumer concerns over food safety, animal welfare, and the environment, stemming in part from past issues in the EU such as BSE and dioxin as well as current issues such as GMOs. There has been movement by retailers towards integrated, managed supply chains as a means to ensure traceability and trust in the final product. Both supermarkets and food service providers are under increasing pressure to ensure the quality of their products and, more importantly, to protect their brand and image. Given the trend towards the sale of more prepared foods in supermarkets, there is more pressure on retailers to have full traceability of their products in case of health scares.[64] Many of the standards that are being developed on traceability will thus be retailer-driven.[65]

The EU has adopted programs to ensure the traceability of many processed food products through product labels, such as the Kontrollierte Alternative Tierhaltungsformen (KAT) system on eggs (see chapter 7 for a more detailed discussion), that gives consumers detailed

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[56] Office of the United States Trade Representative (USTR), *2001 National Trade Estimate Report on Foreign Trade Barriers* (Washington, DC: USTR, 2001), p. 149.

[57] John S. Eldred and Mark Mansour, Keller and Heckman LLP, written submission to the Commission, Feb. 16, 2001.

[58] USITC staff interview with European industry association, May 16, 2001.

[59] Peggy Rochette, NFPA, written submission to the Commission, Feb. 16, 2001 and USITC staff interviews with European industry representatives, May 23, 2001.

[60] USITC staff interview with Argentine industry representative, June 7, 2001.

[61] M. Ann Tutwiler, Director of Government Relations, Central Soya, written submission to the Commission, Feb. 15, 2001.

[62] USITC staff interview with European industry representative, May 15, 2001.

[63] USITC staff interviews with European industry representatives, May 14, 2001 and May 16, 2001.

[64] USITC staff interview with U.S. academic, Apr. 13, 2001.

[65] USITC staff interview with European industry association, May 16, 2001.

information on the origin and production process used for each egg. Standardized rules for traceability programs have not been completely formulated, however.[66] The main potential trade impact of traceability is that the channels of distribution needed to ensure full traceability of products are not in place in the United States (and in other markets, particularly in developing countries), which could potentially compromise trade between these markets and the EU. A number of EU and Hungarian importers noted that full traceability is not possible and should be the concern of the food manufacturer, not the retailer or the government.[67] However, there are government-led proposals to implement traceability programs on an EU-wide basis.[68]

A number of other labeling issues have been expressed as concerns by the processed food and beverage industry. Some countries have objected to the names given to certain products because they promote health claims.[69] It has been proposed in Australia that the percentage of the main, or "characterizing," ingredient must be placed on the label, despite the fact that this can be difficult for complex products.[70] In the EU, a quantitative declaration of ingredients (or QUID) is required for certain products, such as the identification of the main ingredient (or ingredients) in the name of the product.[71] In some cases, revealing the percentage of the ingredients used in the product on the food label is viewed as proprietary information.[72] Some markets do not allow the use of generic wording on labels (such as "spices") and require a product listing of all components; this too is sometimes viewed as proprietary information by producers.[73] In a couple of markets, notably Korea and India, the industry has alleged that imported products are required to have the CIF price prominently displayed on the retail package, which reduces the flexibility of retailers to market imports in these markets.[74]

Food Standards

The lack of harmonization of global food standards, particularly related to issues involving fortification, food additives, and shelf-life requirements, has created difficulties for many exporters of processed foods and beverages. As with labeling, food standards are not *per se* non-tariff barriers if they are uniformly applied and based on scientific principles. However, in many cases, the justification for banning certain additives is based more on political

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[66] Ibid.

[67] USITC staff interviews with European and Hungarian importers, May 17, 2001 and May 22, 2001.

[68] USITC staff interview with U.S. Government officials, May 21, 2001.

[69] USITC staff interview with Australian industry representative, Mar. 20, 2001.

[70] USITC staff interview with Australian importer, Mar. 23, 2001.

[71] USDA, Foreign Agricultural Service (FAS), *European Union: Food and Agricultural Import Regulations and Standards*, Brussels, GAIN Report No. E20145, Jan. 2001, pp. 6-7.

[72] USITC staff interview with European importer, May 25, 2001.

[73] USITC staff interview with Chilean importer, June 4, 2001.

[74] USITC staff interview with Australian industry representative, Mar. 19, 2001; Washington State Department of Agriculture, International Marketing Program, *Exporting Washington State Agricultural Products and Processed Foods: Foreign Trade Barriers*, June 1999; and Timothy McCrane, *Processed Foods: Trade and Investment Barriers to Australian Exporters in Key Markets*, Working Paper, Competitiveness Section, Department of Industry, Science, and Tourism, July 1998.

concerns, cultural attitudes, and/or an antiquated regulatory infrastructure than on scientifically justified reasons.[75]

One of the biggest differences between the United States and most of its major trading partners concerns the treatment of food additives. The United States operates on a Generally Recognized as Safe (GRAS) system. By contrast, other markets adopt what is known as a positive list for food additives, which specifies the additives that can be used in certain applications. Using a new additive that is not on the positive list, or using an approved additive for a function different than what it was originally approved for, requires approval on a case-by-case basis. In some markets, this can take over a year. In the EU, one must provide a technical justification for the use of a new additive, with the stipulation that if there is already an additive in use that has the same function as the one for which approval is sought, the new additive cannot be approved.[76]

Restrictions also exist on the level of vitamin and mineral fortification that can be added to processed foods and beverages. Canada, Hungary, Norway, and Chile have strict fortification regulations that prevent the import of products such as breakfast cereals and fruit juices containing calcium. Fortification levels in the EU are set at a Member State level, resulting in divergent standards. Companies are thus forced to either reformulate their products or go through a lengthy approval process. According to the U.S. industry, these types of food standards are a result of regulatory systems in many countries that lack the scientific testing infrastructure that exists in the United States and do not have the expertise to systematically approve new products.[77]

Another issue that affects trade in processed foods and beverages is shelf-life requirements. Many countries require that manufacturers provide an expiration date or a date that describes when the optimal use for a product has ended.[78] This information is often voluntary and generally is determined by the manufacturer. However, a number of Middle Eastern countries have imposed rigid, product-specific shelf-life requirements. In the case of Saudi Arabia, 50 percent of the shelf-life must be remaining on the product upon entry into the country. This discourages imports of a number of products, notably canned fruits and vegetables, that are processed in season and exported from existing inventories.[79] As a result of these standards, canned fruits and vegetables cannot be exported year-round. Moreover, these standards are in place regardless of the packaging technology employed that may give a product a longer shelf-life than those listed in the shelf-life standards of these countries.[80]

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[75] USITC staff interview with U.S. industry association, June 12, 2001.
[76] USITC staff interview with U.S. industry association, June 12, 2001.
[77] USITC staff interview with U.S. industry association, June 12, 2001.
[78] Peggy Rochette, NFPA, written submission to the Commission, June 6, 2001.
[79] Peggy Rochette, NFPA, written submission to the Commission, June 6, 2001.
[80] USITC staff interview with U.S. industry association, June 12, 2001.

Intellectual Property Rights and Parallel Imports

There have been problems reported by the U.S. industry in several Asian markets with respect to parallel and counterfeited imports. Parallel imports are products that are purchased by unauthorized distributors, who then import the product, often outside of official channels. In some cases, this results in unauthorized imports competing directly with legitimate imports, with the unauthorized import priced at a significant discount. One U.S. company based in Australia noted this was a problem with their exports of breakfast cereal to Southeast Asia.[81] A pet food manufacturer also indicated that this is an issue in Asia.[82] In order to counter parallel imports, Hungary imposes strict controls on imports of branded products. Imports of branded products must be accompanied by certification of the brand owner's approval, which can be difficult and time-consuming.[83] In a similar vein, problems have also been reported on the counterfeiting of branded products. Industry groups have mentioned that counterfeited products can pose legitimate safety issues and can compromise the reputation of a brand in a market.[84]

Customs Procedures

Problems with Customs have been encountered in a number of markets. In some cases, there are significant delays in clearing products through Customs that particularly disadvantage perishable products. Customs procedures in Korea, while improving, have been cited as particularly difficult and not always transparent.[85]

Tariff Escalation: Concepts and Issues

Introduction

The concept of tariff escalation is discussed prominently when dealing with trade in processed foods, though it is not an issue that has been empirically addressed in detail. Tariff escalation is fundamentally a simple concept--low tariffs are placed on raw materials, with the level of tariff "escalating" as the level of processing increases. The motivation for tariff escalation is to protect the local processing industry and keep value-added in the domestic market.

Studies on tariff escalation normally look at "nominal" tariff escalation, comparing the tariffs on raw materials versus those on processed products. For example, Lindland (1997)[86] compared the gap, or tariff wedge, between input tariffs and output tariffs for 377 commodity pairs in the EU, the United States, and Japan. He found evidence of tariff escalation (or a

[81] USITC staff interview with Australian industry representative, Mar. 20, 2001.
[82] USITC staff correspondence from U.S. industry representative, received Apr. 5, 2001.
[83] USITC staff interview with Hungarian importer, May 17, 2001.
[84] Sarah Fogarty, GMA, testimony before the USITC, transcript, p. 81.
[85] McCrane, *Processed Foods*, July 1998.
[86] Jostein Lindland, "The Impact of the Uruguay Round on Tariff Escalation in Agricultural Products," ESCP No. 3, (FAO: Rome, 1997).

positive tariff wedge) for more than one-half of the commodity pairs, while over one-third of the pairs exhibited tariff de-escalation. Gibson et al. (2001)[87] compared average tariff rates for seven industry groups across 13 regions[88] and found that tariff escalation was most prevalent in the tariff schedules of Eastern Europe and the Middle East, followed by North America, South Asia, and the EU. OECD (1997)[89] examined trends of tariff escalation for the Quad countries and found that post-Uruguay Round levels of tariff escalation had declined, though the pattern still existed in a number of product groups, such as coffee, cocoa, oilseeds, vegetables, fruits, and nuts.

These studies, however, failed to take into account the level of protection on raw materials that is passed through to the processed product. For instance, even though tariff de-escalation may exist (i.e., where tariffs are higher on the input than on the finished product), there may still be significant protection given to the final product. Effective rates of protection (ERPs), are one way to address this constraint, as they measure the impact of tariff structures on domestic value-added compared to value-added in the absence of tariffs.[90] In other words, given a country's input tariffs for a particular processed product, an ERP quantifies the effective protection from the nominal tariff afforded on the processed product. An advantage of using ERPs is the ability to take into account the tariff protection on products derived from multiple inputs or, conversely, on multiple products derived from one input. However, data limitations generally preclude the widespread calculation of ERPs, and thus most analyses use nominal tariff wedges (or the gap between input and output tariffs) to show the existence of tariff escalation.[91]

Methodological Issues

While the concept of tariff escalation may be simple, the practice of assessing the prevalence of tariff escalation is much more difficult. First, it requires the identification of an appropriate "chain" of processing. In some cases this is straightforward, though composite goods that are derived from a number of agricultural goods complicate the calculation. Moreover, even in products derived from a common raw ingredient (e.g., dairy products produced from raw

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[87] Paul Gibson, John Wainio, David Whitley, and Mary Bohman, *Profiles of Tariffs in Global Agricultural Products*, Agricultural Economic Report (AER) No. 796 (Washington, DC: USDA-ERS, Jan. 2001).

[88] The seven industries are (1) grains and grain products, (2) oil seed and vegetable oils, (3) live animals and processed meats, (4) fresh fruits and juices, (5) fresh vegetables and processed juices and preparations, (6) sugar beets, cane and sweeteners, and (7) tobacco. Regions are (1) North American, (2) Central America, (3) the Caribbean Islands, (4) South America, (5) EU-15, (6) Other Western Europe, (7) Eastern Europe, (8) Middle East, (9) North Africa, (10) sub-Saharan Africa, (11) Southern Africa, (12) Asia-Pacific, (12) South Asia, and (13) All Regions.

[89] Organization for Economic Cooperation and Development (OECD), *The Uruguay Round Agreement on Agriculture and Processed Agricultural Products* (Paris: OECD, 1997).

[90] Jostein Lindland, "The Impact of the Uruguay Round on Tariff Escalation in Agricultural Products," ESCP No. 3, (FAO: Rome, 1997).

[91] This conclusion was reached by Lindland (1997) as well. His study acknowledged the superiority of using ERPs to measure tariff escalation, but data limitations precluded him from calculating all but a handful of ERPs. In chapter 9, an ERP is calculated for cookies that shows positive effective protection for cookies in the EU but negative effective protection in Japan and the United States.

milk), further processing will often generate co-products (e.g., cheese and whey) which may have markedly different tariffs. Other measurement problems are specific to certain sub-sectors. A difficulty common in dairy products is the grouping of bulk and processed products (e.g., cheese) in the same tariff line, making it impossible to assess any additional protection arising from increased value-added. In fruits and vegetables, fresh products that are sold for retail sale are distinct from those that go into processing, despite being classified under the same tariff line. A final consideration is the issue of whether higher tariffs are biased towards products with higher processing or higher value. In many sectors, particularly fruits and vegetables and dairy products, the higher value product is not always the one that is processed. Dairy farmers, for instance, receive higher prices for milk used for milk consumption than for processing.

An additional issue concerns the level of aggregation desired to assess the prevalence of tariff escalation. Some studies group sectors into broad commodity groups such as dairy products, sugar, and vegetables.[92] However, this fails to highlight many of the important sub-sectoral tariff issues that exist within certain sectors. A more micro-level approach can elucidate the important differences in tariff patterns within a sector. However, this approach requires careful analysis of products and tariff lines in different countries. Past studies have not been particularly circumspect in their choice of processing chains, often identifying ones that may not be valid.[93] In developed countries in particular, it can be difficult to determine the "correct" tariff line, given that many tariff lines may exist for a given processed product, based on different characteristics of the product (e.g., varying sugar or dairy levels), seasonality (e.g., different tariff rates depending on the time of year the product is imported), or the presence of TRQs. Moreover, this level of disaggregation is generally not harmonized across countries. There is also a lack of data on value-added products needed to convert complex tariffs into ad valorem equivalents. Unlike bulk commodities, a "world price" for processed food products does not exist, which necessitates the use of proxy prices, such as export or import unit values. This can prove difficult, particularly for products that are not heavily traded on world markets because of high tariff barriers.

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[92] Paul Gibson, John Wainio, David Whitley, and Mary Bohman, *Profiles of Tariffs in Global Agricultural Products*, AER No. 796 (Washington, DC: USDA-ERS, Jan. 2001).

[93] OECD, *The Uruguay Round Agreement on Agriculture and Processed Agricultural Products* (Paris: OECD, 1997). This study, as well as Lindland (1997), included processed chains that did not always appropriately characterize the industry, such as grouping ordinary wheat flour with pasta (pasta is derived from semolina) and grouping "other wheat" with semolina (semolina is derived from durum wheat, which has a separate tariff line).

Empirical Approaches on the Effects of Trade Barriers on Processed Foods and Beverages

Despite the wealth of trade issues faced by the U.S. processed food and beverage industries, there has been little in the way of empirical economic research that has been conducted on these products. A major reason for this is a lack of data, particularly on prices and production levels, for many of these industries. While USDA and other foreign government agencies regularly collect detailed information on bulk agricultural commodities, the same is not always the case for processed products. The U.S. Census Bureau, for instance, reports annual data only on the value of product shipments, capacity, and employment for a number of processed food and beverage categories. Information on prices, however, is typically limited to price indexes published by the Bureau of Labor Statistics. Since processed products are typically more differentiated than bulk agricultural products, prices for a processed product will depend on non-market factors such as branding and thus, for a given category of processed products, could vary widely. Furthermore, detailed data that exist for many processed products are often considered proprietary by individual companies.

Nonetheless, attempts have been made in the economics literature to study many of the trade issues that affect processed foods and beverages. A sample and summary of some of these studies are presented in table 2-3. A detailed synopsis of these papers is presented in appendix E. The studies summarized in table 2-3 mainly examine the effects of trade liberalization, in the form of reducing or removing tariffs, on a discrete processed product or a large, aggregated group of products. The empirical effects of non-tariff measures on processed food products has not been studied in-depth; Haveman and Thursby (2000), however, do attempt to quantify these effects. The studies cited find wide-ranging effects resulting from trade liberalization. An issue that has not been dealt with in the literature concerns quantitative estimates of the relationship between trade barriers and investment decisions for processed food and beverage products. As pointed out in the literature cited in chapter 15, the relationship between exports and foreign investment is ambiguous. In some cases, food companies will simultaneously export and invest in foreign markets, while in other cases, exports are eventually supplanted by direct investment. In the face of greater trade liberalization, it is unclear how these relationships could evolve.

Table 2-3
Highlights of analytical results from selected literature on processed foods and beverages

Author(s)	Sector(s)	Countries	Type of model	Policy simulation(s)	Major results
Lanclos, Hertel, and Devadoss (1996)	Processed foods (33 sub-sectors in SIC 20)	United States	Partial equilibrium (assuming monopolistic competition and Cournot oligopoly)	Elimination of tariffs on agricultural food inputs and processed foods	Positive effects from removal of input tariffs generally outweigh negative effects from removal of output tariffs
ABARE (2001)	Dairy products (milk powder, butter, cheese)	United States, EU, Japan, Australia, New Zealand, Argentina, plus world effects	Partial equilibrium (OECD Aglink model)	1. 50 percent reduction in tariffs and doubling of quotas (1999 data)	1. Increases in imports of dairy products by EU, Japan, and the United States; domestic prices in those markets fall by less than 5 percent. World prices and trade increase.
				2. 50 percent reduction in export subsidies used by the EU and United States (1999 data)	2. Reduction in U.S. and EU exports, but partially offset by higher world prices.
Hartman, Sheldon, and Tweeten (1999)	Tomato paste, orange juice concentrate	United States, Brazil, Argentina (tomato paste only), Chile (tomato paste only)	Partial equilibrium (competitive model and agglomeration model)	Elimination of U.S. tariffs	Tomato paste: Size of the industry in Latin America falls relative to the United States under free trade in the agglomeration model; competitive model shows large increase in U.S. imports, small declines in U.S. production and prices.

Table 2-3—*Continued*
Highlights of analytical results from selected literature on processed foods and beverages

Author(s)	Sector(s)	Countries	Type of model	Policy simulation(s)	Major results
Hartman, Sheldon, and Tweeten (1999)—Continued					Orange juice: Size of the industry in Brazil falls relative to the United States under free trade in the agglomeration model; competitive model shows large increase in U.S. imports and decline in U.S. production.
Haveman and Thursby (2000)	Processed foods (defined for 774 6-digit HS codes in 20 SIC groups)	Numerous: 34 importing countries, 67 exporting countries	Econometric	Measures effects of tariffs and NTBs on bilateral trade flows	Trade barriers shown to reduce and divert trade. Mixed effects from NTBs; many results not statistically significant
Rae and Josling (2000)	Processed foods and the subgroup "other processed foods" (as defined in GTAP model)	Numerous developed and developing countries	General equilibrium (GTAP)	Elimination of all agricultural tariffs via the cocktail method	Reduction in effective rates of protection for other processed foods. Increased production and net exports in developing countries. Global welfare increases.
Tsigas (2001)	Processed foods	Numerous	General equilibrium (GTAP)	Simulation 1: 30 percent reduction in all agricultural tariffs (including processed foods);	Reductions in agricultural tariffs increase U.S. exports of farm commodities and processed foods in all three simulations; effects greater as tariff escalation is reduced.

Table 2-3—*Continued*
Highlights of analytical results from selected literature on processed foods and beverages

Author(s)	Sector(s)	Countries	Type of model	Policy simulation(s)	Major results
Tsigas (2001)—Continued				Simulation 2: Simulation 1 plus a 30 percent reduction in tariff escalation between farm commodities and processed foods; Simulation 3: Simulation 1 plus an elimination of tariff escalation.	
USITC (2001)	Pet food, wine	United States (pet food and wine); Brazil, Argentina (pet food); United Kingdom (wine)	Partial equilibrium (COMPAS)	Pet food: Elimination of 17 percent tariff in Brazil, Argentina, and both countries combined Wine: Elimination of EU tariff on wine	Pet food: Over 30 percent increase in U.S. pet food exports to Brazil, Argentina, and both countries combined. Wine: U.S. exports increase by 4 percent to the United Kingdom.

Source: Compiled from information in appendix E.

CHAPTER 3
Dairy Products

Introduction

Major processed dairy products covered in this section are cheese (0406.10, 0406.20, 0406.30, 0406.40, 0406.90),[1] dry whey, milk proteins and sugars (0404.10, 0404.90, 1702.11, 1702.19, 3501.10, 3501.90, 3502.20, 3502.90), infant formula (1901.10), and ice cream (2105.00).[2] The U.S. dairy sector generated over $20 billion in cash farm receipts in 2000, accounting for 11 percent of all cash receipts from farming (excluding government payments).[3] U.S. shipments of dairy products amount to about $75 billion annually.[4] About one-third of milk produced is consumed in a fluid form, while the remaining two-thirds is used in the manufacture of processed dairy products. Close to 40 percent of U.S. milk production is used in cheesemaking, 15 percent in butter, and 10 percent in ice cream.[5] Employment in the U.S. dairy industry has been declining steadily in recent years and was about 600,000 in 2000. The industry is highly efficient by international standards in the production of raw milk and several processed dairy products.[6]

Overall, U.S. trade in dairy products is relatively small in comparison to the size of the domestic market, with the total value of U.S. dairy exports representing slightly over 1 percent of the value of U.S. dairy shipments in 2000. U.S. imports, valued at $1.4 billion in 2000, represented about 2 percent of domestic consumption.[7] In addition to being relatively insignificant compared with the U.S. domestic market, U.S. exports of bulk dairy products accounted for a very small share of world trade.[8]

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[1] The numbers in brackets refer to 6-digit subheadings of the Harmonized Tariff Schedule (HTS).

[2] Other dairy products commonly traded internationally, such as nonfat dry milk (NDM), whole milk powder (WMP), and butter, while included in the study, are not major products in the context of this study because the United States is not internationally competitive in these products without government assistance.

[3] USDA, ERS, *Agricultural Outlook*, AO-282, May, 2001, table 33.

[4] Janet Nuzum, IDFA, testimony before the USITC, May 22, 2001.

[5] IDFA, *Milk Facts: 2000 Edition*, Washington, DC, Nov. 2000.

[6] National Milk Producers Federation and U.S. Dairy Export Council, comments submitted to the Office of the U.S. Trade Representative for preparation of the National Trade Estimate Report on Foreign Trade Barriers, Nov. 28, 2000.

[7] For a detailed discussion of the major reasons why U.S. trade in dairy products is small compared to domestic sales, see USITC, *Industry & Trade Summary*: *Dairy Products*, USITC Publication 3080, Jan. 1998.

[8] Although U.S. exports are small relative to domestic consumption and represent a small share of world markets, international trade is extremely important to the U.S. dairy industry, according to industry representatives. They note that the domestic market is mature compared with developing and newly industrialized countries that are increasingly demanding higher-

(continued...)

U.S. exports of dairy products reached almost $890 million in 2000, up 38 percent from the level in 1996 (table 3-1). Since 1996, cheese exports have grown by about one-third and reached $138 million in 2000. Much of this growth was accounted for by the more than doubling of exports to NAFTA countries, which received over 43 percent of total U.S. cheese exports in 2000. Japan remains an important market for U.S. cheese in spite of the sharp drop in exports between 1999 and 2000. Several markets with the potential for expanded exports are available to U.S. exporters of cheese. In particular, Korea and the EU have large populations and high per-capita incomes and are major consumers of dairy products. These markets would likely be major purchasers of U.S. cheese if trade barriers were removed. Several smaller markets exist for U.S. cheese exports, including Brazil and Chile.

U.S. exports of dry whey, milk proteins, and milk sugars increased by more than $100 million between 1996 and 2000, and currently account for one-third of total dairy exports. The major markets are Mexico, Canada, and Japan, which make up more than one-half of the trade. Potential markets for U.S. whey exports include the EU and China. Exports to China increased from $3.6 million in 1996 to $12.4 million in 2000 and this growth is expected to continue in the future. As with cheese, the EU holds significant potential if trade barriers were removed. U.S. exports of infant formula increased by more than one-third between 1996 and 2000, in spite of sharp reductions in sales to Taiwan and Hong Kong, traditionally important markets for the United States. Increased infant formula exports to Canada made up for these losses, while Mexico and China, two key potential markets, also increased their purchases of U.S. product. U.S. exports of ice cream remained fairly stable during 1996-2000, ranging between $87 million and $94 million. Japan, Mexico, and Canada, the top three markets, accounted for 56 percent of sales in 2000. Potential markets include Taiwan and China, both of which increased their purchases of U.S. ice cream considerably during 1996-2000. Finally, exports of other dairy products increased by more than 52 percent during 1996-2000. Major markets include Mexico, Russia, and the Philippines, with sales consisting mostly of subsidized milk powders and butter.

Policy Environment in Selected Markets

With a few notable exceptions, production and consumption in the world's major dairy markets are characterized by high levels of government intervention. All the Quad countries (i.e., the United States, Canada, EU, and Japan) provide government assistance to their dairy producers in the form of price and income support achieved through several mechanisms, including government purchases and stockpiling, consumption subsidies, import restrictions (including tariffs, TRQs, and non-tariff barriers), and assistance to exports. As a result, production of milk and processed dairy products in many countries is not influenced by international price signals. While these policies are implemented to achieve multiple goals such as income support to farmers and processors, food self-sufficiency, and rural development, they have a significant impact on international trade and pricing. The

[8] (...continued)
valued products which the United States can produce and market efficiently. Janet Nuzum, IDFA, testimony before the USITC, May 22, 2001.

Table 3-1
Dairy products: U.S. exports to principal markets and to markets with the potential for expanded U.S. exports, 1996-2000

Items	1996	1997	1998	1999	2000	Change, 2000 over 1996
	1,000 dollars					Percent
Cheese:[1]						
Canada	15,943	18,088	18,145	22,842	31,717	99
Mexico	13,310	15,013	17,316	15,192	28,979	118
Japan	18,722	20,048	22,258	32,136	20,222	8
Korea[2]	14,383	16,032	4,193	5,954	8,980	-38
EU[2]	4,676	7,642	5,427	3,546	6,347	36
All other	37,775	46,510	49,643	50,404	42,192	12
Total	104,809	123,333	116,982	130,074	138,437	32
Dry whey, milk protein and milk sugars:[3]						
Mexico	35,634	39,831	40,891	35,350	61,724	73
Canada	37,611	32,442	36,966	45,477	53,047	41
Japan	46,811	55,005	49,645	42,112	51,459	10
EU[2]	12,298	9,395	12,032	12,023	13,436	9
China[2]	3,609	7,435	11,406	11,725	12,376	243
All other	62,217	63,615	56,137	72,194	106,748	72
Total	198,180	207,723	207,077	218,881	298,790	51
Infant formula:[4]						
Canada	19,496	20,961	28,672	45,181	55,891	187
Taiwan	30,385	49,983	41,168	23,279	20,456	-33
Hong Kong	20,172	25,002	22,080	21,359	8,096	-60
Mexico[2]	0	1,484	581	2,573	3,570	([5])
China[2]	1,389	3,473	2,932	2,533	4,476	222
All other	20,815	42,603	30,966	34,504	32,991	58
Total	92,257	143,506	126,399	129,429	125,480	36
Ice cream:[6]						
Japan	35,199	31,311	34,688	33,305	33,072	-6
Mexico	8,340	10,876	11,197	10,303	10,746	29
Canada	4,015	5,368	7,388	8,298	8,193	104
Taiwan[2]	1,713	2,321	1,934	2,421	3,569	108
China[2]	345	231	411	990	1,141	231
All other	44,185	39,564	31,507	33,561	34,562	-22
Total	93,797	89,671	87,125	88,878	91,283	-3
All other dairy products:[7]						
Mexico	45,104	92,981	99,199	102,979	72,275	60
Russia	12,282	8,494	3,828	4,642	39,792	224
Philippines	4,985	11,734	7,647	7,753	9,741	95
Egypt[2]	4,503	8,463	10,154	14,290	5,071	13
China[2]	113	1,611	192	1,963	2,605	2,205
All other	87,649	136,151	127,118	89,683	106,175	21
Total	154,636	259,434	248,138	221,310	235,659	52
Grand total	643,679	823,667	784,721	787,911	889,649	38

[1] Includes HS numbers 040610, 040620, 040630,040640, and 040690.
[2] Denotes a potential market.
[3] Includes HS numbers 040410, 040490, 170211, 170219, 350110, 350190, 350220, and 350290.
[4] Includes HS number 190110.
[5] Not applicable.
[6] Includes HS number 210500.
[7] Includes HS numbers 040110, 040120, 040130, 040210, 040221, 040229, 040291, 040299, 040310, 040390, 040500, 040510, 040520, and 040590.

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

maintenance of artificially high prices for milk and dairy products encourages increased supply while reducing domestic demand. As a result, many countries with no competitive advantage in dairy products are now self-sufficient in dairy or have developed surpluses that must be disposed of through government subsidies. Owing to budgetary implications, many governments have responded to surplus production by introducing volume controls or quotas on milk production or deliveries.

In the EU, government intervention through the Common Agricultural Policy (CAP) has led to its dominance of world dairy markets. Support for dairy farmer incomes is provided by establishing an EU target price for milk above international prices, which is achieved through government purchases of butter and nonfat dry milk (NDM), import restrictions, and export refunds.[9] With internal EU prices significantly above world prices, tariffs and TRQs protect domestic producers from imports, while export refunds are needed to dispose of surplus production on world markets. There is also aid for private sector storage of these commodities, as well as subsidies on skim milk used to manufacture casein and caseinates. Since 1984, the EU has operated a supply management scheme in the form of dairy quotas which are allocated to individual countries. This policy has been highly effective in slowing production growth and the expiration of quotas in 2008 could have a highly destabilizing effect on world dairy markets.[10] Manufacturers of dairy products in the EU can receive duty-free access to imported agricultural ingredients under the system of Inward Processing Relief (IPR), provided the final product is exported.[11] EU processors using the scheme do not qualify for export refunds. In practice, IPR is not often used by dairy processors owing to burdensome bureaucratic requirements.[12]

The U.S. dairy sector is also characterized by heavy government intervention.[13] U.S. dairy policies center on four major areas: federal marketing orders, federal price supports, dairy compacts,[14] and international trade policy. Federal milk marketing orders (FMMOs) provide a minimum price for about 75 percent of the U.S. milk supply.[15] Federal price supports through government purchases of cheese, butter, and NDM were scheduled to have been eliminated by the end of 1999 under the 1996 Farm Act. However, supports have been extended in response to low producer returns in the late 1990s. U.S. trade measures restrict imports mainly through the imposition of TRQs, which replaced section 22 quotas when the Uruguay Round Agreement on Agriculture (URAA) came into force. TRQs apply to fluid milk as well as processed and high value-added products. High over-quota tariff rates restrict imports within quota levels, except under exceptional market conditions. Some surplus dairy

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[9] CAP Monitor, "Dairy," ch. in *An Agra Europe information service on the Common Agricultural Policy of the European Union*, Aug. 11, 2000, p. 7-7.

[10] USITC staff interview with European industry association, May 21, 2001.

[11] USDA, FAS, *Dairy and Products: EU Dairy Report 2001*, Brussels, GAIN Report No. E21042, Mar. 30, 2001.

[12] USITC staff interview with U.S. industry association, May 23, 2001.

[13] USDA, ERS, *Dairy: Background for 1995 Farm Legislation*, AER No. 705 (Washington, DC: USDA-ERS, Apr. 1995).

[14] A dairy compact is an agreement among States to regulate the price of milk used for fluid purposes. A compact allows members to establish minimum prices for fluid milk above the minimum federal order level.

[15] FMMOs are highly complex and have undergone significant reform under the 1996 Farm Bill. For more information on FMMOs, see USDA, ERS, *Milk Pricing in the United States*, Agriculture Information Bulletin No. 761, Feb. 2001.

products are exported with export subsidies as scheduled under the URAA. With the phased reduction in subsidy allocations under the URAA, only U.S. exports of NDM are significantly influenced by government intervention.[16]

In Canada, milk production is controlled by a national supply management system, with a national quota established each year.[17] Supply restrictions mean that the cost of dairy programs in Canada is borne mostly by the consumer through higher prices.[18] Canada imposes TRQs on most of its dairy imports. Over-quota tariffs, some as high as 300 percent ad valorem, effectively prohibit imports beyond the quota levels. Canada also employs export subsidies to remove surplus product from the domestic market. However, a trade dispute between Canada and the United States is continuing over Canada's system of milk pricing, which, according to the U.S. industry, allows Canada to subsidize exports of dairy products above commitments agreed to in the URAA.[19] This subsidy allegedly occurs when receipts from milk, sold to processors at a low price that allows them to be competitive on international markets, are pooled with receipts from domestic sales (at a high price) and returned to producers in the form of a pooled average price from domestic and export sales.

Japanese milk production is controlled through an informal production quota arrangement administered by industry producer organizations.[20] In return for production controls, the government guarantees prices for a fixed quantity of milk used for manufacturing through a system of standard transaction prices and deficiency payments.[21] Market prices are controlled through purchases and releases of domestically produced and imported commodities through the government intervention agency, LIPC. Japanese imports of dairy products are restricted by TRQs, although high in-quota tariffs have kept imports significantly below the quota levels.[22] In Mexico, milk and dairy products are not supported through price or income support. However, domestic prices are maintained above world levels through import barriers, including TRQs for some products.[23] Also, the Government

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[16] W.D. Dobson, *Canada's Class 5 Pricing System, the EU's Dairy Export Restitution Program, and the U.S.'s DEIP—An Update on Impacts on Dairy Export Subsidy Programs*, Babcock Institute Discussion Paper No. 99-1, The Babcock Institute, University of Wisconsin, 1999.

[17] Agriculture and Agri-Food Canada, Market and Industry Services Branch, *All about Canada's dairy industry at a glance,* Sept. 2000, found at *http://www.agr.ca/cb/factsheets/2dairy_e.html*, retrieved June 5, 2001.

[18] USDA, ERS, "Dairy Policies Are Limiting U.S.-Canada Trade," *Agricultural Outlook*, AO-237, Jan.-Feb. 1997.

[19] Janet Nuzum, IDFA, testimony before the USITC, May 22, 2001.

[20] International Dairy Federation, *The Global Dairy Industry Today*, Bulletin of the International Dairy Federation 361/2001, Nov. 2000 and USDA, ERS, "Japan's Changing Agricultural Policies," *Agricultural Outlook*, AO-281, Apr. 2001.

[21] International Policy Council on Agriculture, Food, and Trade, *Dairy Policy in the Post-Uruguay Round Era*, Position Paper No. 2, Aug. 1996.

[22] Australia-Japan Research Centre, Asia Pacific School of Economics and Management (AJAC, APSFM), *Issues, Options and Strategies for Improving Japanese Agricultural Trade Policies*, (Canberra: RIRDC, Aug. 2000).

[23] While tariffs are generally high for cheese, higher tariffs appear to be on products that are not produced in large volumes domestically. For example, higher tariffs exist on gouda/edam, while lower tariffs are placed on cheddar. USITC staff interview with Australian industry association, Mar. 22, 2001.

of Mexico bolsters domestic consumption by providing subsidized milk powder as part of the country's income safety net program.[24]

Not all major dairy producing countries support their dairy industries through government intervention. Since the agricultural reforms of 1984, support for the New Zealand dairy industry has been almost non-existent.[25] Deregulation of the dairy sector in Australia (including the removal of a guaranteed producer price) in July 2000 removed many of the support mechanisms for dairy producers in that country.[26] These reforms, in addition to low production costs, have made New Zealand and Australia among the world's leading dairy exporting countries with their share of world dairy markets increasing, largely at the expense of the EU.[27]

Tariff Barriers

As mentioned above, countries which maintain domestic dairy prices above international levels have significant tariff barriers, including TRQs. In the United States, the EU, Canada, Japan, and Mexico, imports of major bulk dairy products (i.e., cheese, butter, and milk powders) are subject to tariff-rate quotas,[28] with the over-quota tariff rates generally extremely high. In some countries, dairy products are also subject to special agricultural safeguards, which allow for even higher tariffs during periods of low international prices. Even in countries that do not have TRQs, tariffs on dairy imports are often set at sufficiently high levels to significantly restrict international trade.

TRQs are widely used to limit international trade in dairy products.[29] Most of the world's largest dairy-importing developed countries, including the United States, Canada, the EU, Japan, and Korea, impose TRQs. TRQs are also common in developing countries such as Colombia, Costa Rica, Guatemala, Panama, Venezuela, Thailand, Malaysia, and Indonesia. Central European countries, including Poland, Hungary, Czech Republic, Slovakia, and Bulgaria, use TRQs for dairy products as well.[30] Typically, TRQs are applied to bulk dairy products. For instance, TRQs limit trade in NDM, whole milk powder (WMP), and butter in all of the Quad countries as well as in Korea. TRQs also limit trade in cheese in the United States, the EU, and Canada. In general, TRQ quantities were established during the URAA with TRQ quantities required to allow access to 5 percent of domestic consumption. TRQs

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[24] USDA, FAS, *Mexico: Dairy and Products Annual Report 1999*, Mexico City, GAIN Report No. MX9053, May 15, 1999.

[25] International Dairy Federation, *The Global Dairy Industry Today*, Bulletin of the International Dairy Federation 361/2001, Nov. 2000.

[26] USDA, FAS, *Australia: Dairy and Products Annual Report 2000*, Canberra, GAIN Report No. AS0040, Oct. 20, 2000.

[27] USITC staff interview with Australian industry association, Mar. 22, 2001.

[28] Japan does not have TRQs on cheese.

[29] IATRC, *Bringing Agriculture into the GATT: Issues in Reforming Tariff-Rate Import Quotas in the Agreement on Agriculture in the WTO*, Commissioned Paper No. 13, University of Minnesota, June 2001.

[30] World Trade Organization, *Tariff and Other Quotas*. Background Paper by Secretariat, AIE/S1/Rev.1, May 26, 1998.

are somewhat less prevalent worldwide in the higher valued, more processed dairy products, such as ice cream, infant formula, and dairy ingredients. High over-quota tariff rates generally limit over-quota imports to periods of extremely low international prices. In general, TRQ fill rates have been high and fairly stable over time. For example, in the United States during 1996-99, fill rates for cheese, butter, and butter substitutes were all close to 100 percent. However, there were a few product categories for which the rates fluctuated and/or were low, such as dried buttermilk/whey. Fill rates are generally high in other countries, such as for milk powders in the EU, Korea, and Canada; butter in Canada and the EU; and cheese in Canada and the EU. However, in some cases TRQ fill rates are significantly less than 100 percent (e.g., butter, NDM, and whey in Japan and condensed and evaporated milk in the United States).

Cheese

Tariffs on cheese worldwide are generally high (tables F-1 thru F-3). TRQs are also used extensively to limit trade in cheese (see box 3-1). Under the URAA, about 15 countries use TRQs to control imports of cheese, including the United States, Canada, the EU, South Africa, Poland, Romania, Hungary, Mexico, Colombia, and Israel. Over-quota tariffs are generally extremely high, especially in the Quad countries. For example, cheese imports into Canada are subject to an over-quota rate of almost 250 percent. The EU imposes a range of over-quota tariff rates on its cheese imports depending on the variety of cheese. For example, the ad valorem tariff equivalent on cheddar cheese is about 62 percent. U.S. over-quota tariff rates on cheese range from $1,055 per ton to $2,269 per ton (representing ad valorem equivalent rates of between 50 and 100 percent). Several countries that are potentially important markets for U.S. cheese exports impose highly restrictive tariffs. For example, tariffs on cheese in Korea approach 40 percent, while tariffs on cheese entering Japan range from 22 percent to 40 percent. Tariffs imposed by developing countries vary by market. For instance, Brazil, Argentina, and Venezuela impose tariffs on cheese of 19 percent, 19 percent, and 20 percent, respectively, while the Philippines and Indonesia have tariffs that are less than 10 percent on cheese. Some countries do not impose tariffs on their cheese imports, including Singapore and Hong Kong, which are two important and growing markets for U.S. cheese exports.

Dry Whey, Milk Proteins and Milk Sugars

Tariffs in this category vary considerably by product. Trade in whey is constrained by TRQs imposed by the United States, Canada, the EU, Japan, and Korea. In Canada, for example, the over-quota tariff on “other products of milk constituents” (HS 0404.90) is 270 percent, while the rate on dry whey (HS 0404.10) is 208 percent. In Japan, the over-quota rate is a compound tariff of 29.8 percent plus ¥687 per kilogram (or 60-70 percent ad valorem equivalent), while the over-quota rate in Korea is over 69 percent. In developed counties, tariffs on lactose and casein are lower than tariffs on whey. U.S.exports of lactose and lactose syrup face a tariff of 8.5 percent in Japan, 6 percent in Canada, and i 140 per ton in the EU. By contrast, China has tariffs on lactose of greater than 30 percent. The United States, Canada, and Japan allow duty-free entry for casein, while the EU rate is just 3.5 percent. For developing countries, tariffs are generally more variable, with many ranging between free and 35 percent.

Box 3-1: Effects of TRQ Administration on U.S. Cheese Exports: Two Examples

European Union

According to industry groups, the method by which the EU administers its dairy TRQs is a significant barrier to trade for U.S. exporters. Procedures are complicated and burdensome. Each month, traders must file a new application for a license to import product in a specific quarter into the EU, which requires a large security deposit. Further, licenses are valid only in the calendar quarter in which the application is made. The allocation of import licenses on a quarterly basis means that U.S. dairy firms are unable to develop long-term supply relationships with European firms, since customers demand a continual, regular, and predictable supply of product from a supplier.

Under the URAA, TRQs were established for several categories of cheese imported into the EU. The United States negotiated an agreement with the EU that two types of cheese—fresh pizza cheese and cheddar—be assigned in-quota tariff rates substantially below rates on other cheese. However, the quotas for fresh pizza cheese and cheddar cheese, reaching 5,300 tons and 15,000 tons, respectively, at the end of the URAA implementation period, are open not just to the United States but to any country. Nonetheless, U.S. exporters believed they could compete in the market, especially in pizza cheese, where the quota was defined in such a way that the product is virtually unique to the United States. Because of the TRQ allocation method, the concession has been of little benefit to the U.S. dairy industry. Further, industry sources report that EU customs have not strictly enforced the product definition for cheese entering under the pizza cheese TRQ, and thus U.S. exports of pizza cheese have been minimal.

Israel

According to U.S. dairy industry representatives, Israel's TRQ administration for cheese is a major trade barrier, particularly the TRQ pertaining to cream cheese (HS 0406.10). To qualify for in-quota tariff treatment, importers must obtain a license from the Israeli Government. Licenses are allocated using a lottery system; applicants with no history or capacity to import have as much of a chance of receiving a license as applicants with historical trade flows. Because the allocation of quota is arbitrary and unpredictable, distributors are unable to get a sufficient quantity to sell at the in-quota tariff rate; thus the quota remains unfilled. This situation has resulted in an inconsistent supply and price uncertainty in the Israeli market. U.S. brands have failed to become established in Israel as a consequence of the TRQ administration.

Sources: USITC staff interviews with U.S. and EU industry representatives; Grocery Manufacturers of America, in comments to the Office of the United States Trade Representative on the review and renegotiation of the U.S.-Israel Agreement on Trade in Agricultural Products, Dec. 27, 2000; International Dairy Foods Association, in comments to the Office of the United States Trade Representative on the review and renegotiation of the U.S.-Israel Agreement on Trade in Agricultural Products, Dec. 27, 2000.

Infant Formula

In some developed countries, tariffs on infant formula are lower than those on other dairy products. For instance, the EU imposes a tariff of only 7.6 percent, while in Canada the rate is less than 10 percent. However, the United States and Japan both apply TRQs to infant formula and have higher tariffs. In developing countries, tariffs on infant formula range widely. Malaysia and Hong Kong allow the duty-free entry of infant formula, while other developing countries impose higher tariffs, including Mexico (10 percent) and China (15 percent).

Ice Cream

In developed countries, tariffs on ice cream are low compared to other dairy products, though TRQs are applied in some instances. The EU imposes a tariff of 7.6 percent, while tariffs in Canada, the United States, and Japan are higher. Canada applies a rate of 9.5 percent for non-dairy sherberts, with a TRQ imposed on ice cream products. Over-quota rates on ice cream in Canada are 277 percent. In Japan, tariffs on ice cream range from 21 percent to 30 percent. The United States assesses a tariff of 17 percent on non-dairy ice cream products and imposes a TRQ on other types of ice cream. In developing countries, tariffs on ice cream vary significantly. In Mexico, for example, the rate is 20 percent plus $0.39586/kg, while in Korea certain categories of ice cream face a tariff of 8 percent. By contrast, other developing markets, such as Singapore and Hong Kong, allow duty-free entry of ice cream.

Other

World trade in butter (HS 0405) is highly restricted, with shipments to the major markets subject to either TRQs (the United States, Canada, the EU, Japan, Korea, and Poland) or high tariffs. On an ad valorem equivalent basis (using an average 2000 world butter price), Japan maintains the highest over-quota tariff rate on butter with a rate of over 580 percent. Canada's rate on over-quota butter imports ranks second at 299 percent, while the tariff rates on over-quota butter imports by the EU, Korea, and the United States are also high at 181 percent ad valorem equivalent, 93 percent, and 114 percent ad valorem equivalent, respectively. Many of the major butter markets without TRQs that have potential for U.S. exporters generally impose tariffs between 10 percent and 20 percent. For example, Brazil and the Philippines have tariff rates of 19 percent and 10 percent, respectively. Mexico has a tariff rate on butter of 20 percent.

Imports of NDM (HS 0402.10) by the major industrialized economies are restricted by TRQs, with extremely high over-quota tariff rates. The tariff rate on over-quota NDM imports by Japan is close to 190 percent (ad valorem equivalent, based on a 1998 world NDM price), while equivalent rates for Canada and Korea are 202 percent and 194 percent, respectively. The United States has a tariff rate of 46 percent ad valorem equivalent. Ad valorem tariffs for NDM in countries that do not have TRQs cover a wide range. Brazil has a 2000 tariff of 27 percent, while the rate in Mexico is 128 percent. By contrast, the Philippines and Thailand have 2000 rates on NDM of 3 percent and 5 percent, respectively. NDM imports into Singapore are assessed a duty rate of free.

Regional Trade Agreements

Regional trade agreements are very important to world trade in dairy products. In 2000, 20 percent of U.S. dairy exports went to Mexico, with trade heavily influenced by NAFTA.[31] Under the market access provisions of NAFTA, the United States replaced section 22 quotas with preferential TRQs, in addition to TRQs established under the Uruguay Round Agreement on Agriculture (URAA).[32] Five separate TRQs were established for U.S. dairy imports from Mexico, with initial allocations based on historical trade patterns, increasing at a 3-percent compounded annual rate over a 10-year period. In-quota shipments from Mexico enter the United States duty-free, while preferential tariffs apply to over-quota amounts. All tariffs and quotas for dairy imports from Mexico will be phased out in 2003. NAFTA also gave U.S. exporters preferential access to the Mexican market, including an initial duty-free quota of 40,000 tons of milk powder, which is growing at 3 percent annually until the phase-out of the over-quota tariff rate in 2008.[33] Also under NAFTA, most U.S. cheese exports to Mexico initially faced a 20 percent tariff that is being phased out by 2008.[34]

The EU has also entered into regional trade agreements that will affect world trade in dairy products. In 2000, the EU concluded double-zero agreements with ten Central and Eastern European countries (CEECs) that set tariff rates at free for most agricultural products (including dairy products), between the EU and these countries.[35] The double zero agreement with the 10 CEECs, which have applied for EU membership, will allow the EU to save export refunds of product destined to the CEECs, thereby leaving room under WTO limits for export refunds to other markets.[36] A recent regional trade agreement (July 2000) involving the EU and Mexico could affect U.S. exports of dairy products. Under the agreement, Mexico could potentially gain preferential access to dairy markets in the EU, which could weaken U.S. export opportunities.[37] Also, preferential access to the Mexican market for the EU could threaten the U.S. position in the Mexican market.

Mercosur also has a significant impact on world trade in dairy products. Mercosur is a customs union involving Argentina, Brazil, Paraguay, and Uruguay in which a common

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[31] Canada excluded its dairy sector from NAFTA. Thus NAFTA provisions affect dairy trade only between the United States and Mexico. The only concession between the United States and Canada in dairy is that in-quota imports enter both countries duty-free. Canada and Mexico did not include dairy in their bilateral agreement under NAFTA.

[32] USDA, FAS, *The North American Free Trade Agreement,* found at *http://www.fas.usda.gov/info/factsheets/-nafta.html*, retrieved June 7, 2001.

[33] USDA, FAS, *NAFTA Agricultural Fact Sheet: Milk Powder,* found at *http://www.fas.usda.gov/itp/ policy/nafta/milk.html*, retrieved June 7, 2001.

[34] USDA, FAS, *NAFTA Agricultural Fact Sheet: Cheese,* found at *http://www.fas.usda.gov/itp/ policy/nafta/cheese.html*, retrieved June 7, 2001.

[35] USDA, FAS, *Dairy and Products EU Dairy Report 2001,* Brussels, GAIN Report No. E21042, Mar. 30, 2001.

[36] USITC staff interview with European industry association, May 21, 2001.

[37] Currently, dairy products have been wait-listed. That is, after 3 years, Mexico and the EU will consider including dairy products under the agreement. USDA, FAS, *Analysis of Mexico-EU Free Trade Agreement,* Mexico City, GAIN Report No. MX0051, Apr. 11, 2000.

external tariff is imposed on imports entering any of the four countries.[38] Trade between the countries is generally free of duty, but there are exceptions, including dairy products. For example, Brazil imposes tariffs of 19 percent on certain types of cheeses, whole milk powder, and NDM coming from Mercosur countries (compared with the common external tariff of 27 percent).[39] The major significance of Mercosur with respect to international dairy markets is that Argentina (a low-cost, internationally competitive dairy-producing country) supplies most of its exports to Mercosur countries because of its preferential access to the Mercosur market.[40] According to U.S. dairy industry representatives, Argentina would likely export to other countries which are currently served by U.S. exports, such as Mexico, in the absence of Mercosur.

Non-tariff Barriers and U.S. Industry Concerns

Non-tariff barriers (NTBs) and other trade measures on dairy products are also widespread. The major concerns noted by U.S. industry representatives include sanitary and phytosanitary issues, plant inspection requirements, labeling requirements, standards, export subsidies, and state trading enterprises.[41, 42] These measures are often non-transparent and their impact on trade is sometimes difficult to assess.[43] In some countries, such measures appear to be increasing in response to tariff reductions required by the URAA. These measures are summarized below and in table F-4.

Sanitary and Phytosanitary Issues

One of the major sanitary and phytosanitary (SPS) issues advanced by the U.S. industry with respect to dairy trade concerns health and sanitary compliance requirements by the EU, which have complicated efforts by U.S. firms to export dairy products to the EU. The EU compliance requirements for dairy products are outlined in Directive 92/46, which aims to

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[38] Alejandro Galetto, "The Dairy Industry of Mercosur," presented at International Dairy Foods Association 2001 Dairy Forum, Miami, Jan. 21-24, 2001.

[39] USDA, FAS, *Brazil: Dairy and Products Annual 2000,* Brasilia, GAIN Report No. BR0624, Nov. 16, 2000.

[40] About 85 percent of Argentine dairy exports are sent to Mercosur countries. USDA, FAS, *Argentina: Dairy and Products Annual 2000,* Buenos Aires, GAIN Report No. AR0065, Oct. 24, 2000.

[41] USITC staff correspondence from U.S. industry association, Mar. 28, 2001.

[42] Food industry officials in the United Kingdom argue that what U.S. exporters may consider as trade barriers are, in fact, simply differences in standards, practices, and procedures. These officials noted that U.S. firms often have difficulty entering the EU market because they fail to undertake the necessary research to understand EU regulations. Moreover, they argue that when U.S. companies play by EU rules, they are often successful, since U.S. products are well regarded in the U.K. market. Based on several USITC staff interviews with several European importers, May 23-25, 2001.

[43] Janet Nuzum, IDFA, testimony before the USITC, May 22, 2001; New Zealand Dairy Board, written submission to the USITC for Inv. No. 332-325, *The Economic Effects of Significant U.S. Import Restraints: Second Biennial Update,* June 10, 1998.

harmonize health requirements for all EU countries and to require that third countries exporting to the EU meet these same requirements.[44] The United States has requirements pertaining to somatic cell count and bacterial count in raw milk that differ from those of the EU. The EU scientific veterinary committee ruled that differences in standards between the United States and the EU are a matter of public safety, while U.S. scientists argue that differences between the U.S. and EU standards for bacteria count levels represent differences in milk quality, but do not represent any threat to the safety of products in trade.[45] Discussions between U.S. and EU veterinarians began under the 1999 Veterinary Equivalence Agreement, in which regulations over dairy product safety are being evaluated. These discussions will determine whether each country's requirements are equivalent and if so, strict compliance with each other's specific requirements will not be needed for trade to take place.[46]

EU rules also require certification for milk at all stages of production, even if only a minute amount of milk is used in the finished product.[47] However, in order to prove compliance, U.S. exporters must implement testing and recording procedures on raw milk used for products shipped overseas which imposes an added cost on U.S. companies that export dairy products to the EU. For example, a company in the United Kingdom imports several varieties of salad dressing from a U.S. company, which also makes three dairy-based products that could be highly profitable in the U.K. market. However, EU regulations require that any dairy product entering the EU be produced in an approved plant; this includes not only the plant where the milk was first produced, but also others all the way up the processing chain. Thus, EU regulators must approve the U.S. company's plant and the plants of this company's suppliers before any product can be shipped. Since this company has a huge domestic market in the United States and dairy-based dressings are just one of its several product lines, it has not applied for approval, and consequently does not export these dairy-based products to the United Kingdom.[48] In response to the dispute over sanitary standards, the USDA, together with industry representatives, has developed a system of voluntary self-certification for dairy products acceptable to the European Commission.[49]

Although GATT rules require EU regulations to apply equally to domestically produced products and imports, U.S. industry representatives claim that some member states fail to comply with the EU standards.[50] For instance, it is estimated that about a third of all Spanish milk falls below the standards set for milk quality. EU rules permit countries to get a waiver from the standards, but such waivers are not given to U.S. exporters. Thus in practice, EU milk and imported milk are subject to different quality standards. Similarly, in Japan there are

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[44] "EU Denying Entry of All Dairy Products from the United States," *The Cheese Reporter*, Apr. 11, 1997.

[45] Testimony of the National Milk Producers Federation before the U.S. House Committee on Agriculture, Subcommittee on Livestock, Dairy, and Poultry, *Hearing Regarding Current Status and Future Prospects of Trade Between the United States and the European Union in Livestock, Dairy, and Poultry Products*, May 8, 1997.

[46] USDA, FAS, *Dairy and Products EU Dairy Report 2001*, Brussels, GAIN Report No. E21042, Mar. 30, 2001.

[47] Peggy Rochette, NFPA, written submission to the USITC, Feb. 16, 2001.

[48] USITC staff interview with British importer, May 25, 2001.

[49] National Milk Producers Federation and U.S. Dairy Export Council, comments submitted to the Office of the U.S. Trade Representative for preparation of the National Trade Estimate Report on Foreign Trade Barriers, Nov. 28, 2000.

[50] Ibid.

high standards on bacteria counts for milk used in imported dairy products, which are supposed to be in place on domestic products as well.[51] Bacteria standards often preclude the entry of high-value products, such as yogurt.

Plant Approval

Plant inspection requirements are also a concern of the U.S. industry. To export to Brazil, U.S. companies must source product from processing plants approved by the Brazilian Government. However, Brazilian officials have not approved several U.S. plants even though U.S. industry representatives assert that they have complied with all requirements.[52] In 1998, the Brazilian Ministry of Agriculture and Food Supply decided to review food safety procedures pertaining to products from the United States. By 1999, it ceased issuing import licenses except to a few U.S. dairy firms whose plants were approved by the Brazilian authorities.[53] Firms not on the approved list of plants are unable to export product to the Brazilian market. Although the requirement to have plants certified is not necessarily a trade barrier, Brazilian officials have not approved U.S. dairy plants despite several invitations from U.S. officials.[54] According to USDA officials, the Brazilian authorities will start on-site inspections of U.S. dairy plants in the near future.[55] Similarly, the Government of Paraguay requires the certification of plants in the United States and in neighboring countries that produce cheese for use by franchises of U.S. fast food companies. Firms complain that the rules are applied arbitrarily and that they are required to cover the cost of certification.[56]

Labeling Requirements

Several U.S. dairy exporters have pointed out issues concerning the labeling of products destined for export markets. For example, all dairy products exported into Brazil must have a registered label, which requires certain assurances by both U.S. manufacturers and the U.S. Government.[57] U.S. officials reportedly are unable to guarantee that statements they are required to make on the Brazilian forms are correct.[58] Thailand also has very strict labeling requirements.[59] Labels must be submitted to the Thai Government before products go on the market. Also, if the label is changed (e.g., strawberry yogurt to blueberry yogurt), the process

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[51] USITC staff interview with Australian industry association, Mar. 22, 2001.

[52] USITC staff interview with U.S. industry association, Mar. 7, 2001.

[53] National Milk Producers Federation and U.S. Dairy Export Council, comments submitted to the Office of the U.S. Trade Representative for preparation of the National Trade Estimate Report on Foreign Trade Barriers, Nov. 28, 2000.

[54] USITC staff interview with U.S. industry association, Mar. 7, 2001.

[55] USDA, FAS, *Brazil*: *Dairy and Products Annual 2000*, Brasilia, GAIN Report No. BR0624, Nov. 16, 2000.

[56] USTR, *2001 National Trade Estimate on Foreign Trade Barriers*.

[57] National Milk Producers Federation and U.S. Dairy Export Council, comments submitted to the Office of the U.S. Trade Representative for preparation of the National Trade Estimate Report on Foreign Trade Barriers, Nov. 28, 2000.

[58] Janet Nuzum, IDFA, testimony before the USITC, May 22, 2001; New Zealand Dairy Board, written submission to the USITC for Inv. No. 332-325, June 10, 1998.

[59] USITC staff interview with Australian industry association, Mar. 22, 2001.

of label registration must be repeated. An issue affecting imports of NDM into Thailand concerns the practice by Thai customs to assign the name of the manufacturer as the brand name for the product.[60] However, if the manufacturer changed its name (because of a merger or acquisition, for example), Thai regulations require a new brand name and a new label to be registered, which the industry maintains is time consuming and expensive.[61] U.S. exporters also claim that labeling requirements of Egypt, Japan, and Korea are burdensome.[62] Conformity with China's labeling requirements and manufacture certification has also been identified by the industry as inhibiting dairy trade.[63]

Standards (Food Codes, Refrigeration, Packaging, and Shelf-Life Requirements)

In Japan, certain additives that are approved by Codex Alimentarius[64] are not permitted in the manufacture of dairy products.[65] For example, U.S. industry representatives have urged the U.S. Government to seek changes in regulations in Japan to permit the use of nitrous oxide (which currently is not a permitted food additive but commonly used by U.S. manufacturers of whipping cream) as a propellant in imports of whipping cream.[66] Japan does not permit whey with an 80-percent protein concentrate to be labeled or classified as a dairy ingredient, which would allow use of the high-value additive in products such as yogurt.[67] Some U.S. companies have noted that Japan prohibits the use of Nisin (a preservative) as an ingredient in processed cheese.[68] Differences in the standards of identity of dairy products between Japan and the United States also affect trade. For instance, one company reported that butter sold in Japan must have no more than 16 percent added moisture (the U.S. standard for retail butter is 17 percent moisture) and therefore the company must manufacture butter specifically

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[60] For example, skim milk powder produced in a facility operated by Mid-America (Mid-Am) Dairymen was registered as Mid-Am "brand" skim milk powder.

[61] National Milk Producers Federation and U.S. Dairy Export Council, comments submitted to the Office of the U.S. Trade Representative for preparation of the National Trade Estimate Report on Foreign Trade Barriers, Nov. 28, 2000.

[62] Ibid.

[63] USITC staff correspondence from U.S. industry association, Mar. 28, 2001.

[64] In 1962, the Food and Agriculture Organization (FAO) and the World Health Organization formed a joint commission to ensure consumer food safety, establish fair practices in food trade, and promote the development of international food standards. The Commission drafts nonbinding standards for food additives, veterinary drugs, pesticide residues, and other substances that affect consumer food safety and publishes these standards in a listing called the "Codex Alimentarius."

[65] USITC staff interview with Australian industry association, Mar. 22, 2001.

[66] Korea also does not permit the use of nitrous oxide as a propellent in whipping cream. National Milk Producers Federation and U.S. Dairy Export Council, comments submitted to the Office of the U.S. Trade Representative for preparation of the National Trade Estimate Report on Foreign Trade Barriers, Nov. 28, 2000.

[67] National Milk Producers Federation and U.S. Dairy Export Council, written submission to the USITC for Inv. No. 332-396, *Economic Trends and Barriers to Trade in Products Covered by the WTO Agreement on Agriculture*, Nov. 27, 1998.

[68] USITC staff correspondence from industry representative, received Mar. 22, 2001.

for the Japanese market.[69] The result is increased manufacturing costs for the U.S. butter producer because of the expense of changing the production process to supply the Japanese market.[70] Japanese testing procedures for customs classification have been noted by the industry as being fairly arbitrary. For example, a test for customs classification of cream cheese involves placing the cream cheese on a table overnight at room temperature. The cheese is then cut with a sharp knife. If the product sticks to the knife, it is not classified as cream whey cheese, but instead is classified in a category with a high tariff.[71]

U.S. dairy exporters have noted several technical barriers to trade with Korea. For example, the food classification of whey has prevented manufacturers from using whey products in ice cream and yogurt exported to Korea. Currently, whey products are not in the definition of NDM solids for the purposes of manufacturing yogurt and ice cream. "NDM solids" are defined as NDM powder. If whey products were defined as NDM solids, then manufacturers would be permitted to use whey products in ice cream and yogurt.[72] Exporters also assert that dairy products exported to South Korea are subject to strict, and sometimes arbitrary, inspection and testing.[73] Korean cheese testing procedures are different from those used in the United States and several other countries, while tests for listeria and E. Coli often vary depending on the port.[74] Unlike other markets, Korea also requires refrigeration of imported Parmesan cheese, which raises the cost of exporting.[75] In addition to documentation necessary to obtain an import license, U.S. exporters must file a declaration from the manufacturer detailing the product characteristics and the nature and extent of manufacturing. According to U.S. industry, dairy products have become damaged by excessive delays in port caused by Korea's unreasonable requirements. Finally, one Washington State exporter reported that exports of dairy and other agricultural products to Korea are adversely affected by Korean rules that require imports to be approved by Korean Government agencies and/or producer organizations, such as the Korea Milk and Dairy Farmers Association.[76]

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[69] Washington State Department of Agriculture, *Exporting Washington State Agricultural Products*, June 1999.

[70] Similarly, the EU standard is 16 percent. Thus U.S. butter manufactures have been reluctant to supply the EU market. USITC staff interview with U.S. industry association, May 23, 2001.

[71] USITC staff interview with Australian industry association, Mar. 22, 2001.

[72] National Milk Producers Federation and U.S. Dairy Export Council, comments submitted to the Office of the U.S. Trade Representative for preparation of the National Trade Estimate Report on Foreign Trade Barriers, Nov. 28, 2000.

[73] National Milk Producers Federation and U.S. Dairy Export Council, comments submitted to the Office of the U.S. Trade Representative for preparation of the National Trade Estimate Report on Foreign Trade Barriers, Nov. 27, 1996.

[74] USITC staff interview with Australian industry association, Mar. 22, 2001.

[75] National Milk Producers Federation and U.S. Dairy Export Council, comments submitted to the Office of the U.S. Trade Representative for preparation of the National Trade Estimate Report on Foreign Trade Barriers, Nov. 28, 2000.

[76] Washington State Department of Agriculture, *Exporting Washington State Agricultural Products*, June 1999.

Egyptian standards on temperature ranges for butter oil are exactly the same as the EU standards. According to exporters in Australia, Australian and New Zealand buttermanufacturers have difficulty meeting Egyptian and EU standards owing to their reliance on a pasture-based production system that results in the production of a softer butter.[77]

Another type of technical barrier cited by dairy exporters concerns product packaging. For example, imports of NDM into Thailand must not be in containers indicating product quality, such as "Extra Grade" or "Grade A." It is common practice for grade designations to be on the container, and to remove them involves cost.[78] Similarly, although milk in tankers can be imported into Mexico, Mexican state governments require a special import permit for milk in retail packages. By not issuing permits, several states in Mexico have not allowed U.S. fluid milk in retail packages to be sold.[79]

Dairy product classification concerns have been cited as problems in China. For example, lactose is classified as a sugar rather than as a dairy product and faces a 30 percent tariff (contrasted with a whey tariff of 6 percent). Significant U.S. exports of lactose to China could be generated if the lactose tariffs were reduced to the whey product rate.[80]

Shelf-life requirements for dairy products also deter shipment to many destinations, most in the Middle East or Asia. Under this system, imported products are rejected at the port of entry if they have less than half of the expiration period for human consumption remaining (calculated from the date of production).[81] U.S. exporters claim Jordan's refrigeration requirements are impossible to maintain.[82] Pakistan requires a 75 percent shelf-life.[83] Australian groups remarked that their dairy exports have also been hampered by shelf-life restrictions, including butter to Iran.[84]

Similar types of licensing and product safety standard requirements are faced by U.S. dairy firms exporting to Russia.[85] Certificates of conformity are issued by the authorities, while testing of products by approved laboratories is also required. For these services, fees are charged that add substantially to the retail prices of imported dairy products.

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[77] USITC staff interview with Australian industry association, Mar. 22, 2001.

[78] National Milk Producers Federation and U.S. Dairy Export Council, comments submitted to the Office of the U.S. Trade Representative for preparation of the National Trade Estimate Report on Foreign Trade Barriers, Nov. 28, 2000.

[79] USITC staff interview with U.S. industry association, Mar. 7, 2001.

[80] National Milk Producers Federation and U.S. Dairy Export Council, written submission to the USITC for Inv. No. 332-396, *Economic Trends and Barriers to Trade in Products Covered by the WTO Agreement on Agriculture*, Nov. 27, 1998.

[81] USITC staff correspondence from U.S. industry association, Mar. 28, 2001.

[82] David Haig, President, America Midwest Commodities Export Company, written submission to the Commission, Feb. 16, 2001.

[83] USITC staff correspondence from U.S. industry association, Mar. 28, 2001.

[84] USITC staff interview with Australian industry association, Mar. 22, 2001.

[85] USITC staff interview with U.S. industry association, Mar. 7, 2001.

Export Subsidies

According to industry representatives, export subsidies represent a significant barrier to trade of U.S. dairy products in world markets.[86] Export subsidies constrain the growth of U.S. exports because they lower world prices and thus reduce the competitiveness of U.S. products. Under the URAA, the value of export subsidies was reduced by 36 percent (by value) and by 21 percent (by volume) below the 1986-90 base period average level. This means that both the value and volume of subsidies were capped in 1995, and were progressively reduced to the required level by the year 2000. Because products that did not receive export subsidies during the base period are not eligible for future export subsidies,[87] only 16 of the 141 WTO members are eligible to grant subsidies.[88]

The EU is the world's dominant provider of dairy subsidies, with 72 percent of all allowable subsidies, equivalent to about 11 percent of its entire milk production on a milk-equivalent basis. This is roughly 20 times as much as the United States.[89] When combined with subsidy allowances of the Central and Eastern European members of the WTO, Europe accounts for nearly 87 percent of the total permitted WTO dairy export subsidies. On a milk-equivalent basis, the export subsidies permitted by the United States amount to just 3 percent of all export subsidies permitted under the URAA. U.S. dairy exports would likely gain a significant portion of the world market share vacated by the EU in the wake of export subsidy elimination. U.S. firms complain that EU and Canadian export subsidies have cut their market share in Mexico, Japan, and the Philippines. One U.S. company complained that the USDA is not aggressive enough in issuing export subsidies to compete with subsidies of its major competitors.[90]

In terms of more processed dairy products, the EU provides subsidies for Non-Annex I products (products which include some initial processing, such as ice cream) to EU dairy processors. Subsidies for processed products are necessary for them to be internationally competitive because, according to several EU officials, processors are forced to purchase inputs (such as butter and milk powder) at high EU prices.[91] GATT-imposed reductions on the amount of subsidy available has led to changes in the eligibility requirements for receiving

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[86] National Milk Producers Federation and U.S. Dairy Export Council, comments submitted to the Office of the U.S. Trade Representative for preparation of the National Trade Estimate Report on Foreign Trade Barriers, Nov. 28, 2000; Janet Nuzum, IDFA, testimony before the USITC, May 22, 2001.

[87] *Uruguay Round Agreement Act, Statement of Administrative Action,* published in H. Doc. 103-316, 103d Cong., 2d Sess., p. 720-722.

[88] Seven of the 16 WTO members that are permitted to subsidize dairy products under the URAA have reported to the WTO that they are no longer doing so. These seven countries are Australia, Brazil, Iceland, Poland, Romania, South Africa, and Uruguay. Some of these countries, such as Iceland, do not report exports of dairy products. Others, such as Australia, Poland, and Uruguay, are major dairy-exporting countries.

[89] U.S. Dairy Export Council, "Dairy Export Subsidies and the WTO Canada Case," *World Dairy: Markets and Outlook*, vol. 3, No. 4, July 1998.

[90] USITC staff correspondence from U.S. industry representative, Mar. 6, 2001.

[91] USITC staff interviews with European industry associations, May 24, 2001 and May 25, 2001.

subsidies, and for some products, such as fruit yogurt, subsidies are no longer granted.[92] These reductions are one reason why rules for Inward Processing Relief are in the process of being weakened.[93]

State Trading Enterprises

The New Zealand Dairy Board

While there is little government intervention in the domestic dairy market in New Zealand,[94] international transactions are still closely controlled through legislation which allows the New Zealand Dairy Board (NZDB) to be the sole exporter of dairy products. In 2000, the NZDB exported dairy products valued at over $8 billion, representing over 20 percent of all New Zealand's export earnings.[95] The NZDB has statutory authority to export all dairy products from New Zealand (such exports represented about 25 percent of world butter exports and 20 percent of world wholemilk powder exports in 2000).[96]

For several years, the NZDB has been a concern of certain U.S. dairy interests, who believe that the NZDB has circumvented URAA commitments and engaged in unfair trading practices.[97] Such practices include cross-subsidization among foreign markets and the use of price premiums from sales to the higher priced U.S. cheese market to provide a financial basis for lower priced sales in other markets. Both practices undermine U.S. competitiveness. However, a U.S. General Accounting Office study failed to determine conclusively whether accusations concerning New Zealand's use of such measures were valid.[98]

Meanwhile, significant structural changes are taking place in the New Zealand dairy industry. In April 2001, the New Zealand Government finally approved the merger of the two largest co-operatives, Kiwi Co-operative Dairies and New Zealand Dairy Group, to form the Global Dairy Company (GDC), which would control 98 percent of milk production and, with expected annual turnover of $5 billion, would be among the top 10 dairy companies in the world.[99] About 95 percent of GDC business would be exports.[100] The NZDB would become

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[92] USDA, FAS, *Brazil: Dairy and Products Annual 2000,* Brasilia, GAIN Report No. BR0624, Nov. 16, 2000.

[93] USITC staff interview with EU Government official, May 21, 2001.

[94] OECD, *Reforming Dairy Policy* (Paris: OECD, 1996) and International Dairy Federation, *The Global Dairy Industry Today*, Bulletin of the International Dairy Federation 361/2001, Nov. 2000.

[95] New Zealand Dairy Board, *Annual Report*, 2000.

[96] Food and Agriculture Organization, Agriculture Database.

[97] Abel, Daft, Earley, and Ward International, *The New Zealand Dairy Board Monopoly: A Destabilizing Factor in the U.S. Dairy Product and Milk Markets*, prepared for The Dairy Trade Coalition, June 1995.

[98] U.S. General Accounting Office, *Canada, Australia, and New Zealand: Potential Ability of Agricultural State Trading Enterprises to Distort Trade*, NSIAD-96-94, June 24, 1996.

[99] USDA, FAS, *New Zealand: Dairy and Products Dairy Mega Merger Approved*, Wellington, GAIN Report No. NZ1019, Apr. 11, 2001.

[100] Agra Europe, Dairy Markets Weekly, No. 587, April 12, 2001.

part of GDC and under the mega-merger would lose its statutory export monopoly (although GDC would keep exclusive rights to export markets with TRQs for 6 years). The proposed merger will require the approval of the industry's farmer shareholders and the passage of enabling legislation by parliament.[101]

Agricultural and Livestock Industries Corporation (Japan)

The Agricultural and Livestock Industries Corporation (ALIC) (formerly the Livestock Industry Promotion Corporation) was notified to the WTO as a state trading enterprise in 1999.[102] ALIC is a state agency with sole authority to import dairy products, including NDM and butter (as well as raw milk).[103] ALIC is authorized to stabilize supply, demand, and prices for milk products, including NDM, skimmed milk solids, milk powder and other solids, condensed milk, buttermilk powder and other solids, whey and modified whey, and butter and butter oil. Dairy market stabilization is achieved by ALIC activities that control the level of imports. ALIC deals with in-quota imports but is not involved in the marketing or distribution of over-quota imports, except to collect part of the over-quota tariff revenues and inspect the quantity, quality, and safety of such imports.

Tariff Escalation

Evidence of tariff escalation in an agricultural sector involves first identifying a processing chain and then showing that tariffs increase along the chain, from the raw product to semi-processed products to final products for retail consumption. The first task, that of identifying an appropriate chain of processing, is possible for milk and dairy products. Liquid milk is the primary, unprocessed product which is used to make "primary" processed bulk dairy products, such as butter, cheese, and milk powders. Many of these products are directly consumed in this form. However, increasingly such products move into "secondary" processed dairy products, such as cheese sticks and spreads, infant formulas, and ingredients in snack foods. In theory, tariff escalation would be in evidence if, for example, the tariff on cheese spreads was higher than the tariff on bulk cheese, which, in turn, was higher than the tariff on raw milk. In practice, this is very difficult to show. Applying the tariff escalation concept to dairy products is highly problematic for the three major reasons outlined below.

The first problem is that in most countries dairy farmers receive higher prices for milk sold for fluid consumption than for milk sold for manufacturing into dairy products; thus the high-value item in the dairy processing chain is the least processed. While a chain can be identified in terms of processing, value does not rise with movement up the chain. Moreover, fluid milk is a bulky, perishable commodity that is expensive to handle, store, and transport; as a result,

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[101] USDA, FAS, *New Zealand: Dairy and Products Semi Annual*, Wellington, GAIN Report No. NZ1021, May 15, 2001.

[102] WTO Notification by Japan, WTO document G/STR/N/4/JPN, Mar. 24, 1999.

[103] Allan Rae, "Japan's Livestock Sector: Consumption, Production, Policies, and Trade," In AJRC, APSFM, *Issues, Options and Strategies for Improving Japanese Agricultural Trade Policies*, (Canberra: RIRDC, Aug. 2000); Honma Masayoshi,"Japan's Agricultural Policy and WTO Negotiations," In AJRC, APSFM, *Issues, Options and Strategies for Improving Japanese Agricultural Trade Policies*, (Canberra: RIRDC, Aug. 2000).

there is relatively little international trade in raw milk and there is no such thing as a "world price." Also, domestic prices in most markets are highly distorted owing to government intervention. As a result, it is infeasible to calculate ad valorem equivalents of fixed tariffs on raw milk. Finally, the high transportation cost of moving fluid milk acts in the same way as a fixed tariff. Tariffs on fluid milk do not have to be set as high because domestic protection is provided for by high transportation costs.

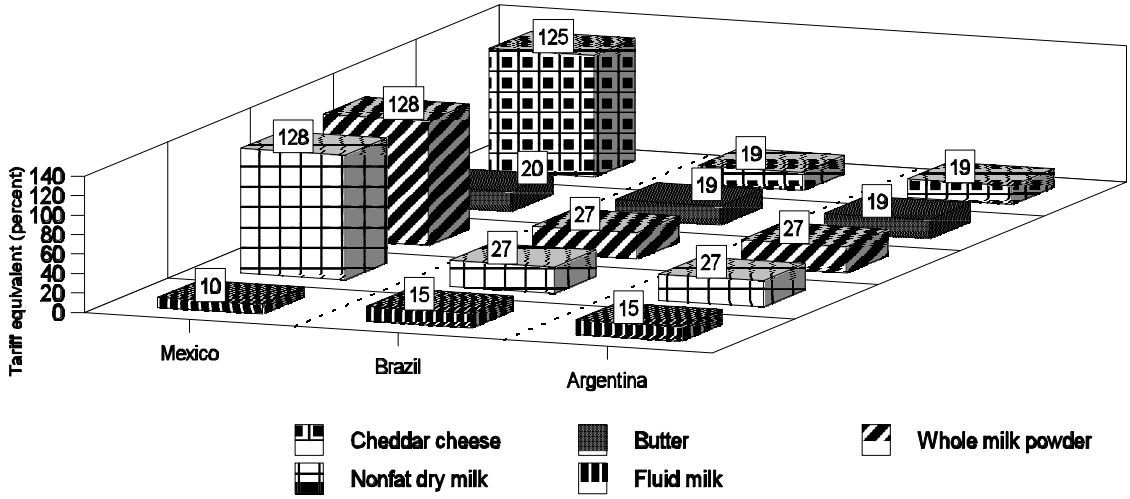
A second problem is that TRQs operate in several of the major dairy importing countries, including the United States, Canada, the EU, Japan, and Korea. When tariffs were established during the URAA, countries typically set rates at the tariff equivalent of existing quotas. As a result, tariffs on most dairy products are extremely high (for example, Japan and Canada have over-quota tariffs on butter of almost 600 percent and 300 percent, respectively) and are designed to restrict imports. Thus the level of the tariff is not set based on efforts to discourage imports of processed products (as the concept of tariff escalation implies), but instead to block imports entirely from the domestic market. For example, the Japanese tariff on raw milk imports of 500 percent and on butter imports of 600 percent is not evidence of a strategy by Japan to penalize more processed products, because when tariffs are extremely high the relative magnitude between them becomes meaningless. In addition, such ad valorem tariff-equivalent calculations based on a world or international price are highly dependent on the year in which the data are based, since dairy prices are highly volatile.

A third problem concerns identifying separate tariff lines for processed and further processed products. For example, bulk cheddar cheese in a barrel enters under the same tariff classification as a ready-to-serve processed cheddar cheese sauce in a jar. In addition, there is no meaningful way to identify a world price for the processed cheese sauce, making it impossible to estimate an ad valorem equivalent of a fixed tariff.

Cross-country comparison of tariffs for fluid milk, butter, NDM, WMP, and cheddar cheese are shown in figures 3-1, 3-2, and 3-3. The products are those for which there are international prices available. The only exception is fluid milk, for which the U.S. domestic price was used (the all milk price). Both developed and developing countries are shown. The processed products shown are not arranged based on the level of processing or value added (for example, cheddar cheese should not be considered a more value-added product than butter or NDM). Tariff escalation, therefore, can be considered only in terms of having a higher tariff on processed products compared with fluid milk.

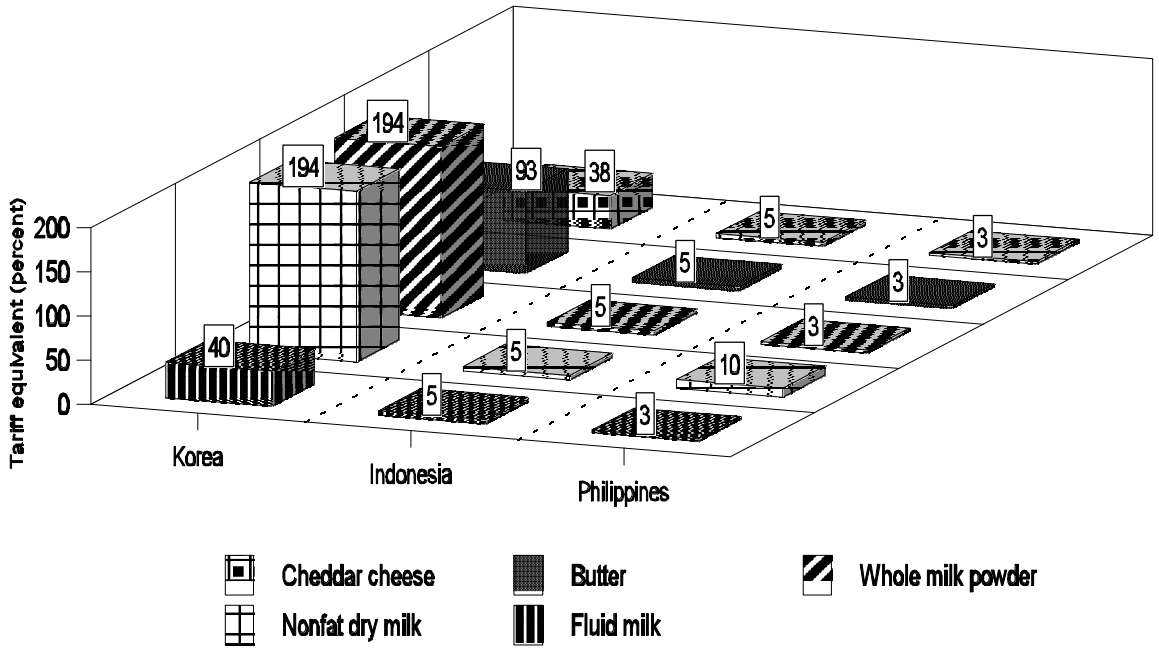
The figures indicate no clear evidence of tariff escalation in Japan, Canada, or the EU. In the EU, fluid milk tariffs are slightly lower than tariffs on processed dairy products, while in Canada, all over-quota tariffs are very high (between 200 and 300 percent). In Japan, butter tariffs are much higher than those on fluid milk, while the lowest tariffs are placed on cheese.

Figure 3-1
Dairy products: Tariff equivalents for Mexico, Brazil, and Argentina, 2000



Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

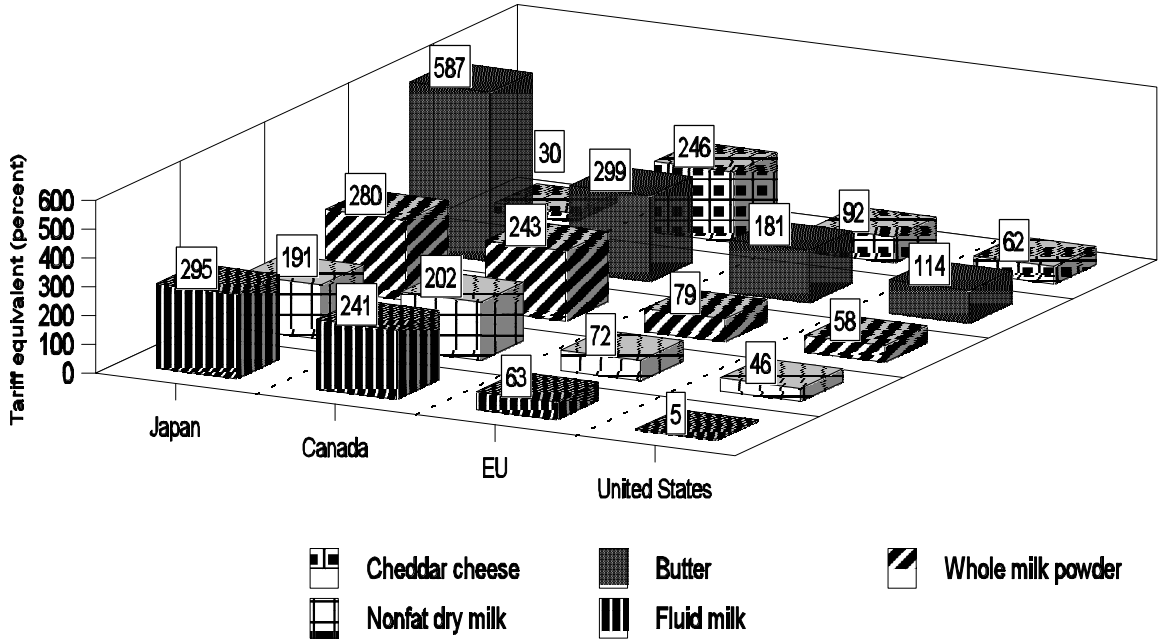
Figure 3-2
Dairy products: Tariff equivalents for Korea, Indonesia, and the Philippines, 2000



Note.–Korean imports of nonfat milk, whole milk powder, and butter are subject to TRQ restrictions, and over- quota rates are reflected above. Korean in-quota duties are 20 percent for nonfat dry milk and 40 percent for whole milk powder and butter.

Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

Figure 3-3
Dairy products: Tariff equivalents for Japan, Canada, the EU, and the United States, 2000



Note.--U.S. and Canadian imports of fluid milk, whole milk powder, butter, and cheddar cheese are subject to TRQ restrictions, and over-quota ad valorem equivalent rates are reflected above. In-quota tariff rates on fluid milk, nonfat dry milk, whole milk powder, butter, and cheddar cheese are 1.4 percent, 1.8 percent, 3.6 percent, 9.1 percent, and 16 percent, respectively, for the United States, and 7.5 percent, 1.2 percent, 1.2 percent, 5.7 percent, and 1.1 percent, respectively, for Canada. Japan imports of fluid milk, nonfat dry milk, whole milk powder, and butter are subject to TRQ restrictions, and over-quota rates are reported above. Japan's in-quota tariff rates are 25 percent for fluid milk, and 29.8 percent for nonfat dry milk, whole milk powder, and butter. EU imports of nonfat dry milk, butter and cheddar cheese are subject to TRQ restrictions, and the over-quota rates are reflected above. In-quota EU tariffs are 27.4 percent for nonfat dry milk; 76.1 percent for butter; and 11.6 percent for chedder cheese.

Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

By contrast, in the United States, Korea, and Latin America, tariffs on fluid milk are significantly lower than on processed products. In Mexico, tariffs escalate from fluid milk at 10 percent to 128 percent for milk powder and 125 percent for cheese. In Brazil and Argentina, tariffs escalate slightly from 15 percent on fluid milk to between 19 percent and 27 percent on processed dairy products. In Indonesia, however, there is no tariff escalation, as all tariff rates are set at 5 percent.

CHAPTER 4
Sugars and Sugar-Containing Products

Introduction

For the purposes of this study, the sugars and sugar-containing products (SCP) sector primarily consists of products included in chapter 17 and chapter 18 of the Harmonized Tariff Schedule (HTS) of the United States, with one product included from chapter 4. The four sub-sectors classified under this category include (1) refined sugar, whether or not containing added coloring or flavoring (HS items 1701.91 and 1701.99); (2) refined SCPs, specifically, sugar confectionery (HS items 1704.10 and 1704.90) and chocolate and other food preparations containing cocoa (HS items 1806.10, 1806.20, 1806.31, 1806.32, and 1806.90); (3) high fructose corn syrup (HFCS) (HS items 1702.40 and 1702.60); and (4) all other natural sweeteners, including honey (HS item 0409), maple sugar and maple syrup (HS item 1702.20), dextrose and glucose syrups (HS item 1702.30), fructose (HS item 1702.50), invert sugars (HS item 1702.90), and molasses (HS items 1703.10 and 1703.90). The last two sub-sectors, (3) and (4), are included in the sugar and SCP sector analysis because of their sweetening capabilities and, in some cases, because of their substitutability for refined sugar. Raw sugar, although considered to be a first-staged processed product, is not included in the analysis, as it is deemed unfit for human consumption and cannot be directly consumed or added to products in its raw form.

Trends in U.S. exports varied across the four sub-sectors from 1996-2000. The total value of refined sugar exports fell by 66 percent between 1996 and 2000 to about $31 million (table 4-1). U.S. exports of refined sugar fluctuate from one year to the next. The United States is a net importer of refined sugar and exports very little sugar onto the world market because the U.S. sugar program (see Domestic Policy section below) effectively raises the internal price for sugar and discourages exports of sugar at low world market prices. Thus, when discussing potential markets and barriers that exist for U.S. refined sugar exports in this study, it will be done in the hypothetical (i.e., assuming that U.S. sugar producers have an incentive to export).

U.S. exports of sugar confectionery, chocolate, and other food preparations containing cocoa rose by 32 percent from 1996 to 2000, reaching nearly $779 million (table 4-1). The two largest markets for U.S. sugar and cocoa confectionery items are Canada and Mexico, with approximately 60 percent of U.S. exports in this sub-sector directed to these NAFTA countries in 2000. Exports to Mexico increased significantly, rising by 235 percent in the five year period 1996-2000. U.S. exports to the Philippines, the third largest market, rose by 74 percent between 1996 and 2000, reaching a value of almost $39 million (table 4-1). Trade data indicate that other Asian markets such as Japan, Korea, Hong Kong, Taiwan, and Singapore have the potential for increased U.S. exports of these SCPs. The EU, a mid-sized market for the United States, also exhibits increased export potential for sugar and cocoa confectionery items, but only if the policy scheme for imports of SCPs is revised in the EU. In 2000, U.S. exports to the EU were valued at approximately $25 million (table 4-1).

Table 4-1
Sugars and sugar-containing products:[1] U.S. exports to principal markets and to markets with the potential for expanded U.S. exports, 1996-2000

Items	1996	1997	1998	1999	2000	Change, 2000 over 1996
	1,000 dollars					Percent
Refined sugar:[2]						
Jamaica	15,131	14,888	10,144	9,500	10,066	-33
Canada	6,192	1,849	6,807	6,052	6,982	13
Mexico	9,064	10,398	9,082	6,986	4,788	-47
Japan[3]	341	503	593	418	424	24
Russian Federation[3]	13	989	299	60	242	1,762
All other	59,332	23,220	22,590	22,225	8,374	-86
Total	90,073	51,847	49,515	45,241	30,876	-66
Sugar confectionery; chocolate; and other food preparations containing cocoa:[4]						
Canada	236,339	270,320	265,532	268,073	283,952	20
Mexico	54,127	48,168	61,137	75,864	181,458	235
Philippines	22,106	35,460	18,680	31,450	38,542	74
EU[3]	38,438	49,581	33,480	27,815	25,062	-35
China	5,590	9,793	8,020	13,014	19,547	250
All other	231,751	252,944	201,035	188,123	229,684	-1
Total	588,351	666,266	587,884	604,339	778,245	32
HFCS:[5]						
Mexico	59,651	62,829	58,131	55,187	45,031	-25
Canada	6,795	20,618	49,814	27,830	25,322	273
Japan	5,171	7,256	7,612	12,084	20,786	302
EU[3]	1,998	586	574	1,615	1,236	-38
China[3]	681	373	0	53	1,540	126
All other	4,246	10,159	6,962	6,673	7,583	79
Total	78,542	101,821	123,093	103,442	101,498	29
Other natural sweeteners:[7]						
Canada	53,902	54,895	57,748	55,662	60,022	11
EU	30,675	25,051	23,526	32,098	27,516	-10
Mexico	21,471	13,883	14,453	9,795	14,667	-32
Japan	12,786	15,262	23,796	13,194	10,699	-16
Brazil	1,437	1,445	2,596	2,734	5,524	284
All other	41,671	38,334	36,456	42,188	36,674	-12
Total	161,942	148,870	158,575	155,671	155,102	-4
Grand total	918,908	968,804	919,067	908,693	1,065,721	16

[1] Sugar-containing products are those classified in HS chapters 17 and 18.
[2] Includes HS numbers 1701.91 and 1701.99.
[3] Denotes a potential market.
[4] Includes HS numbers 1704.10, 1704.90, 1806.10, 1806.20, 1806.31, 1806.32, and 1806.90.
[5] Includes HS numbers 1702.40 and 1702.60.
[6] Includes HS numbers 0409.00, 1702.20, 1702.30, 1702.50, 1702.90, 1703.10, and 1703.90.

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

U.S. exports of HFCS were valued at about $101 million in 2000, an increase of 29 percent from 1996 levels. Mexico, Canada, and Japan are the three most important destinations for U.S.-produced HFCS. Although exports to Mexico fell by 25 percent between 1996 and 2000, owing to the imposition of anti-dumping duties by Mexico on U.S. HFCS in 1997, the country is still the largest importer of U.S.-produced HFCS. Exports of HFCS to Mexico comprised about 44 percent of U.S. HFCS exports in 2000. Exports to Canada and Japan have shown a significant increase since 1996, rising by 273 percent and 302 percent, respectively. The EU is a potential market for U.S. HFCS, however, given the high over-quota tariffs on isoglucose (HFCS), the market is essentially untapped by U.S. exporters. Countries in South America such as Argentina and Venezuela serve as potential growth markets for U.S. HFCS exports, although U.S. exports to these countries are not currently substantial relative to other markets. In recent years, there has been a great degree of consolidation in the global HFCS industry, and U.S.-based companies have started to move production into other markets to serve as the major domestic suppliers in those markets (e.g., Mexico and Argentina).[1]

Exports of all other natural sweeteners have fallen slightly in recent years, dropping from $161 million in 1996 to $155 million in 2000 (table 4-1). Approximately 41 percent of all exports in this sub-sector are dextrose and glucose syrups, valued at about $64 million in 2000, up from $63 million in 1996. The primary markets for dextrose and glucose syrups are Canada and Mexico. Invert sugars are the second-largest export in this sub-sector, with exports of $29 million in 2000. U.S. molasses exports totaled only $18 million in 2000, down from $27 million in 1996. Canada is the major market for both invert sugars and molasses. Honey exports were $8 million in 2000, down from $9 million in 1996. Germany is the primary market for U.S. exports of honey.

Policy Environment in Selected Markets

In general, most sugar-producing nations in the world provide some sort of domestic support for their sugar producers. The support often involves combinations of price support policies, production controls, import controls (e.g., administration of tariff-rate quotas (TRQs),[2] high tariffs on sugar and SCPs, and the application of special safeguard tariffs), and, in some cases, export subsidies to rid the domestic market of excess sugar. The protective nature of the sugar market in key producing nations such as the United States, the EU, Japan, India, China, Brazil, and Mexico affects not only the market for refined sugar, but also the market for SCPs (e.g., sugar confectionery) and substitutes for refined sugar (e.g., HFCS). Protected domestic sugar markets are often accompanied by high external tariffs for products containing refined sugar or for products that serve as direct substitutes for refined sugar.

[1] F.O. Licht, "World HFS Continues to Consolidate," *International Sugar and Sweetener Report,* Vol. 132, No. 16, May 26, 2000.

[2] A TRQ is an import quota under which a low in-quota tariff is charged for imports within the quota and a higher over-quota tariff is charged for imports beyond the quota.

The United States administers domestic support measures for U.S. producers of cane and beet sugar. U.S. sugar producers are offered the opportunity to place their sugar (raw or refined) under loan at a predetermined loan rate, which is above the world market price.[3] If the domestic price falls below the loan rate, the U.S. producers have the opportunity to forfeit their sugar to the government, or more specifically, to the Commodity Credit Corporation (CCC), receiving the loan rate as the price for their sugar. The high internal price offered by the loan rate program provides no incentive for domestic producers to export refined sugar at low world market prices. Essentially the only sugar exported from the United States is as a result of the sugar re-export program, which offers cane sugar refiners the opportunity to import raw cane sugar duty-free (or at low, in-quota tariff rates) on the condition that the equivalent amount of refined sugar is re-exported as either refined sugar or as an ingredient in a refined SCP. The refined sugar re-export program is similar to the inward processing relief (IPR) program that the EU administers for specified SCPs. In both cases, manufacturers of SCPs are provided access to world price sugar as long as the product containing the sugar is re-exported. There are differences between the re-export and IPR programs, but the intent is the same, which is to allow manufacturers of SCPs to maintain their competitiveness in export markets by forgoing the purchase of high-priced domestic sugar as an input. The United States has no production or import restrictions on HFCS. The only other product in this sector for which the United States offers any support is honey. As with sugar producers, honey producers can place their honey under loan with the CCC. If the market price drops below the loan rate, the producer may forfeit the honey and receive 65 cents per pound.[4] If the producer chooses not to place the honey under loan, he or she is still eligible for a deficiency payment in the amount of the difference between the loan rate and the prevailing market price.

In the EU, the internal price support for sugar is coupled with production, guaranteeing the producer a fixed price for a fixed quantity of production. The EU provides high price supports to its producers by maintaining domestic production quotas on sugar and HFCS, administering TRQs on sugar, and assessing high tariffs on HFCS and SCPs (see box 4-1). Also, the EU ensures the elimination of surplus sugar from the domestic market by offering export refunds (export subsidies) on refined sugar. In order to compensate manufacturers that use sugar as an input in production, the EU offers export refunds on selected SCPs and allows for the use of imported sugar through the IPR system. With respect to other sweeteners, the EU enforces production quotas on HFCS and inulin to limit the supply of substitute sweeteners.

In the case of Brazil, the sugar industry is no longer supported by price supports, production controls, and production subsidies, but rather is implicitly subsidized by the fuel alcohol program (known as PROALCOHOL).[5] Through the PROALCOHOL program, producers of fuel alcohol (ethanol derived from sugarcane) are granted production subsidies, which provides production incentives for the producers of sugarcane. As a result of the program,

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[3] See USITC *Industry & Trade Summary: Sugar*, USITC Publication 3405, March 2001, for detailed information on U.S. sugar policies.

[4] This non-recourse feature is a recent change to the loan rate program. The recourse, non-purchase loan rate program for honey was changed to a non-recourse, purchase program as a result of the passage of the Agricultural Appropriations Act on Oct. 6, 2000.

[5] F.O. Licht, "Leaders and Laggards in the World Sugar Markets," *International Sugar and Sweetener Report*, Vol. 132, No. 19, June 28, 2000.

Box 4-1: Policies on sugars and SCPs in the EU

The EU sugar regime consists of an intricate set of policy tools: (i) a TRQ regime; (ii) price supports (i.e., price guarantees); (iii) production quotas for sugar, HFCS, and inulin; and (iv) export subsidies for sugar and selected SCPs (Non-Annex I products).[1]

The EU TRQ regime for sugar consists of four types of import quotas (preferential, special preferential, MFN, and OCT), low or duty-free in-quota tariffs, highly prohibitive over-quota tariffs, and an import licensing scheme with short periods of validity.[2] "Preferential" import quotas guarantee duty-free access for ACP countries that are beneficiaries of the Lomé Protocol on Sugar (Protocol 8) and duty-free access for India (under a special bilateral agreement).[3] In 1999, the EU imported 1.87 million metric tons of sugar, approximately 1.7 million metric tons of which entered as "preferential sugar" exported from ACP countries under Protocol 8. Once the ACP sugar is imported into the EU, it is freely circulated and is eligible for the same subsidies as EU-produced sugar. "Special preferential" import quotas provide access at special reduced rates of duty for imports of raw cane sugar that originate in ACP states or India and that are designated for processing into refined sugar. Only four EU countries (Finland, continental France, mainland Portugal, and the UK) are permitted to import under this "special preferential" TRQ. "MFN" import quotas are annual quotas that are designed for imports of raw cane sugar from third countries (i.e., not ACP countries or India) that supply EU refineries. In 1999, the "MFN" TRQ was fixed at 85,465 metric tons, of which Cuba received 69 percent, Brazil 28 percent, and other third countries received three percent.[4] The fourth and final sugar TRQ is the "overseas country and territories" (OCT) import quota that applies to imports of sugar that originate in ACP countries, are processed in OCT, and then exported to the EU.

The internal price support guarantees a fixed price for a fixed quantity of production to processors of refined sugar. The quantity of production that receives the price support is limited by production quotas–"A" and "B" quotas–that were implemented on July 1, 1968. EU member states allocate "A" and "B" quota amounts to each sugar-producing operation in their country.[5] The "intervention price" (IP) is then used to determine the effective price support for each production quota category. "A" quota sugar production receives the highest price support and "B" quota sugar production receives a lower price support.

The producers of "A" quota sugar are levied a tax equal to 2 percent of the IP, thus their effective price support is 98 percent of the IP, and producers of "B" quota sugar are levied a tax equal to 32 percent of the IP, so their effective price support is equal to 68 percent of the IP. Until June 2001, the price support was augmented by a storage rebate that was paid annually to sugar producers to ensure the orderly marketing of sugar throughout the year;[6] however, the storage rebate is no longer available.[7] Any sugar produced beyond the "A" and "B" sugar quotas is considered "C" sugar production and receives no price support and must be sold on the world market without an export subsidy, or carried over to the following marketing year.

(Continued-next page)

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[1] Vrolijk, B., "Sugar Regime of the European Union." Paper presented at the Cuba/FAO International Sugar Conference, Havana, Cuba, 7-9 Dec. 1999.

[2] ABARE, *Sugar: International Policies Affecting Market Expansion*, 1999.

[3] USDA, FAS, *European Union: Sugar Annual*, Brussels, GAIN Report No. E20041, Apr. 10, 2000.

[4] USDA, FAS, *European Union: Sugar Annual*, Brussels, GAIN Report No. E29036, Mar. 29, 1999.

[5] "A" and "B" quota amounts are also allocated to each isoglucose-producing (corn syrup) operation and each inulin syrup-producing operation in member countries.

The IP operates similarly to the CCC loan rate program in the United States in that the price is set at a level above the world price and in that it serves as a guaranteed purchase price (price floor) for producers so that when (or if) the domestic market price falls below the IP, government agencies will purchase the sugar at the IP and store the sugar. Also similar to the U.S. sugar program, processors are required to offer growers of sugar beets a minimum price known as the "basic beet price." The IP is maintained through limiting imports via high tariffs and import quotas and via subsidizing exports (i.e., offering refunds/restitution to EU exporters of sugar) to prevent excess stocks from accruing and driving down the domestic market price.[8]

"A" and "B" production surplus in the EU (i.e., EU production minus overall EU consumption) along with the amount of ACP imports under the preferential import quota is exported onto the world market with export subsidies, while "C" sugar is exported without EU assistance. Production surplus sugar and ACP sugar is granted a refund equal to the difference between the domestic market price in the EU and the world market price. Each week exporters bid for the level of restitution needed in order to make their sugar competitive on the world market.

The EU also offers export refunds for SCPs, which are products resulting beyond the first stage of processing (e.g., chocolate, cookies, and ice cream). The reasoning for the refund is that producers of these products are at a competitive disadvantage in export markets because they are required to use high-priced EU sugar as an input.[9] The export refund is intended to compensate the manufacturers so as to make their products competitive in world markets. The export subsidies are calculated based upon the amount of refined sugar contained in the product.[10] Recently the EU has been constrained by its sugar export subsidy commitment levels in the WTO and has taken three actions to reduce the level of Non-Annex I subsidies: (1) removed products from the Non-Annex I eligibility list; (2) reduced the level of the refunds; and (3) increased the use of inward processing relief (IPR).[11]

In the case of sugar, the IPR system allows EU exporters of eligible SCPs to import sugar duty-free and not subject to the TRQ on the condition that the products containing the sugar are re-exported without export subsidies. IPR is supposed to compensate EU exporters in much the same way that the export subsidy does, but the compensation is not subject to EU export subsidy reduction commitments in the WTO. EU manufactures have complained that the IPR system is much more administratively cumbersome than was the export subsidy system, cumbersome to the point that it discourages manufacturers from using the system.[12] There are conditions placed on manufacturers that use IPR.[13] One major condition is that the exact sugar that was imported is the sugar that must re-exported, not simply the equivalent amount of sugar. This requires EU manufacturers to run two separate production lines–one local and one export. Industry sources in the EU have indicated that changing production lines is nearly impossible.[14]

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[6] Deutsche Bank AG European Equity Research, "The Beet Goes On: The European Union's Sugar Policy and its Impact on Sugar Companies," Apr. 11, 2001.

[7] F.O. Licht, "European Union Sugar Regime Extended," *International Sugar and Sweetener Report*, Vol. 133, No. 17, June 2001.

[8] ABARE, *Sugar: International Policies Affecting Market Expansion*, 1999.

[9] USDA, FAS, *European Union: Sugar Annual*, Brussels, GAIN Report No. E20093, July 24, 2000.

[10] Note that the dairy, cereal, and egg components are also subsidized, so a product such as a chocolate bar could receive more than one Non-Annex I export refund.

[11] USITC staff interviews with European Government and industry representatives, May 21, 2001.

[12] Ibid., May 21, 2001 and May 22, 2001.

there exists a surplus of sugar in the Brazilian market, resulting in low refined sugar prices, and thus low input prices for manufacturers of SCPs. Low sugar prices in Brazil increase the competitiveness of Brazilian refined sugar and SCPs in both domestic and export markets. Brazil does not provide support for other sweeteners.

Other countries of interest for their domestic sugar policies are Japan, India, China, and Mexico. In Japan, the domestic sugar policy includes price supports for sugarcane, sugar beets, and raw and refined sugar, production controls on sugar beets, and indirect government assistance.[6] The Japanese government is able to maintain a high internal price for sugar through the imposition of high tariffs and through taxation of domestic producers of HFCS and sugar refiners.[7] In India, the sugar market is highly regulated through production quotas on sugarcane and processing quotas on milled cane. The market price of sugar is influenced by the Indian Government, which controls the level of free sale domestic sugar and imported sugar.[8] China also provides price supports for its sugar producers and limits imports of sugar. China closed 9 of its 14 artificial sweetener plants and limits imports of artificial sweeteners. Production and imports of HFCS have not been limited in China. The Mexican Government supports sugar producers through the setting of 'reference prices' for sugar and offers marketing subsidies, crop insurance premiums, input subsidies, and technical assistance.[9] Trade in sugar in Mexico is regulated, and in the last three years, imports of sugar have been nonexistent. Mexico does not have production or import quotas on HFCS; however, compensatory duties have been in place against U.S. exports of HFCS since 1997 as aresult of an anti-dumping investigation.[10]

Tariff Barriers

Some of the highest tariffs in the world are for refined sugar and SCPs. High tariffs (and NTBs) are often placed on imports of other sweeteners such as HFCS to discourage domestic manufacturers from substituting lower cost sweeteners for sugar. One common feature in tariff applications among countries that limit imports of sugar and SCPs is to apply special safeguard tariffs (SSGs) in addition to the actual duty. Countries notify the application of SSGs to the WTO when they are applied. SSGs are either price-based or volume-based. Volume-based SSGs apply when imports reach the "trigger quantity" and

[6] Australian Bureau of Agricultural and Resource Economics (ABARE), *Sugar: International Policies Affecting Market Expansion*, (Canberra, Australia: ABARE, 1999).

[7] LMC International, "A Study of Sugar Policies in Selected Countries," Aug. 25, 1997.

[8] LMC International, "A Study of Sugar Policies in Selected Countries," Aug. 25, 1997.

[9] LMC International, "A Study of Sugar Policies in Selected Countries," Aug. 25, 1997.

[10] In 1999, the United States requested the establishment of a WTO dispute settlement panel to review the Mexican antidumping action on HFCS. The Panel found that Mexico's imposition of antidumping duties against the United States was inconsistent with the requirements of the WTO Antidumping Agreement. See Report of the Panel (WT/DS132/R, 28 January 2000) for further information. Mexico claimed to have brought itself into compliance with the Panel's findings; however, on June 22, 2001, the original Panel released a report (DS132/RW) that concluded that Mexico had failed to implement the Panel's recommendations regarding the country's antidumping investigation of HFCS from the United States.

price-based SSGs apply when import prices fall below the notified "trigger price." The United States, the EU, Chile, Argentina, and Andean Pact countries apply SSGs in addition to the actual duty.

Refined Sugar

In the United States, differential tariffs are assessed on imports of refined sugar. Mexico receives in-quota duty-free access and special preferential over-quota access to the U.S. sugar market as a result of a TRQ on sugar negotiated solely for Mexico under NAFTA. As a result of the TRQs scheduled during the Uruguay Round for WTO countries,[11] U.S. in-quota tariffs on refined sugar are rather low (i.e., 3.6606 cents per kilogram or 16.7 percent ad valorem equivalent (AVE)), but over-quota tariffs on refined sugar are so high that they are generally prohibitive (i.e., ranging between 163 and 195 percent AVE).[12] Countries with GSP status receive duty-free in-quota access to the United States, as do Canada, Israel, CBERA countries, and ATPA countries. Price-based SSGs are automatically assessed on all over-quota imports (excluding products from Mexico and Canada), effectively raising the over-quota tariff by the level of the applicable SSG. In the United States, the level of the SSG is inversely related to the value of the imported product, so it is not uniform across shipments. The higher the value of the imported product, the lower is the SSG applied.[13] Mexico is the only country that receives preferential over-quota access to the United States for refined sugar.

In the EU, a TRQ is maintained on imports of refined sugar. In-quota tariffs are zero and over-quota tariffs are **i** 41.9 per 100 kilograms. The EU, like the United States, automatically applies a price-based SSG to all over-quota imports of refined sugar. Thus, the actual tariff that applies to over-quota imports of refined sugar in the EU equates to approximately 238 percent AVE.[14]

Japan assesses some of the highest tariffs on refined sugar in the world. Tariffs on refined sugar in Japan of ¥106.2 per kilogram (449 percent AVE) effectively prohibit imports of refined sugar into the country.[15] As a result, Japan imports only raw sugar for refining by the domestic industry. India is another country that applies high tariffs to discourage imports of sugar. The bound tariff rate on refined sugar in India is 150 percent, but the applied rate is generally below that level. The Government of India has the capability to raise and lower the tariff on sugar when it deems such actions necessary. In late 1999, the Government of India raised the tariff on refined sugar from 27.5 to 40 percent. In 2000, the import duty was raised

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[11] The U.S. refined sugar TRQ totals 22,000 tons, 10,300 tons of which are allocated to Canada, 2,954 tons to Mexico, and the remainder allocated on a first-come, first-served (FCFS) basis.

[12] Calculation of the percent AVE is based upon 2000 world prices for refined sugar and 2000 tariffs. AVEs include the SSG rates assessed on over-quota imports of refined sugar found in chapter 99, subchapter 4 of the HTS.

[13] SSG rates are provided for in chapter 99, subchapter 4 of the HTS.

[14] Calculation of the percent AVE is based upon 2000 world prices for refined sugar and 2000 EU tariffs. The AVEs include the SSG rates assessed on over-quota imports of refined sugar.

[15] Calculation of the percent AVE is based upon 2000 world prices for refined sugar and 2000 Japan tariffs.

further to 60 percent plus an additional duty of $20 per metric ton.[16] Mexico also assesses prohibitively high tariffs on refined sugar. Its TRQ on refined sugar has a duty-free in-quota rate and a 39.586 cents per kilogram (180 percent AVE) duty on over-quota imports. Refined sugar tariffs in China and Korea are 73.8 percent and 50 percent, respectively.

Another significant tariff barrier for refined sugar is the price band system applied in some of the South American markets. The price band system is designed to raise tariffs when world prices are low and lower the tariffs when world prices are high.[17] Each year a floor and ceiling price are set in the respective countries and if the reference price for sugar (Contract No. 5, London Board of Trade) falls below the floor price, an additional tariff is added to the ad valorem tariff to reach the level of the price floor, and vice versa. Often, the price band raises the tariff above the bound rate on sugar. The price band operates as a variable levy and creates uncertainty for exporters. The price band protects domestic producers by effectively limiting imports and guaranteeing that all domestic production is marketed.[18] Chile maintains a price band system on imports of raw and refined sugar. The Andean Pact countries maintain a price band system on raw and refined sugar, but other products covered by the system include HFCS, flavored syrups, dextrose and glucose syrups, and cane molasses. According to an industry representative, high-priced domestic sugar in Chile and Andean Pact countries causes manufacturers that use sugar as an input to be less competitive in export markets.[19]

Refined SCPs

As mentioned earlier, in an effort to protect domestic sugar producers, countries often impose restrictive measures on imported sugar-containing food and beverage items. Japan, India, Korea, and China maintain some of the highest tariffs for refined sugar containing added flavoring: 448.6 percent AVE, 100 percent, 50 percent and 73.8 percent, respectively. Korea, China, and Mexico assess some of the highest tariffs on beverages containing sugar: 88.9 percent, 50 percent, and 30.1 percent AVE, respectively. Mexico, the EU, India, and Japan maintain some of the highest tariffs on cocoa products containing sugar: 103.8 percent AVE, 84.5 percent AVE, 35 percent, and 29.8, respectively.

Two markets that administer the most complex tariff structure for SCPs are the United States and the EU. In the United States, a TRQ is placed on practically all SCPs,[20] with in-quota tariffs ranging between 0 percent and 10 percent and over-quota tariffs ranging between 17.1 percent AVE and 84.8 percent AVE.[21] Over-quota imports are automatically subject to SSGs. Cocoa products containing sugar have some of the highest over-quota tariffs, ranging between 21.5 cents per kilogram (56.2 percent AVE) and 33.6 cents per kilogram (84.8 percent AVE). Beverages containing sugar (i.e., instant coffees and teas) face over-quota tariffs between 17.1

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[16] USDA, FAS, *India: Sugar Annual*, New Delhi, GAIN Report No. IN0019, Apr. 10, 2000.

[17] USDA, FAS, *Venezuela: Andean Pact Price Bands*, Caracas, GAIN Report No. VE5014, June 19, 1995.

[18] USDA, FAS, *Chile: Wheat, Sugar, and Vegetable Oil Price Bands*, Santiago, GAIN Report No. CI1019, June 15, 2001.

[19] USITC staff interview with Chilean industry representative, June 5, 2001.

[20] The U.S. SCP TRQ totals 64,709 tons, 90 percent of which is allocated to Canada and the remainder on a FCFS basis.

[21] The AVEs include the SSG rates assessed on over-quota imports of refined sugar.

percent AVE and 40.7 percent AVE. The tariff imposed on sugar confectionery items is 40 cents per kilogram, which, once the safeguard is included, equates to about 29.5 percent AVE.

The tariff structure for SCPs in the EU is more complex than in any other markets, resulting in extremely high duties on these products. The varying types of tariffs that apply for SCPs are (1) an ad valorem tariff; (2) a compound tariff (ad valorem plus a specific tariff); (3) a standard ad valorem tariff plus an additional specific tariff based upon the agricultural component; and (4) a standard ad valorem tariff plus another additional specific tariff based upon added sugar and flour. Tariff types vary by tariff classification. If either (3) or (4) is applied, then determining the actual tariff level becomes extremely cumbersome and complicated. The EU uses a complex matrix that includes 504 codes (known as the Meursing table) to classify imported products based upon their agricultural component.[22] More specifically, the products are classified in the Meursing table by the percentage of weight of four agricultural components: milk fat, milk proteins, sugar/invert sugar/isoglucose, and starch/glucose. To calculate the actual tariff for the imported SCP, the appropriate Meursing code must be obtained with the corresponding additional specific tariff rate. SCPs under HS subheadings 1704.90 (sugar confectionery items), 1806.20 and 1806.90 (cocoa preparations), and 1806.31 and 1806.32 (filled and unfilled cocoa preparations) are all subject to additional tariffs based upon their sugar content, as found in the Meursing table. For example, the tariff on bulk chocolate is 8.3 percent plus EA MAX 18.7 percent plus AD S/Z.[23] To simplify, the applied tariff is the smaller of 8.3 percent plus a specific tariff on the agricultural components (EA), or 18.7 percent plus a specific tariff on the added sugar (AD S/Z). Not all SCPs are subject to additional tariffs found in the Meursing table. SCPs under HS subheading 1806.10 (cocoa powder containing sugar) and 1704.10 (chewing gum), for instance, are instead subject to compound tariffs to which a maximum duty applies. The tariff on chewing gum containing less than 60 percent sugar by weight is 6.2 percent plus **i** 27.1 per 100 kilograms; however, if this tariff exceeds 17.9 percent, then the maximum duty that applies is 17.9 percent.[24]

HFCS

In most countries, tariffs for HFCS can be high enough to limit the amount of substitute sweeteners available in the domestic market. One exception is the United States, where tariffs on HFCS are only 5.1 percent. In the EU, tariffs on isoglucose (HFCS) range between 142.5 percent AVE and 230.1 percent AVE. In Japan, compound tariffs are applied, resulting in AVEs between 64.5 percent and 208.5 percent. In other potential markets for U.S. HFCS, tariffs are much lower, but still high enough to curtail imports. For example, tariffs on HFCS are 34 percent in China, 19 percent in Mercosur countries (except in Argentina where tariffs on most food items were recently raised to 35 percent), 8 percent in Korea, 35 percent in India, and 15 percent in Venezuela.

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[22] The Meursing table is also used to determine the level of export refunds for EU manufacturers of processed food products based upon the sugar content for certain processed food products (i.e., Non-Annex I products).

[23] Example provided in "Commodity focus: How does the CAP work in practice for non annex I?" Joan Noble Associates Ltd., 2000.

[24] Ibid.

One of the biggest barriers to U.S. exports of HFCS is the anti-dumping duties assessed by the Government of Mexico. These anti-dumping duties are company-specific and range from $63.8/ton to $100.6/ton for HFCS-42, while anti-dumping duties on HFCS-55 range from $55.4/ton to $175.5/ton. Mexico was the largest market for U.S. exports prior to the implementation of U.S. company-specific compensatory duties in 1997.

Other Natural Sweeteners

Tariffs on other natural sweeteners are generally lower than those on sugars or SCPs. In general, developing countries assess the highest tariffs in this sub-sector. The exception to this is honey, where it is difficult to classify tariffs by country, region, or development status. For honey, the United States and Canada assess duties of 1.9 cents per kilogram and zero, respectively. Japan, the EU, India, and Argentina apply tariffs of 25.5 percent, 17.3 percent, 35 percent, and 19 percent, respectively, while Korea subjects honey to a TRQ. Tariffs on maple sugar and maple syrup hover around 20 percent in Mercosur and other Latin American countries, while tariffs are zero in Canada and the United States and 8 percent in the EU. Some of the higher tariffs in this sub-sector are found for cane molasses, ranging between 8 and 48 percent in selected developing countries such as China, India, Argentina, Brazil, Hungary, and Venezuela. Invert sugars and dextrose/glucose syrups have tariffs in the aforementioned countries that range from 5 percent to 35 percent and 8 percent to 35 percent, respectively.

Regional Trade Agreements

Most regional trade agreements (RTAs) between countries do not include sugar. For example, sugar is excluded from Mercosur[25] and all 28 of the EU's RTAs. One exception is NAFTA, where provisions were included for sugar between the United States and Mexico. Preferential trading arrangements (e.g., Generalized System of Preferences) do exist in the sugar market, with several countries granting preferential tariff and market access.

RTAs do include SCPs, HFCS, and other natural sweeteners and thus may affect trade in these products. Tariffs between the Mercosur countries were reduced to zero on SCPs, HFCS, and all other sweeteners. The United States and other exporters to Mercosur countries, however, face common external tariffs of 23 percent on sugar confectionery, 21 percent on cocoa powder containing sugar, 23 percent on all other cocoa preparations, and 19 percent on HFCS and other natural sweeteners.

[25] Internal tariffs on sugar remain at 20 percent between Mercosur countries.

U.S. exporters face a similar tariff situation with respect to Andean Pact countries. Internal tariffs are zero for most processed food items between Andean Pact member-countries, while common external tariffs on chewing gum, sugar confectionery, chocolate confectionery, maple sugar and maple syrup, and invert sugars are 20 percent; tariffs on HFCS and cane molasses are 15 percent; and tariffs on dextrose and glucose syrup and chemically pure fructose are 5 percent.[26]

The EU has several RTAs that may affect U.S. exports of SCPs and other natural sweeteners. The agreements that the EU has with selected Central and Eastern European Countries (CEECs)[27] have lowered tariffs on many SCPs in recent years. For sugar confectionery and chocolate confectionery items exported to the EU from most CEECs, the ad valorem component of the compound tariff is generally eliminated or considerably reduced from the common external tariff levels, and in some cases, only the agricultural component tariff is applied. For example, tariffs for chewing gum from most CEECs are equal to i 27.1 per 100 kilograms, whereas the common external tariff is equal to 6.2 percent plus i 27.1 per 100 kilograms. In 2000, the EU signed a "double zero" agreement with EU accession candidate countries (e.g., Hungary, Poland, Czech Republic), which completely eliminated tariffs on most food and agricultural items traded between these countries and the EU in preparation for EU integration. Sugar has not yet been included on the tariff and market access side, but all export subsidies have been eliminated on products traded between the EU and the accession candidate country. This reduction in export subsidies will allow the EU to devote those subsidies on sugar and Non-Annex I products to exports directed at other markets.

Under GSP, developed countries grant non-reciprocal tariff and market access preferences to a large number of developing or least developed countries. Degrees of preferential treatment differ among the Quad countries in this sector. GSP tariffs for most SCPs and other natural sweeteners in the United States and Canada are zero. GSP tariff preferences in Japan are only granted on a few items in this sector–cocoa powder containing sugar and all other cocoa preparations–and the tariffs are either free or 12.5 percent, which is half of the general rate of duty. In the EU, GSP has recently changed its form. The European Commission (EC) has passed an initiative that took effect on March 5, 2001 known as "Everything but Arms" (EBA). The EBA initiative completely eliminated tariffs and quotas for GSP countries on all items except arms; however, tariffs and quotas on sugar, rice, and bananas will not be eliminated until 2009.[28] The GSP tariffs on sugar in the EU remain equal to the general MFN rate of duty; however, there is preferential quota access for certain ACP countries as noted in box 4-1. The effects of the EBA legislation on the competitiveness of U.S. exports to the EU for this product sector are yet to be determined.

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[26] Tariffs for these items differ for Bolivia and Peru. Bolivia only applies external tariffs of 5 percent to 10 percent and Peru only applies external tariffs of 10 percent to 15 percent.

[27] CEECs engaged in RTAs with the EU include Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, and Slovenia.

[28] Duties on sugar will be reduced by 20 percent on July 1, 2006, by 50 percent on July 1, 2007, and by 50 percent on July 1, 2008.

Non-tariff Barriers and U.S. Industry Concerns

Most of the trade barriers for refined sugar are tariff-or TRQ-based; however, non-tariff barriers (NTBs) also exist. The effects of these non-tariff restrictions for SCPs, HFCS, and other natural sweeteners are more extensive, as these sub-sectors are affected by measures on both refined sugar and the final processed product. The following sections and table G-4 discuss several of the NTBs and concerns of the U.S. industry that exist for U.S. exports in this sector.

State Trading Enterprises

Exports of refined sugar are restricted by the existence of state trading enterprises (STEs). In India, imports are marketed solely through the Indian Sugar and General Industries Export Import Corporation, which is a joint venture between the government and milling companies.[29] Imported sugar is not permitted for sale in India except under government control. In Mexico, trade in sugar is regulated by the state through Azucar, S.A., but the actual trade is conducted by private traders.[30] No imports of sugar have entered Mexico since 1998.

Sanitary and Phytosanitary Restrictions

While non-tariff measures in the form of health and safety standards are generally not applicable to refined sugar, the issue of Genetically Modified Organisms (GMOs) affects most processed products, including refined sugar, and is a concern of the U.S. industry. Resistance to GMOs in many markets has had an effect on the use of U.S.-produced genetically-modified (GM) sugar beets. Recently, two large U.S.-based multinational candy companies made a decision to discontinue the use of GM-beet sugar, based upon public perception of GMOs.[31] Another concern for U.S. manufacturers and importers of U.S. SCPs (and essentially for all processed food products) is the stance taken by the EU on products containing GMOs.[32] The EU has recently proposed legislation on GMOs that would require that every export shipment to the EU list which GMOs are present.[33] Companies in the EU (including U.S.-based multinationals) are sourcing away from GMO products to avoid this potential labeling requirement.[34] There is a concern that the EU GMO legislation could cause manufacturers and importers globally to source non-U.S. produced products for fear of the detection of GMOs.

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[29] LMC International, "A Study of Sugar Policies in Selected Countries," Aug. 25, 1997.

[30] Ibid.

[31] Agra Europe, "Hershey challenged over use of GM ingredients," *Chocolate & Confectionery International*, Vol. 18, May 2001.

[32] USITC staff interview with industry representative, May 21, 2001.

[33] USITC staff interview with U.S. Government officials, May 21, 2001.

[34] Ibid., May 21, 2001 and May 23, 2001.

Registration, Food Additives, and Health Standards

For the sugar confectionery and chocolate confectionery industry, prohibitions on certain internationally accepted food colorings and additives (e.g., flavors and preservatives) can take on the characteristics of a NTB. U.S. exporters are often required to tailor their products to the requirements of each foreign market because there is no international harmonization of standards, and not all countries recognize the health and safety standards applied by the United States. For example, Japan only permits a limited range of colors, flavors, and emulsifiers. Japan restricts the use of colorings commonly used by U.S. producers, such as polysorbate 80 (an emulsifier) or aluminum, and restricts products containing the preservative sodium benzoate, which is FDA-approved. Countries such as Korea, Japan, Argentina, Chile, and Hungary limit imports of products to those containing accepted ingredients found on the individual country's Food Additive List and require U.S. exporters to go through an extensive approval process (often taking several months to a year) for products that contain additives not found on the list. Having new products accepted by the importing country often requires a substantial investment. For example, in Korea, approximately $10,000 worth of the product must be sent for testing.[35] Exporters often complain that Japan will disallow any shipments if there are minor issues with food additives. One company remarked that 147 changes to a product (sugar-containing mints) were required in order to obtain approval for exportation.[36]

One of the most serious concerns of U.S. exporters of confectionery products is the requirement for disclosure of proprietary information. Several existing and potential markets require that exporters reveal the ingredients and the manufacturing process for their products. Countries such as Korea, China, Japan, Indonesia, Taiwan, Hungary, Argentina, Chile, and Russia require that exporters provide this information upon importation of the product. In most cases, exact percentages (or ranges) of ingredients are required, and flow charts with percentage use of the raw material are also required. Revealing this information places the U.S. manufacturer in a vulnerable position, because its recipes could be copied and the product replicated by a domestic manufacturer in the importing country. Also, reporting such details can be quite cumbersome for exporters of confectionery items, because the list of ingredients can be quite extensive.[37]

TRQ Administration

The administration of TRQs is often a significant impediment to trade. Article XIII of the GATT, *Non-discriminatory Allocation of Quantitative Restrictions*, provides loose guidelines for administration of TRQs, and thus countries administer them in their own fashion. Countries choose varying methods for allocation of TRQs, some of which lead to

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[35] USITC staff interview with Australian industry association, Mar. 22, 2001.

[36] USITC staff interview with Australian industry association, Mar. 22, 2001.

[37] Washington State Department of Agriculture, *Exporting Washington State Agricultural Products*, June 1999.

TRQ 'underfill.'[38] TRQs are often administered through a complicated system of import and export licenses, creating a barrier to accessing the market. For example, Japan maintains a TRQ for native starches, of which the glucose and fructose TRQ is a subdivision. The most significant barrier to HFCS exports to the Japanese market is the import licensing system associated with the TRQ. The Japanese Government allocates all import licenses to a single entity, the Japanese Federation of Agricultural Cooperatives, a group whose membership consists of domestic HFCS producers in Japan that have an incentive to limit imports.

Often the size of the TRQ is a hindrance for exportation to some countries (e.g., chocolate TRQ in Hungary) as TRQ shares are not allocated in economically viable quantities for shipment.[39] Sometimes specific provisions or stringent requirements associated with the TRQs create problems for exporters. For example, in the case of exporting honey to Korea, companies must be members of the Korean Beekeeping Association to export at the in-quota tariff rate (20 percent). Otherwise, the duty paid is 253.8 percent. The minimum amount of honey for importation required by Korea is 40 tons annually. If the exporter cannot meet the 40 ton requirement (e.g., it is only able to export 20 tons), it cannot bid on the TRQ for the next 3 years. As a result, companies often export at the over-quota rate, which places their product at a competitive disadvantage in the Korean market.[40]

Export Subsidies

Export subsidies are considered by the U.S. industry to be a significant NTB to U.S. exports of refined sugar.[41] The EU subsidizes exports of refined sugar and in recent years, the large volume of subsidized refined sugar exports has distorted trade in the product and displaced non-subsidized exports from other countries.[42] The export subsidies are granted for both domestically produced refined sugar and refined sugar produced from imported raw sugar under the Lomé Agreement (see box 4-1).[43] Subsidized exports of sugar compete directly with unsubsidized exports on the world market, giving EU exporters an advantage. As a result of these policies, the EU is the second-largest exporter of refined sugar in the world, trailing only Brazil. Brazil also maintains a policy that implicitly subsidizes its sugar exports (see Domestic Policy section above).[44] Fuel alcohol subsidies in Brazil have provided production incentives, implicitly subsidizing sugarcane producers, and forcing surplus sugar onto the world market.[45]

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[38] See D.S. Boughner, *The Economics of Two-tiered Tariff-rate Import Quotas: An Empirical Application to the United States Dairy Industry*, M.S. thesis, Cornell University, Aug. 1999, for administration of the TRQ as it relates to low quota fill rates (i.e., TRQ 'underfill').

[39] USITC staff interview with Hungarian industry representative, May 17, 2001.

[40] USITC staff interview with Australian industry representative, Mar. 20, 2001.

[41] Testimony of Jack Roney and Jackie Theriot on behalf of the U.S. Sugar Industry, Committee on Agriculture, U.S. House of Representatives, May 23, 2001.

[42] ABARE, *Sugar: International Policies Affecting Market Expansion*, 1999.

[43] Ibid.

[44] F.O. Licht, "Leaders and Laggards in the World Sugar Markets," *International Sugar and Sweetener Report*, Vol. 132, No. 19, June 28, 2000.

[45] Ibid.

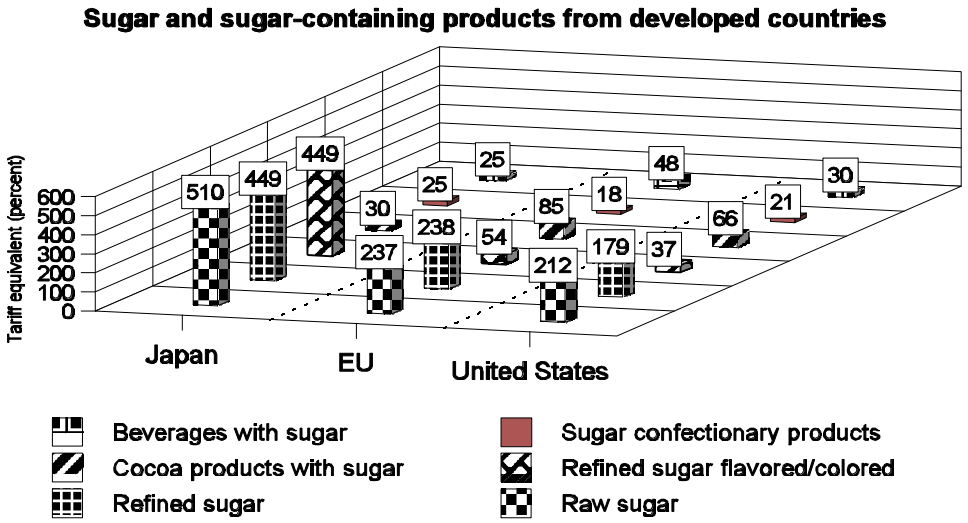
Tariff Escalation

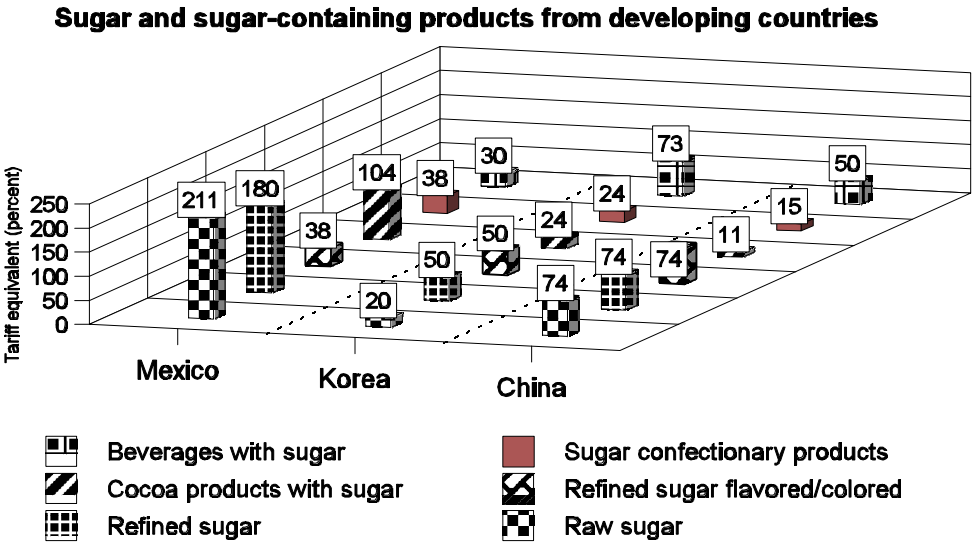
There are instances of both tariff escalation and tariff de-escalation for sugars and SCPs. In broader terms, whether escalation or de-escalation occurs depends upon the objective of the importing country. If the intent is to protect the domestic sugar producers (or corn producers in the case of HFCS), then it is more likely that tariff de-escalation will occur in that market. If the intent is to protect the domestic processing industry that uses sugar (or HFCS) as an input, then tariff escalation is the most probable scenario.

For the purposes of this study, two processing chains were examined to assess the prevalence of tariff escalation: the sugar chain and the corn sweetener chain. The products included in the sugar chain were raw sugar, refined sugar, refined sugar with added flavoring or coloring, cocoa products containing sugar, sugar confectionery products, and beverages containing sugar. Three developed countries (Japan, the EU, and the United States) and three developing countries (Mexico, Korea, and China) were selected for the analysis. Figure 4-1 provides a graphical depiction of the tariffs for the aforementioned products and countries. In the case of tariffs applied on raw and refined sugar and SCPs in developed countries (i.e., Japan, the EU, and the United States), the existence of tariff de-escalation is clear. That is, tariffs on sugar-containing food and beverage items are actually much lower than those tariffs on the inputs (i.e., raw and refined sugar), due to high levels of protection placed on the inputs. In Japan, AVEs on raw and refined sugar range between 448.6 and 510 percent, whereas AVEs on the SCPs are substantially lower–between 25 and 30 percent. In the EU, although the differences in tariffs between raw and refined sugar and the SCPs are not as marked as in Japan, the gap is still significant. For example, the percentage difference between the AVE tariff on raw sugar and sugar confectionery in the EU is 218.5 percent. Tariffs in the United States follow the same pattern as in Japan and the EU. AVEs on raw sugar in the United States are the highest at 212.4 percent, whereas the average AVE tariff on the U.S. SCPs depicted in figure 4-1 is about 39 percent.

In the developing countries, the patterns are not so evident, except in the case of China. Tariff de-escalation for SCPs occurs in China, but not to the extent as in the developed markets (figure 4-1). In China, raw and refined sugar have the same tariffs of 73.8 percent, whereas tariffs on SCPs are below those levels, ranging from 10.8 to 50 percent. The processing relationships in Mexico fluctuate somewhat, but in general tariff de-escalation occurs. Tariffs in Mexico are highest on raw sugar at 211 percent AVE, followed by tariffs on refined sugar at 180.2 percent AVE, and for products further down the processing chain, tariffs fall considerably (with the exception of the 103.8 percent AVE on cocoa products containing sugar). In Korea, tariff escalation and de-escalation occur. Tariff escalation occurs in Korea at the refined sugar stage, as the tariff on raw sugar is 20.3 percent and the tariff on refined sugar and refined sugar containing added coloring or flavoring is 50 percent. Further down the chain, the tariffs drop below the refined sugar tariff levels, indicating tariff de-escalation for the value-added processed SCPs.

Figure 4-1
Sugars and sugar-containing products: Tariff equivalents for selected developed and developing markets, 2000





Notes.—Special safeguard duties are included in the calculations of ad valorem equivalent (AVE) rates where relevant. The United States places TRQ restrictions on imports of all six sugar product groups and average over-quota AVE rates are reflected above. Note that the 21 percent U.S. over-quota rate on sugar confectionary products is an average of over-quota AVEs and a non-quota ad valorem rate. The United States charges the following average rates on in-quota imports: a 7.8 percent AVE on raw sugar; 16.7 percent AVE on refined sugar; 6 percent AVE on refined sugar products with flavoring or coloring; 8.57 percent ad valorem rate for cocoa products with sugar; 9.1 percent ad valorem rate on sugar confectionary products; and a 9.43 percent ad valorem rate on beverages with sugar.

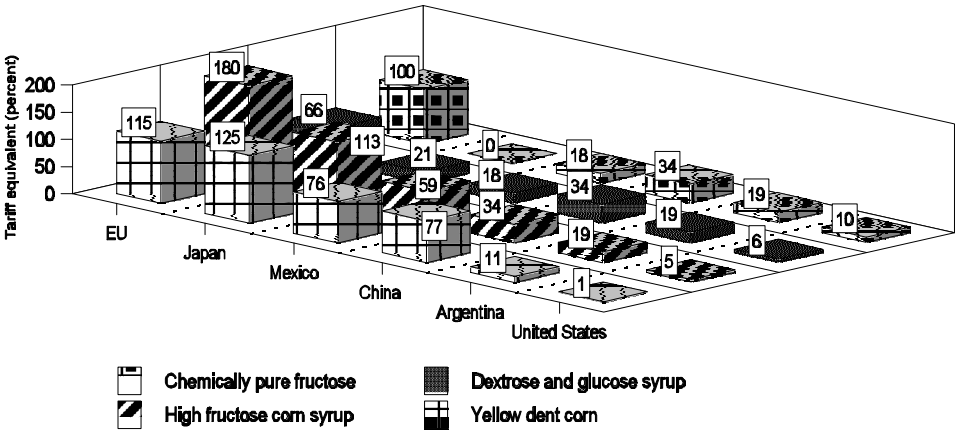
The EU places TRQ (and other) restrictions on imports of raw sugar, refined sugar, and refined sugar products with flavoring or coloring, and average over-quota AVE rates are reflected above. The EU places average in-quota AVE rates of free on imports of raw sugar, refined sugar and refined sugar products with flavoring or coloring.

Mexico places TRQ (and other) restrictions on imports of raw sugar, refined sugar, refined sugar products with flavoring or coloring, and certain beverages with sugar, and average over-quota AVE rates are reflected above. The 30.1 percent Japanese over-quota rate on beverages containing sugar is an average of two non-quota AVE rates and an over-quota AVE. Mexico has the following in-quota average ad valorem rates: free on raw sugar, refined sugar, and refined sugar products with flavoring or coloring; and an average non-quota AVE of 26.45 percent on certain beverages containing sugar.

Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

Figure 4-2 provides the tariff levels of corn and corn sweetener products. In the figure, the processing relationship between yellow dent corn and HFCS, chemically pure fructose, and dextrose and glucose syrup is used to analyze the incidence of tariff escalation or de-escalation in six markets–three developed (the EU, Japan, and the United States) and three developing (Mexico, China, and Argentina). In China, Mexico, and Japan, there is clear evidence of tariff de-escalation, as tariffs on yellow dent corn exceed tariffs on the further processed products. Tariffs on yellow dent corn in these three countries are 125.1 percent AVE, 76 percent AVE, and 77 percent for Japan, Mexico, and China, respectively. In Argentina and the United States, tariffs are higher on all three corn sweeteners than the tariff on the input, yellow dent corn (figure 4-2) . The tariff on yellow dent corn in Argentina is relatively low at 11 percent and in the United States almost non-existent at 0.6 percent AVE. The EU exhibits both tariff escalation and de-escalation throughout the processing chain, with tariffs on HFCS higher (179.6 percent AVE) and tariffs on dextrose and glucose syrup (65.8 percent AVE) and chemically pure fructose (99.9 percent AVE) lower than the tariff on yellow dent corn (114.6 percent AVE).

Figure 4-2
Corn and corn sweetener products: Tariff equivalents for selected markets, 2000



Notes.--The EU places TRQ restrictions on imports of yellow dent corn, and the over-quota rate is reflected above. The EU has an in-quota ad valorem rate equivalent of 61 percent on yellow dent corn. Japan places a rate of free on imports of chemically pure fructose.

Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

CHAPTER 5
Vegetable Oils

Introduction

The major products covered in this sector include crude and refined soybean oil (defined under Harmonized System (HS) numbers 1507.10 and 1507.90), crude sunflower and safflower oils (HS 1512.11), refined corn oil (HS 1515.29), and certain other vegetable oils, such as refined sunflower and safflower oils, crude and refined cottonseed oils, crude corn oil, and hydrogenated[1] vegetable oils (HS 1512.19, 1512.21, 1512.29, 1515.21, and 1516.20).

Vegetable oils are produced from oilseeds, which are crushed to produce both oilseed meals and vegetable oils. Globally, the most important vegetable oil traded is palm oil, with Malaysia being the largest exporter, followed by soybean oil. Soybean oil, in refined and crude form, has traditionally been the leading vegetable oil exported by the United States, accounting for 33 percent to 53 percent of U.S. vegetable oil exports (as defined above)during 1996-2000. The United States was the fourth-leading soybean oil exporter in 2000-01, accounting for 9 percent of world exports, with Argentina, Brazil, and the EU the three largest exporters. U.S. exports of vegetable oils fluctuate depending on whether or not countries are importing oilseeds or the processed products. In 2000, the United States imported $1.4 billion of various vegetable oils, most of which are outside the scope of this study.[2]

In 2000, the value of U.S. exports of vegetable oils covered in this chapter was $750.0 million, down 19 percent from the 1996 level of $926.8 million due to a price-depressing expansion in soybean production in Brazil and Argentina and palm oil production in Malaysia and Indonesia. U.S. exports of crude and refined soybean oil trended erratically during the period, with exports rising between 1996 and 1998, and then declining sharply in value in 1999 and 2000. This was due in large part to a decline in exports to China, due to China's emphasis on importing soybeans for crushing instead of soybean oil. Major markets for U.S. soybean oil exports include Mexico, Canada, the EU, Korea, China and India. Countries with potential for expanded U.S. exports of soybean and other vegetable oils include India and China, as well as South Africa, Japan, and Turkey (table 5-1). Additionally, U.S. industry sources have indicated that countries such as Venezuela and Colombia, where high tariffs and preferential trading arrangements currently restrict U.S. soybean oil exports, are important potential markets.[3] The U.S. soybean oil milling

[1] Hydrogenation is a process whereby hydrogen is introduced under controlled conditions into points of unsaturation in the fatty acids of fats and oils to improve stability, lessen rancidity, and convert some fats to semisolid or solid form for culinary or other uses.

[2] Major imported vegetable oils include olive, coconut, rapeseed, and palm oils.

[3] Statement by Tony Anderson, President, American Soybean Association, before the House of Representatives, Committee on Agriculture, May 23, 2001.

Table 5-1
Vegetable oils: U.S. exports to principal markets and to markets with the potential for expanded U.S. exports, 1996-2000

Items	1996	1997	1998	1999	2000	Percentage change 96/00
	Thousands of dollars					
Crude soybean oil:[1]						
Mexico	29,665	50,325	64,343	46,967	38,101	28
Korea	3,616	22,016	29,033	61,341	33,602	829
India[2]	0	0	9,008	5,490	6,263	([3])
China	99,135	153,238	291,973	49,895	412	-100
Turkey[2]	3,115	0	4,982	8,229	0	([3])
All other countries	82,292	165,676	233,556	148,137	51,245	-38
Total	217,823	391,255	632,895	320,059	129,623	-40
Refined soybean oil:[4]						
India	15,257	20,972	41,821	19,846	19,194	26
Canada	3,046	11,682	4,746	7,757	15,073	395
EU	3,925	3,614	11,712	10,251	9,996	155
Japan[2]	346	799	1,858	1,134	117	-66
China[2]	5,332	8,656	19,645	2,396	14	-100
All other countries	77,522	147,777	190,830	79,433	74,573	-4
Total	105,428	193,500	270,612	120,817	118,967	13
Crude sunflower and safflower oil:[5]						
Mexico	65,656	77,279	88,844	94,553	70,993	8
Japan	46,393	43,834	45,120	33,054	21,404	-54
Taiwan	3,947	2,012	6,744	9,718	6,584	67
Algeria[2]	16,727	52,091	31,846	26,830	0	([3])
Turkey[2]	1,778	0	1,369	5,290	0	([3])
All other countries	63,930	59,586	76,019	37,590	20,660	-68
Total	198,431	234,802	249,942	207,035	119,641	-40
Refined corn oil:[6]						
Saudi Arabia	27,947	35,102	52,200	33,885	32,241	15
EU	22,440	54,732	75,469	30,393	27,785	24
Canada	2,644	4,021	14,546	17,161	14,420	445
Tunisia[2]	0	5,468	9,070	10,142	11,808	([3])
UAE[2]	5,792	11,627	23,477	14,692	11,529	99
All other countries	77,681	72,759	81,880	73,210	51,782	-33
Total	136,504	183,709	256,642	179,483	149,565	10
Certain other vegetable oils:[7]						
Canada	35,306	40,482	56,283	58,344	58,052	64
Turkey	32,514	41,469	48,591	47,120	36,515	12
EU	39,421	46,263	27,055	35,377	31,369	-20
South Africa[2]	261	650	2,933	3,086	347	33
India[2]	0	20	22	3,239	31	([3])
All other countries	161,111	151,407	170,703	112,782	105,840	-34
Total	268,613	280,291	305,587	259,948	232,154	-14
Total	926,799	1,283,556	1,715,678	1,087,342	749,950	-19

[1] Includes HS number 1507.10.
[2] Denotes a potential market.
[3] Not applicable.
[4] Includes HS number 1507.90.
[5] Includes HS number 1512.11.
[6] Includes HS number 1515.29.
[7] Includes HS numbers 1512.19, 1512.21, 1512.29, 1515.21, and 1516.20.

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

firms tend to be multinational in operation, with a number of plants located in the EU, South America, or other leading producing or consuming regions of the world.

U.S. exports of other vegetable oils, such as crude sunflower and safflower oil, refined corn oil, and other vegetable oils, also trended erratically, with U.S. exports peaking in 1998 and falling in value during 1999 and 2000 (table 5-1). The decline in U.S. exports of these products, however, was less dramatic than the decline in U.S. exports of soybean oil, with the exception of U.S. exports of corn oil. U.S. exports of corn oil fell by 42 percent from their peak in 1998. Major markets for crude sunflower and safflower oil include Mexico, Japan, and Taiwan. The EU and Canada are major markets for corn oil and other vegetable oils, with markets in the Middle East, such as Saudi Arabia, United Arab Emirates, and Turkey representing markets with the potential for expanded U.S. exports of vegetable oils.

Policy Environment in Selected Markets

Most countries protect their crushing sectors through differentiated or escalating tariff schemes. Many importing countries tend to have low tariffs on oilseeds and vegetable meals whereas vegetable oils tend to face higher tariffs. Many vegetable oils have interchangeable food uses, and vegetable oil products, such as margarine, compete with dairy products, which are highly protected in many countries. Low tariffs on oilseeds and oilseed meals, which are used as low-cost animal feeds, promote value-added agricultural activities through oilseed crushing and livestock production. Various studies have noted that if world tariffs were reduced on vegetable oils, then oilseed crushing would decline in importing countries and imports of vegetable oils would rise.[4]

Tariff Barriers

Crude and Refined Soybean Oil

Applied tariffs in 2000 on soybean oil (crude and refined) in the United States, Canada, and the EU ranged from free to 19.1 percent (table H-1). The United States has the highest tariffs at 19.1 percent on crude and refined soybean oil. The calculated AVEs on crude soybean oil for Japan ranged from 28.8 percent to 34.8 percent (depending on the acid value), while the AVE on refined soybean oil is 22.3 percent.

WTO bound tariffs on soybean oils in developing countries are generally quite high, particularly in Venezuela, Colombia, Mexico, Tunisia, and India, with tariffs ranging from 45 percent to 169 percent (table H-2). Applied tariffs on soybean oil in the major and potential markets identified in table H-2 are much lower and ranged from 6 percent in Taiwan to over 74 percent in China. As a result of China's WTO Accession Agreement, China's TRQ on

[4] For example, see Agriculture and Agri-Food Canada (AAFC), *Trade Liberalization of the International Oilseed Complex*, Trade Research Report, Ottawa, Canada, found at *http://agr.ca/policy/epad.*

soybean oil is scheduled to be eliminated in 2006, with the tariff rate to be bound at 9 percent ad valorem. Other MFN applied rates on soybean oil in developing countries in 2000 ranged from 10 percent to 45 percent.

Tariffs on vegetable oils tend to be fairly high in certain South American countries that have implemented the Andean Price Band System (APBS). Venezuela, Colombia, Ecuador, and Bolivia[5] are members of the Andean Community (AC), which has a Common External Tariff (CET) and assesses a variable surcharge on certain agricultural products, including soybeans, certain vegetable oils, and oilseed meals. The APBS can result in applied tariffs that are much higher than the duties listed in the Andean Countries' tariff schedules, particularly when world prices are low.[6] For instance, in 1999, tariffs on soybean oil were as high as 82 percent in Venezuela and Colombia, compared to the 20 percent CET in 2000.[7] However, Colombia capped import duties on soybean oil from third countries at 40 percent at the end of 1999.[8] Also, during 1999 and 2000, Ecuador maintained a tariff on soybean oil at or below its WTO bound rate of 35 percent.[9] Venezuela instituted TRQs on various oilseed products in November 1999, including vegetable oils, with an in-quota rate of 40 percent and an over-quota rate for non-AC countries equal to the CET and additional variable price band tariffs (table H-3).[10]

Other Vegetable Oils[11]

Applied tariffs on other vegetable oils in the EU and Canada ranged from 3.2 percent to 11 percent in 2000, while Japan's specific tariffs on vegetable oils were generally higher and ranged from free to 23.1 percent AVE in 2000. The United States applies both ad valorem and specific tariffs to the other vegetable oils covered in this chapter. U.S. tariffs in 2000 ranged from 3.4 percent on crude and refined corn oil to 7.7 percent on hydrogenated rapeseed oil. Specific U.S. tariffs ranged from 5.4 percent to 6.6 percent AVE on crude and refined sunflower seed and safflower oils. U.S. tariffs on crude and refined cottonseed oils ranged from 9.4 percent to 16.4 percent AVE, while there was an 18 percent AVE tariff on other hydrogenated vegetable oils. Applied tariffs on other vegetable oils ranged from 5 percent to over 40 percent in countries such as Mexico, Algeria, Taiwan, Korea, Egypt, South Africa, and Tunisia (table H-2). As with soybean oil, price bands apply on certain types of vegetable oils in AC countries as well.

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[5] Peru is a member of the AC but does not apply the APBS.

[6] Under the APBS, import duties are calculated on the basis of a reference (world) price. If the reference price falls within established floor and ceiling prices, then the applicable duty is the CET. If the reference price falls below the floor price, then a surcharge is added to the CET, and if the reference price goes above the ceiling price, then an amount is subtracted from the CET.

[7] USDA, FAS, *Venezuela Tariff Schedule for the Soybean Complex*, Caracas, GAIN Report No. VE9037, Sept. 16, 1999.

[8] USDA, FAS, *Colombia Oilseeds and Products*, Bogota, GAIN Report No. CO0005, Feb. 4, 2000.

[9] USDA, FAS, *Ecuador Oilseeds and Products Annual*, U.S. Embassy, Lima, GAIN Report No. EC1008, May 18, 2001.

[10] USDA, FAS, *Venezuela Oilseeds and Products: Import Licenses Awarded Within the Oilseed Complex*, Caracas, GAIN Report No. VE1002, Jan. 9, 2001.

[11] This section includes information on crude sunflower and safflower oil, corn oil, and other vegetable oils.

Regional Trade Agreements

The United States and Canada allow duty-free access for vegetable oils under NAFTA, while Mexico's preferential NAFTA duties are scheduled to be eliminated in 2003. The United States is the largest supplier of oilseeds and vegetable oils to Mexico, and in 2000, U.S. exports faced duties of 3 percent to 6 percent.

Vegetable oils are included in the EU-Mexico FTA. Mexico's tariffs on soybean and other vegetable oils covered in this chapter, with the exception of hydrogenated vegetable oils,[12] will be incrementally eliminated on EU imports over a 10-year period, with complete elimination scheduled by 2010. Similarly, EU tariffs on crude and refined soybean oil and sunflowerseed and safflowerseed oils imported from Mexico will be eliminated over 8 to 10 years. Tariffs on corn, cottonseed, and hydrogenated vegetable oils were either immediately eliminated or will be eliminated over a 3-year period.[13]

Vegetable oils are included for preferential treatment under the EU-South Africa Trade Cooperation Agreement. The EU has trade agreements that allow for the duty-free entry of vegetable oils from certain Mediterranean countries (Turkey, Albania, Croatia, Bosnia-Herzegovina, Yugoslav Republic of Macedonia, and the Yugoslav Federative Republic). EU preferential agreements also allow for the duty-free entry of vegetable oils from Bulgaria, Estonia, Lithuania, Latvia, Slovenia, and the Slovak Republic. Hungary, Bulgaria, and Romania benefit from duty-free access to the EU for certain sunflowerseed oils under TRQ arrangements. Japan applies duty-free preferences for numerous developing countries for hydrogenated vegetable oil.

Industry sources have indicated that the APBS combined with the preferential tariffs and terms granted under various preferential trade agreements between AC countries and various countries in South America are an important deterrent to trade in vegetable oils.[14] The United States generally has a more efficient internal transportation and marketing network than South American competitors for soybeans and soybean products that, in certain cases, can be offset by these preferential arrangements.[15][16] Trade among the members of the AC is duty-free, which benefits Bolivian soybean oil exports to other AC countries. Additionally, AC preferential agreements with Argentina, Paraguay, and Brazil provide specified reductions from the duties applied to these non-AC countries. Although the United States is an important supplier of oilseeds and meals to the AC countries, Argentina and Paraguay have benefitted from these preferential arrangements and are important suppliers of vegetable (largely soybean) oils to these countries.

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[12] Hydrogenated vegetable oils are not currently scheduled for elimination by Mexico under the EU-Mexico FTA, but will be reexamined in 2003.

[13] EU Commission, Europa, Bilateral Trade Relations Mexico, found at *http://www.eu.int/com/trade*, retrieved June 25, 2001.

[14] Statement by Tony Anderson, President, American Soybean Association, before the House of Representatives, Committee on Agriculture, May 23, 2001.

[15]

[16] USITC, *Industry and Trade Summary: Animal and Vegetable Fats and Oils*, USITC publication 2631, May 1993.

Non-tariff Barriers and U.S. Industry Concerns

Labeling Requirements

Biotechnology issues are a major concern of the U.S. soybean oil industry because the U.S. industry uses some types of genetically modified (GM) soybeans in production (table H-4). The EU has proposed restrictive biotechnology labeling requirements that may potentially increase the cost of imported oilseeds and oilseed products, including vegetable oils. Countries such as Japan, Korea, Saudi Arabia, Australia, and Taiwan have implemented or proposed the implementation of labeling schemes for products derived from biotechnology. The EU has also slowed the approval process for new varieties of GM products, which has discouraged farmers from adopting these products for fear of losing export markets in the EU.[17]

Domestic Assistance and Government Policies

A number of countries, such as the EU, the United States, and Japan, have domestic assistance programs for oilseed producers, which in turn affect the supplies of oilseeds available for crushing, and thus the supplies of vegetable oils. According to the OECD, total assistance in Canada, the EU, and the United States increased during 1998-2000 and accounted for 10 percent, 27 percent, and 20 percent, respectively, of oilseed producer's receipts on average during those years.[18] The OECD cited these domestic support policies, along with increases in soybean supplies in Argentina, and Brazil, as contributing to increases in worldwide oilseed production.[19]

Other important policies affecting world trade in vegetable oils include Argentina's use of export taxes and rebates to encourage domestic oilseed processing and export of value-added products. Argentina applies an export tax on oilseed exports of 3.5 percent, and provides tax rebates for exports of crude, refined, and bottled vegetable oils ranging from 1.4 percent to 10 percent.[20]

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[17] United States General Accounting Office (GAO), *International Trade: Concerns Over Biotechnology Challenge U.S. Agricultural Exports*, Report to the Ranking Minority Member, Committee on Finance, U.S. Senate, Report No. GAO-01-727, June 2001, p. 8.

[18] OECD, *OECD Agricultural Outlook 2001-2006* (Paris: OECD, 2001), p. 55.

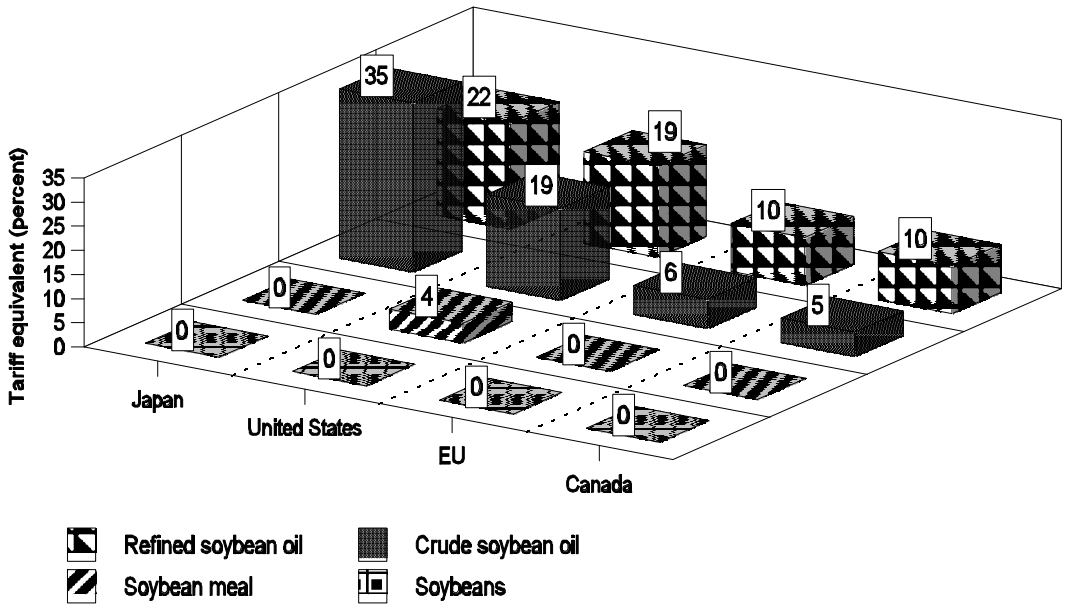
[19] Ibid.

[20] USDA, FAS, *Argentina Oilseeds and Products Annual*, Buenos Aires, GAIN Report No. AR1027, May 8, 2001.

Tariff Escalation

Tariff escalation is an important factor affecting trade in various oilseed products, with vegetable oils facing higher tariffs in most markets compared to oilseeds and oilseeds meals. To assess the prevalence of tariff escalation, a processing chain consisting of soybeans, soybean meal, and crude and refined soybean oil was used for the following markets: the United States, the EU, Japan, Canada, Korea, Venezuela, Mexico, India, and China. The results of this exercise are depicted in figures 5-1 and 5-2 using applied tariffs from late 1999 and 2000. Tariffs on soybean oil are higher compared with tariffs on soybeans and soybean meal in Canada, the United States, Japan and the EU. Mexico's tariffs also show some escalation. Korea has a TRQ on soybeans, with a high over-quota rate of 508.6 percent in 2000, but imports enter largely under the low in-quota rate (5 percent in 2000), with the higher duties on soybean meal and oil protecting the crushing sector. China similarly has a TRQ on soybean oil with a high over-quota rate, with higher duties on soybean oil compared with the in-quota soybean rate.

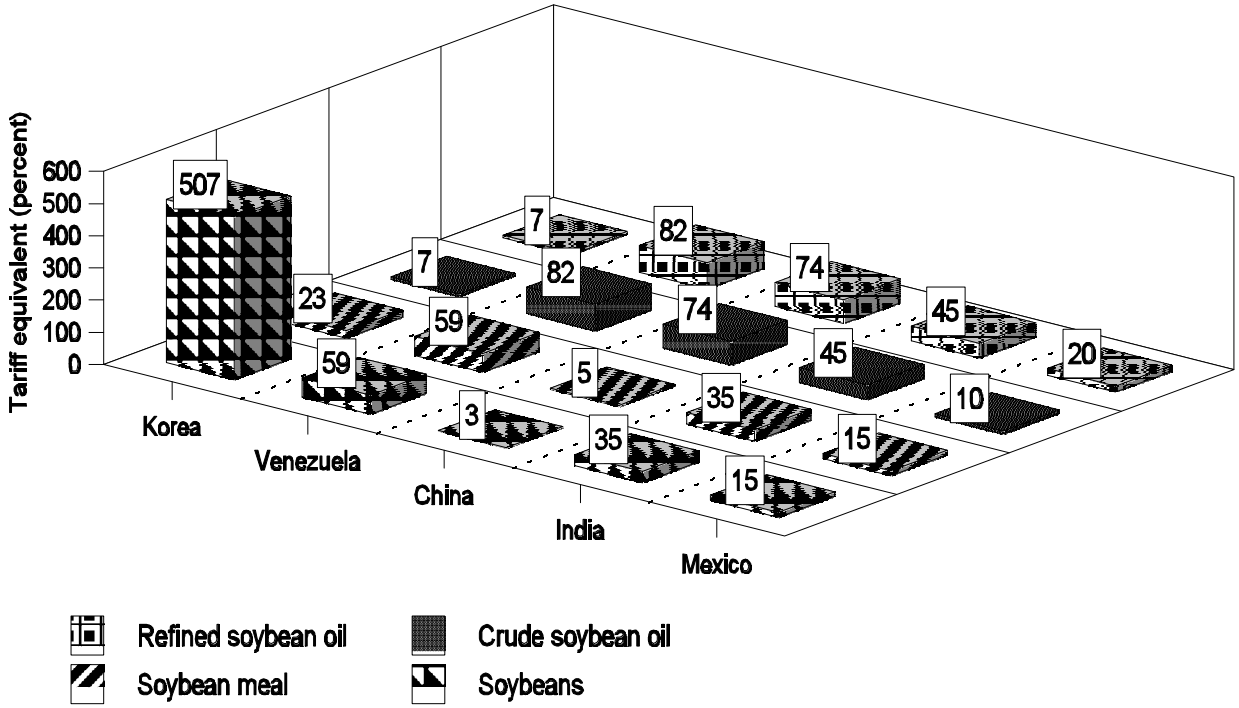
Figure 5-1
Soybeans and soybean products: Tariff equivalents for Japan, the United States, the EU, and Canada, 2000



Note.–The EU, Canada, and Japan allow the duty-free entry of soybeans and soybean meal. The United States allows the duty-free entry of soybeans.

Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

Figure 5-2
Soybeans and soybean products: Tariff equivalents for selected markets, 2000



Notes.–Korea imposes TRQ restrictions on imports of soybeans, and the over-quota ad valorem rate is reflected above. Korea charges an in-quota ad valorem rate of 5 percent on soybeans. China imposes TRQ restrictions on imports of crude soybean oil and refined soybean oil, and over-quota ad valorem rates are reflected above. China places a 14 percent in-quota ad valorem tariff on imports of crude and refined soybean oil. The ad valorem tariffs for Venezuela on all four products reflect the Andean CET rates plus price band adjustments that were applicable Sept. 1999. An in-quota TRQ rate of 40 percent was established Dec. 1999. Mexico applies a zero duty for soybean imports during Feb. 15 to July 31.

Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

CHAPTER 6
Meats

Introduction

The products in this sector include beef (including certain products in HS 0201, 0202, 0206, and 1602.50), poultry (including certain products in HS 0207, 1602.31, 1602.32, and 1602.39), and other meat products, such as pork, mutton, lamb, goat meat, and edible offal.[1] Fresh, chilled, or frozen carcasses and half-carcasses are not considered as processed products for the purpose of this study.

Beef is the edible muscle of cattle and veal is that derived from young calves. In the United States, most cattle are beef-type animals kept for the production of meat, and the remainder are dairy-type animals kept for the production of milk for human consumption. When cattle are no longer efficient in the production of calves or milk, they are slaughtered for beef. Swine are commonly referred to as pigs and hogs, and are raised primarily for the production of meat. The meat of swine is referred to as pork. Prepared or preserved meat of swine such as cured ham, bacon, and sausage is included in this study. When meat animals are slaughtered, they provide valuable by-products including edible meat offal, tongues, livers, hearts, kidneys, brains, and other internal organs. Most U.S. production of edible offal is exported to Japan and Mexico. U.S. production and exports of mutton, lamb, and goat meat are relatively small.

In 2000, the United States was the largest volume producer of beef in the world, accounting for nearly 25 percent of total world beef production.[2] U.S. beef production increased by 5 percent from 25.9 billion pounds in 1996 to 27.1 million pounds in 2000.[3] The United States was also the largest importer and exporter of beef. The bulk of U.S. beef imports consists primarily of lean manufacturing-grade beef used mainly by the fast-food service industry.[4] U.S. beef exports consist primarily of higher valued beef cuts as well as significant quantities of lower valued edible offal.[5] During 1996-2000, the quantity of U.S. beef exports rose steadily while the value of such exports rose irregularly. Beef exports comprised about 9 percent of total U.S. beef production in 2000. The largest U.S. export markets for beef include Japan, Mexico, Korea, and Canada. The EU remains a potential market for U.S. beef if

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[1] This includes certain products found in HS 0203, 0205, 0206, 0208, 0209, 0210, 1601.00, 1602.41, 1602.42, 1602.49, and 1603.00.

[2] USDA Commodity Summaries, "Beef and Veal Summary," found at *http://www.fas.usda.gov/dlp/circular/2001/01-03LP/catsum.pdf*, retrieved May 10, 2001.

[3] USDA, FAS, *Livestock & Poultry: World Markets and Trade*, Livestock and Meat Tables, Mar. 2001.

[4] Gary W. Brester and John M. Marsh, *Impacts of the Uruguay Round Trade Agreement on U.S. Beef and Cattle Prices*, Policy Issues Paper No. 6, Montana State University-Bozeman, Sept. 1998.

[5] Ibid.

certain non-tariff barriers are removed. China is also a potential market for U.S. beef. Currently, most U.S. beef exports to China are in the form of beef offal.

In 2000, the United States was the second-largest volume producer of pork, accounting for about 10 percent of total world production.[6] The structure of U.S. pig operations has changed substantially in recent years, as small pig farms have been replaced by larger enterprises. In 2000, operations with more than 5,000 pigs accounted for 73 percent of pig production compared with only 27 percent in 1994.[7] Most hogs in the United States are confined in barns and pens (mostly on concrete) throughout their lives. Confined systems greatly increase the efficiency of production, meaning more pounds of pork can be produced with fewer inputs and at lower total cost.[8] Pork exports, including offal, comprised about 7 percent of total U.S. pork production in 2000; the largest volume export markets include Japan, Mexico, and Canada.

The U.S. poultry industry is the largest in the world, accounting for about 30 percent of global production in 2000. It is also one of the most efficient because of a highly advantageous cost structure based on low-cost feed,[9] state-of-the-art production technology, and vertical integration of production, processing, marketing, and distribution. The primary poultry sectors are broilers and turkeys, while less significant sectors include spent laying hens, geese, and ducks. Poultry meat is marketed as fresh, chilled, or frozen meat, sold either cut up or whole. In recent years, the share of total poultry production that is utilized in further processed food products (such as chicken and turkey cold cuts, sausage, and breaded products) has increased. Restaurants have become major users of poultry meat, accounting for about 45 percent of total domestic consumption. Fast-food establishments account for 18 percent of total domestic consumption.[10]

The U.S. market for poultry is the second-largest in the world (behind China). However, as one of the world's lowest cost producers of poultry, the United States is a major exporter of poultry meat and processed poultry products. In 2000, U.S. poultry exports accounted for approximately one-third of total world exports[11] and represented about 15 percent of U.S. production. About 90 percent of poultry exports are poultry meat, while processed poultry products account for the remainder. During 1996-2000, U.S. exports of poultry meat and processed poultry products declined. In 1996, total U.S. poultry exports were $2.5 billion. By 2000, exports had fallen to $1.9 billion, a drop of 21 percent (table 6-1). Most of this loss can be accounted for by the drop in sales to Russia, which fell from $912 million in 1996 to only $352 million in 2000. The decline resulted from the Russian financial crisis during the late 1990s. Exports to Hong Kong (most of which are transhipped to China), currently the most important market for U.S. poultry, also declined during 1996-2000. Markets with

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[6] USDA Commodity Summaries, "Pork Summary."

[7] USDA, NASS, *U.S. Hog Breeding Herd Structure*, June 8, 2001, p. 1.

[8] Electronic Field Trip: Pig Farm, found at *http://frost.ca.uky.edu/pigtrip/hog1.htm*, retrieved June 20, 2001.

[9] Feed costs make up about 60-70 percent of total production costs in the U.S. poultry industry.

[10] For this study, chicken and turkey meat (found in chapter 2 of the Harmonized Tariff Schedule (HTS)) and processed poultry products (found in HTS chapter 16) are covered. Live poultry and fertilized eggs are not considered processed products for the purpose of this study.

[11] Food and Agriculture Organization, Agricultural Trade Database.

Table 6-1
Meats: U.S. exports to principal markets and to markets with the potential for expanded U.S. exports, 1996-2000

Items	1996	1997	1998	1999	2000	Change, 2000 over 1996
	1,000 dollars					Percent
Beef:[1]						
Japan	1,913,474	1,621,311	1,555,355	1,718,126	1,776,160	-7
Mexico	177,329	322,440	432,453	492,035	573,134	223
Korea	229,561	289,802	146,407	338,080	532,218	132
Canada	330,751	317,391	292,822	280,391	307,461	-7
EU[2]	33,613	32,633	34,911	28,821	26,159	-22
China[2]	4,169	5,553	6,433	9,054	14,751	254
All other	292,052	313,813	281,817	286,726	408,179	40
Total	2,980,949	2,902,943	2,750,198	3,153,233	3,638,062	22
Poultry.[3]						
Hong Kong	417,442	428,401	358,946	395,480	375,748	-10
Russia	912,439	780,067	520,772	121,317	351,917	-61
Mexico	207,631	224,665	227,723	196,095	245,026	18
Canada	166,830	199,696	227,323	214,460	238,459	43
Japan	170,550	132,723	137,123	134,844	126,386	-26
Latvia	72,866	93,107	88,362	135,925	61,908	-15
Korea	27,759	26,908	12,894	37,145	46,935	69
China	60,197	52,462	38,451	46,819	43,888	-27
EU[2]	54,453	39,319	37,495	22,195	27,766	-49
Philippines[2]	762	3,003	2,626	19,953	10,969	1,340
Indonesia[2]	646	1,119	1,865	6,546	8,616	1,234
India[2]	19	13	109	34	518	2,626
Pakistan[2]	0	17	22	4	447	([4])
All other	381,821	404,138	474,602	425,026	407,152	7
Total	2,473,415	2,385,638	2,128,313	1,755,843	1,945,735	-21
All other meat products:[5]						
Japan	796,156	698,911	625,630	641,418	735,195	-8
Mexico	114,262	141,086	160,773	150,610	250,447	119
Canada	125,472	160,842	153,678	158,071	186,677	49
All other	377,683	456,596	451,770	314,790	342,005	-9
Total	1,413,573	1,457,435	1,391,851	1,264,889	1,514,324	7
Grand total	6,867,937	6,746,016	6,270,362	6,173,965	7,098,121	3

[1] Includes HS numbers 0201.20, 0201.30, 0202.20, 0202.30, 0206.10, 0206.21, 0206.22, 0206.29, and 1602.50.

[2] Denotes a potential market.

[3] Includes HS numbers 0207.11, 0207.12, 0207.13, 0207.14, 0207.24, 0207.25, 0207.26, 0207.27, 1602.31, 1602.32, and 1602.39.

[4] Not applicable.

[5] Includes HS numbers 0203.12, 0203.19, 0203.22, 0203.29, 0205.00, 0206.49, 0206.80, 0208.90, 0209.00, 0210.11, 0210.12, 0210.19, 0210.20, 0210.90, 1601.00, 1602.41, 1602.42, 1602.49, and 1603.00.

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

the most potential for expanded U.S. poultry and processed poultry meat exports are Canada, the EU, and Korea.[12] These markets currently impose highly restrictive tariff and non-tariff barriers on U.S. exports, while at the same time have high per-capita income and high per-capita consumption of poultry. Several developing-country markets also show promise for U.S. exporters, particularly the Philippines, Indonesia, India, and Pakistan.

Policy Environment in Selected Markets

Beef and Other Meat Products

EU government programs affecting the cattle and beef sector generally involve price supports for live cattle through beef purchases and direct payments to cattle producers. These programs are intended to provide market support in the form of border protection, intervention buying, and export refunds.[13] Following an outbreak of Bovine Spongiform Encephalopathy (BSE, referred to as "Mad Cow Disease") in March of 1996, consumption of beef in the EU plummeted, leading to excess supplies and intervention buying by the EU government.[14]

Beef is a subject of the EU's Agenda 2000, a program of agricultural policy reforms. Under Agenda 2000, the price support for beef is to be reduced by 20 percent over 3 years.[15] However, under the same program, direct payments to cattle producers are to be increased. These reforms are intended to improve the balance between domestic supply and demand as well as to improve the competitive position of EU beef on the world market.[16]

The beef sector's share of the total EU agricultural budget in 2000 was ¡ 4,609 million (US$4.2 billion), or 10 percent.[17] Under the Uruguay Round Agreement on Agriculture, the EU (and the United States) agreed to limit export assistance for beef. EU export subsidies, although lower in 2001 than at the beginning of the Uruguay Round, are still sizeable. The maximum allowable level of assisted quantities for EU beef exports is 817,000 tons in 2000, down from 1,118,700 tons in 1995.[18] Maximum allowable budgetary outlays for assisted

[12] USITC staff interview with industry representative, Mar. 6, 2001.

[13] CAP 2000, European Commission Directorate General for Agriculture (DG VI), *Situation and Outlook Beef Sector*, Apr. 1997, p. 13.

[14] USDA, FAS, Livestock and Poultry: World Markets and Trade, *The Continuing Effects of BSE on the EU Beef Market, Trade, and Policy*, Mar. 1998.

[15] Full beef reform under Agenda 2000 is to occur in a three-year transition period.

[16] Commission of the European Communities, *The Agricultural situation in the European Union*, 1999 Report, Brussels and Luxembourg, 2000, July 26, 2000, p. 57.

[17] USDA, FAS, *European Union Livestock and Products Annual 2000*, Brussels, GAIN Report No. E20079, June 29, 2000, p. 21.

[18] OECD The Uruguay Round, *A Preliminary Evaluation of the Impacts of the Agreement on Agriculture in the OECD Countries*, 1995, pp. 48-52.

beef exports were 1,259 million Ecu (US$1.2 billion)[19] in 2000, down from 1,901 million Ecu (US$2.5 billion) in 1995.[20]

The pigmeat sector's share of the total EU agricultural budget in 2001 was ¡88 million (US$81 million), or less than 1 percent.[21] Allowable export subsidies under the WTO for EU pork declined from 541,000 tons in 1995 to 462,000 tons in 2000.[22] However, during marketing years 1999-2000, the EU exceeded its WTO volume commitment with exports estimated at 710,000 tons in 2000.[23] Export subsidies encouraged EU pork exports and undercut U.S. pork exports. Russia was the principal export market, followed by Japan and Korea.

Japan provides about $1.3 billion for livestock farm management support measures, including debt financing, beef cattle farming stabilization, meat processing, marketing, and promotion.[24] Japan's domestic beef industry is supported with production subsidies, including the deficiency payment scheme for feeder calves and the prefectural feeder calf producer fund. USDA reports that the deficiency payment scheme for feeder calves is expected to be maintained during and after the WTO negotiations as it is considered necessary to sustain domestic beef supplies.[25]

Japan makes extensive use of URAA special safeguard measures (snapback provisions) whenever imports of beef or pork exceed certain domestic production levels.[26] Industy sources indicate that once beef safeguards are triggered, duties increase to 50 percent and even the threat of triggering a safeguard distorts trade flows.[27] Korean Government policies have restricted the retail distribution of imported meat in Korea to specific stores, which only sell imported beef.[28] In addition, in recent years, Korea has provided domestic incentives to its cattle industry at levels higher than permitted by its commitments under the WTO Agreement on Agriculture and has not met its minimum access commitment on beef imports.[29] These incentives to cattle producers led to beef production levels greater than they

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[19] IMF, International Financial Statistics, March 2001, p. 322. Converted from local currency to U.S. dollars at the appropriate year exchange rates.

[20] OECD, *The Uruguay Round: A Preliminary Evaluation of the Impacts of the Agreement on Agriculture in the OECD Countries* (OECD: Paris, 1995).

[21] USDA, FAS, *European Union Livestock and Products Annual 2001*, Brussels, GAIN Report No. E21073, June 8, 2001.

[22] Marketing year July-June as reported in USDA, FAS, *European Union Livestock and Products Annual 2000*, Brussels, GAIN Report No. E20079, June 29, 2000.

[23] Data estimated from July-May export license requests as reported in USDA, FAS, *European Union Livestock and Products Annual 2000*, Brussels, GAIN Report No. E20079 June 29, 2000.

[24] USDA, FAS, *Japan Livestock and Products*: *Japanese Beef Cattle Subsidy*, Tokyo, GAIN Report No. JA1002, Jan. 26, 2001.

[25] Ibid.

[26] Cattle Council of Australia, Trade, Cattle Council's perspective on trade, found at *http://www.farmwide.com.au/nff/cattlecouncil/InformationTrade.htm*, retrieved May 9, 2001.

[27] Leonard W. Condon, Vice President for International Trade, American Meat Institute, written submission to the Commission, Feb. 15, 2001.

[28] American Chamber of Commerce in Korea, *Improving Korea's Business Climate 2001*, found at Internet address *www.amchamkorea.org.*, retrieved Apr. 26, 2001.

[29] USTR, *2001 National Trade Estimate Report on Foreign Trade Barriers*, Korea.

otherwise would have been in 1997 and 1998 and contributed to reduced opportunities for U.S. beef exporters.[30]

Poultry

Governments worldwide tend to intervene less in poultry markets than in many other agricultural sectors. In the United States, for example, there is no price support scheme or government purchase program for poultry, such as in the grains, dairy, and sugar sectors.[31] Under the USDA's Export Enhancement Program (EEP), a small volume of U.S. poultry exports receives export assistance in order to compete with subsidized poultry exports from other countries, particularly the EU.[32]

There are no government intervention or direct support arrangements for poultry in the EU.[33] Poultry producers face high production costs resulting from high EU prices of grain and protein.[34] Export refunds, covering the difference between world market and EU prices, are given to EU exporters of poultry meat to enable them to compete against countries such as Brazil, Thailand, and the United States, whose costs of production tend to be lower. Increased competitiveness in the grains sector through Agenda 2000, including a 15 percent cut in the intervention prices of cereals and oilseeds by 2002, will help improve the competitiveness of the EU poultry sector.[35] Nearly all EU imports of poultry occur under limited access commitments, either TRQs established under the URAA, or preferential access granted under association agreements with Poland, Hungary, the Czech Republic, Slovakia, Romania, and Bulgaria.[36] The EU poultry sector is also likely to be significantly affected by future EU environmental and animal welfare legislation, which could add considerably to costs of production (such as requiring increased cage sizes).[37]

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[30] USTR, *2001 National Trade Estimate Report on Foreign Trade Barriers*, Korea.

[31] Several U.S. Government programs affect the price of poultry feed, such as the Conservation Reserve Program, crop insurance, and marketing loans.

[32] The USDA allocates EEP funds to support U.S. poultry exports in the Middle East in order to compete with heavily subsidized product from France. However, the quantity of U.S. poultry exported with the subsidy is small. For example, in FY2000, only 2,529 metric tons of frozen poultry were exported under the program, with the subsidy totaling $1.6 million. U.S. industry representatives argue for continuing the use of EEP in order to compete with subsidized EU product. They also say that while subsidizing exports is not the best way to build long-term export markets, it should be used as leverage to obtain concessions from the EU in the next round of WTO negotiations. William P. Roenigk, National Chicken Council, in memo and conversation with USITC staff, Aug. 15, 2001; James Sumner, USA Poultry and Egg Export Council, in memo sent to USITC staff, Aug. 10, 2001.

[33] CAP Monitor, Agra Europe, p. 9-1, Aug. 11, 2000.

[34] European Commission, *The Agricultural Situation in the European Union. 1995 Report*, Brussels, 1996, pp. 108-109.

[35] The Agenda 2000 proposal extends the 1992 Common Agricultural Policy (CAP) reform by moving support toward direct payments rather than price support. For further information, see *"Agenda 2000 - Agriculture,"* found at *http://europa.eu.int/comm/agenda2000/index_en.htm*.

[36] European Commission, *The Agricultural Situation in the European Union. 1998 Report*, Brussels, 1999, p. 104.

[37] "EU Commissioner's Views on Trade and Bird Welfare," *Poultry International*, Jan. 1997, p. 18.

Canada's poultry industry is heavily regulated by the Government.[38] Production is controlled through a supply management system, in which provincial marketing boards determine the overall level of production and allocate production quotas to individual farmers.[39] Through production controls and restricted imports, Canadian poultry prices are significantly higher than world price levels, thus limiting opportunities to export. Imports by Canada remain constrained by a system of TRQs agreed to during the URAA negotiations.

Tariff Barriers

Beef and Other Meat Products

High tariffs and tariff-rate quotas (TRQs) on meats are significant constraints to world trade in the meat sector. Many countries impose these tariffs and TRQs to protect domestic production and maintain food security. Fresh, chilled, or frozen beef and pork are among those products in which trade has been restricted by high tariffs. The duty on beef imports in Japan was 38.5 percent in 2000, while Korea's tariff on beef imports was 41.6 percent (tables I-1 and I-2). Tariffs on U.S. meat imports are relatively low. For example, in 2000, the duty on fresh, chilled, or frozen pork in the United States was free and the duty on processed pork products, such as hams and shoulders, was 1.4¢ per kg. Beef and mutton imports may be subject to additional import duties under the safeguard provisions of the URA. The safeguard quantity trigger level is 1,062,131 tons for beef and 14,101 tons for mutton.[40]

Tariffs and other barriers currently restrict meat imports into China. The 2000 applied tariffs for meat range from 18.4 percent to 41 percent, while the final bound rates (to take effect in 2004) range from 12 percent to 25 percent (table I-2). China applies a value added tax (VAT) to imports as well as domestic products, but industry sources report that it is unevenly applied, with imports more likely to be fully taxed than the domestic product.[41] In addition, exporters of Chinese agricultural products, including beef and pork, receive export benefits from VAT rebates of at least 5 percent.[42] For fresh, chilled, or frozen pork entering Korea, applied tariffs ranged from 20 percent to 29.8 percent in 2000. The bound rates (18 percent to 27 percent) represent only a modest reduction from the applied rates.

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[38] "Changes in Canada's Industry," *Poultry International*, Dec. 1997, pp. 34-40.

[39] Agriculture and AgriFood Canada, *All about Canada's poultry industry*, found at *http://www.agr.ca/cb/factsheets/2poult_e.html*, retrieved May 31, 2001.

[40] 66 *F.R., Notice of product coverage and trigger levels for safeguard measures provided for in the Uruguay Round Agreement on Agriculture*, July 16, 2001, pp. 36993-36994.

[41] USDA, FAS, *People's Republic of China, Trade Policy Monitoring: Trade Policy Update 2000*, Beijing, GAIN Report No. CH0014, June 2, 2000.

[42] Ibid.

Information on TRQs in major countries is presented in table I-3. The EU and the United States allocate TRQs to specific supplying countries.[43] Under the WTO Agreement on Agriculture, the United States committed to a beef TRQ of 656,621 tons and an additional 20,000 tons each from Argentina and Uruguay when those countries were found by the USDA to be eligible to ship fresh, chilled, or frozen meat to the United States.[44] The in-quota rate is less than 1 percent ad valorem equivalent (AVE), while the over-quota rate is 26.4 percent. There is no limit to the quantities that enter from Canada and Mexico subject to in-quota rates of duty, but the rate of duty applicable to in-quota quantities varies depending on the HTS heading.[45, 46]

The EU tariffs for fresh, chilled, or frozen beef are 20 percent for in-quota quantities, while over-quota quantities are assessed a compound tariff of 12.8 percent plus **i** 304.1 per 100 kg (equal to about $1.27 per pound with exchange rates in effect in 2000) (table I-1). Such tariffs are generally prohibitive. The tariffs for beef and veal entering Mexico in 2000 were 20 percent for fresh or chilled beef and 25 percent for frozen beef. Imports from the United States and Canada, however, enter duty-free as a result of NAFTA (table I-2).

The Philippines imposes TRQs on imports of fresh, chilled, or frozen pork and hams and other cuts of swine. The fill rate in 2000 was only an estimated 35 percent. Unclear and confusing import licensing procedures reportedly contributed to the low fill rate.[47]

On May 28, 2000, the Mexican Secretariat of Commerce and Industrial Development (currently known as the Secretariat of the Economy) assessed antidumping duties on imports of certain U.S. beef (boneless, bone-in, and carcasses). The duties range from $0/kg-$0.80/kg depending on the product type and the U.S. exporting company.[48] Certain U.S. companies have reported this additional duty to be restrictive.[49] In addition, Australia and New Zealand have cited Mexico's MFN tariffs on beef and pork as trade-restrictive.[50] U.S. and Canadian

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[43] Australian Bureau of Agricultural and Resource Economics (ABARE), *WTO Agricultural Negotiations, Important Market Access Issues*, Feb. 1999, p. 39.

[44] Uruguay was found to be free of rinderpest and foot-and-mouth diseases and was granted approval by USDA to ship fresh, chilled, or frozen meat, including beef and veal, to the United States in mid-November 1995. Argentina was found to be free of rinderpest and foot-and-mouth diseases and under certain conditions was authorized to ship fresh, chilled, or frozen beef to the United States effective Aug. 25, 1997. However, the importation into the United States of fresh, chilled, or frozen meat from Uruguay and Argentina is currently restricted or prohibited due to recent outbreaks of foot-and-mouth disease.

[45] See Additional U.S. Note (#3), ch. 2, HTS. The aggregate quantity of beef entered under subheadings 0201.10.10, 0201.20.10, 0201.20.30, 0201.20.50, 0201.30.10, 0201.30.30, 0201.30.50, 0202.10.10, 0202.20.10, 0202.20.30, 0202.20.50, 0202.30.10, 0202.30.30, and 0202.30.50 is subject to TRQs.

[46] U.S. imports of certain products, including certain meat products, from the EU are assessed 100 percent duties as a result of a WTO Dispute Settlement Body decision.

[47] Leonard W. Condon, Vice President of International Trade, American Meat Institute, written submission to the Commission, Feb. 15, 2001; USDA, FAS, *Philippines Livestock and Products Annual 2000*, Manila, GAIN Report No. RP0045, July 31, 2000.

[48] USDA, FAS, *Mexico Livestock and Products: Final Decision in Antidumping Case Against U.S. Beef 2000*, Mexico City, GAIN Report No. MX0060, Apr. 28, 2000.

[49] USITC staff interview with U.S. industry repressentative, May 21, 2001.

[50] USITC, *Cattle and Beef: Impact of the NAFTA and Uruguay Round Agreements on U.S. Trade*, USITC Publication 3048, July 1997, p. 4-2.

exports of fresh, chilled, or frozen pork to Mexico are subject to a preferential NAFTA TRQ. The over-quota rate is equal to the MFN rate. Certain pork products, including hams, shoulders, and bone-in cuts, imported from the United States and Canada exceeded the safeguard quota in 2000.[51] The 2000 safeguard quota was 20,657 tons for hams, shoulders, and other bone-in cuts. As shown in table I-2, Mexico's final WTO bound rates for the meat sector are significantly higher than the applied rates.

Poultry

Tariffs in the poultry sector can be separated into three broad categories: whole birds (HTS chapter 2), poultry cuts and offal (HTS chapter 2), and processed poultry products (HTS chapter 16). Tariffs on poultry imported into the United States are relatively low. For example, whole birds face a tariff of under 9¢/kg (about 11 percent AVE), while duties on processed products are only 6.4 percent ad valorem (table I-1). The United States does not impose TRQs on poultry imports. Similarly, Japan does not impose significant tariffs on poultry. Chicken and turkey meat face tariffs of about 12 percent and 3 percent, respectively, while rates on processed product range from free to 21 percent (with a median tariff of 6 percent). TRQs are imposed on poultry meat by Canada, the EU, and Korea, with over-quota rates that are frequently prohibitive. In Canada, for example, over-quota tariff rates for whole chickens are almost 240 percent AVE, while rates on chicken cuts and offal, as well as processed poultry products, are close to 250 percent AVE.[52] The over-quota rates on poultry meat imports to the EU are 34 percent AVE for whole birds and 48 percent AVE for poultry cuts and offal. The EU does not have TRQs on imports of processed poultry products, but does have tariffs of about 11 percent AVE. Some U.S. companies report experiencing problems with TRQ administration methods in both Canada and the EU. For example, a U.S. company has found it difficult to enter the Canadian market because the Canadian Government gives priority in allocating quotas to importers that have a long history of importing into Canada.[53]

In developing economies that are potential markets for U.S. poultry exports, tariffs vary widely (table I-2). For example, India and Pakistan have bound poultry tariffs of 100 percent, although the 2000 applied rate in India was only 35 percent. The Philippines imposes TRQs on poultry products, with over-quota tariffs of up to 60 percent. Indonesia has a bound rate of 50 percent, although its applied rate in 2000 was only 5 percent. Mexican tariffs on poultry meat are very high at about 240 percent for whole chickens and poultry cuts, although rates on processed products are considerably lower at 23 percent.[54] In contrast, some countries offer duty-free access for poultry imports, including Hong Kong (the leading market for U.S. poultry exports) and Singapore.

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[51] USDA, FAS, *Mexico Livestock and Products: Pork Imports from U.S. Exceed 2000 Safeguard*, Mexico City, GAIN Report No. MX0065, June 1, 2000; USDA, FAS, *Mexico Livestock and Products: Pork Imports from Canada Exceed 2000 Safeguard*, Mexico City, GAIN Report No. MX0094, June 16, 2000.

[52] Concerns over the high over-quota rates on Canadian imports of processed poultry products have been expressed by the U.S. frozen food industry. Leslie G. Sarasin, CAE, President and CEO, American Frozen Food Institute, written submission to the Commission, Feb. 16, 2001.

[53] Frederic D. Van Arnam, Jr., Barnes, Richardson & Colburn, written submission to the Commission on behalf of Hormel Foods Corporation, Apr. 24, 2001.

[54] The United States has preferential access to the Mexican market under NAFTA.

Regional Trade Agreements

Regional trade agreements (RTAs) in general provide preferential tariffs to member countries. Typically, such participating countries receive significant reductions in tariffs and/or exemptions from quota restrictions.

Preferential tariff treatment enjoyed by the United States under NAFTA has enhanced U.S. exports of meat to Mexico. One Australian trade association contends that Australia has been negatively affected by NAFTA, especially in the Mexican meat sector, as NAFTA countries generally receive duty-free access whereas Australian processors are assessed duties of 15 to 25 percent.[55] Canada provides preferential tariff treatment to CCC, LDC, GSP-eligible countries, and Chile, with imports from these countries generally receiving duty-free access. Canada has a TRQ on beef imports from non-NAFTA countries. Under the TRQ, 76,409 tons, the minimum access level, enter duty-free. Australia and New Zealand receive country-specific allocations of 35,000 tons and 29,600 tons respectively, with the balance reserved for imports from all other eligible suppliers. Imports above the minimum access level are assessed a duty of 26.5 percent. There are no quantitative restrictions on U.S. beef and veal exports to Canada.[56] There is no country-specific quota for U.S. imports of fresh, chilled, or frozen beef from Israel and countries eligible for preferential tariff treatment under CBERA and ATPA, but eligible U.S. imports generally receive duty-free access. Such imports fall into a basket category of "other countries or areas." The in-quota quantity for "other" countries is set at 64,805 tons.

EU RTAs and preferential trade agreements include the Lomé Convention, Mediterranean preferences, and the GSP. These agreements allow participating countries to export to the EU at duty rates lower than the general tariffs for many processed agricultural products, including meat. EU preferential tariffs and quotas make exports from the United States and other non preferential countries less competitive.

International trade in poultry is highly influenced by regional trade agreements, several involving the United States. Trade in poultry between the United States and Canada, for example, is governed by the Canada-U.S. Free Trade Agreement (CFTA),[57] under which a TRQ was established for turkey and chicken. At the beginning of each quota cycle, the quota for Canadian chicken imports from the United States is set at 7.5 percent of the anticipated annual chicken production (i.e., the quota for 2000 was set at 7.5 percent of expected Canadian production for 2000). For turkey, the rate is 3.5 percent of the anticipated annual turkey production. In-quota imports from the United States enter free of duty. However, the United States receives no special treatment on over-quota imports, which are subject to the Normal Trade Relations (NTR) rate of duty and are generally prohibitive. Under NAFTA in 1994, Mexico established a temporary TRQ on poultry imports from the United States, scheduled to be phased out in 2004. Under the arrangement, Mexico immediately gave duty-

[55] USITC staff interview with Australian industry association, Mar. 20, 2001.

[56] USDA, FAS, *Canada Livestock & Products Annual*, Ottawa, GAIN Report No. CA0120, Aug. 14, 2000.

[57] For further information, see Department of Foreign Affairs and International Trade, *Levels of Tariff Rate Quotas For Agricultural Products*, Serial No. 509, May 15, 1995, found at *http://www.dfait -maeci.gc.ca/~eicb/notices/SER509-e.htm*, retrieved June 4, 2001.

free access to 95,000 metric tons of poultry from the United States, with the amount increasing to nearly 128,000 tons by 2004. With the elimination of the over-quota tariff in 2004, the United States will have duty-free access to the Mexican market. Tariff provisions covering poultry trade between Mexico and Canada were excluded from NAFTA. Strong domestic demand led the Mexican Government to increase TRQ quantities under NAFTA for certain products. For example, in April 2001, the Government announced that 52,000 additional tons of poultry meat from the United States would be allowed duty-free entry up until June 30, 2001.[58]

Association agreements between the EU and several Eastern European countries (including Poland, Hungary, Czech and Slovak Republics, Bulgaria, and Romania) have been established in which quotas on poultry are established every 3 months and tariffs imposed at 80 percent of the EU's MFN rate. A recent free trade agreement between the EU and Mexico (July 2000) could impact U.S. exports of poultry over the long-term. Poultry meat, along with other sensitive products, was put on a waiting list of products to be considered for duty-free access in the future.[59] Similarly, the Asean Free Trade Area (AFTA)[60] could affect sales of U.S. processed poultry products when it comes into force. In particular, the United States would face increased competition from Thailand in Indonesia, Malaysia, and the Philippines. There are no tariffs on poultry trade between Mercosur countries. Due to Mercosur, U.S. poultry exporters are unable to compete with Brazilian poultry exporters in the region, especially in Argentina, with total imports of more than 50,000 tons annually.[61]

Non-tariff Barriers and U.S. Industry Concerns

Table I-4 outlines some of the non-tariff barriers and other industry concerns specific to the meat sector. These include sanitary and phytosanitary measures, labeling requirements, state trading enterprises, and animal welfare and environmental regulations.

Sanitary and Phytosanitary Barriers

BSE,[62] first identified in the United Kingdom in 1986, has resulted in many countries restricting importation of live cattle and cattle products, as well as restricting imports of certain animal feed ingredients where BSE is known to exist. The USDA restricts cattle and

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[58] USDA, FAS, *Mexico Poultry and Products: Extension of Duty-Free Quotas for U.S. Poultry Products under NAFTA*, Mexico City, GAIN Report No. MX1056, Apr. 20, 2001.

[59] USDA, FAS, *Mexico Poultry and Products Annual 2000*, Mexico City, GAIN Report No. MX0127, Sept. 27, 2000.

[60] The proposed Asean Free Trade Area would establish free trade among Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam by the year 2008. For more details, see *http://www.us-asean.org/afta.htm*.

[61] USDA, FAS, *Argentina Poultry and Products Annual 2000*, Buenos Aires, GAIN Report No. AR0051, Aug. 16, 2000.

[62] BSE (also known as "mad cow disease") is a chronic, degenerative disease affecting the central nervous system of cattle.

cattle product imports from countries where BSE is known to exist as well as from countries that apply less restrictive import requirements than those applied by the United States.

Certain EU SPS measures have been identified by the industry as significant constraints to world exports of beef and pork. On January 1, 1989, the EU imposed restrictions on imports of meat from countries, including the United States, that allow the use of certain growth-promoting hormones in the raising of meat animals and has blocked an estimated $300-500 million of U.S. exports annually.[63] The WTO determined that the EU ban is an illegal trade barrier because it is not based on scientific evidence, a risk assessment, or relevant international standards as provided under the SPS Agreement.[64] Industry sources report that the EU does not accept the United States' residue testing system used to test for unauthorized substances and residue levels in fresh meat and meat products.[65] Instead, the EU requires that such tests be conducted by EU-approved labs; however, the EU has not approved any labs in the United States.

The United States also faces potential and existing SPS barriers in other markets. An amendment to Mexico's animal health law implemented on August 10, 2000 changed the physical requirements for border inspection points for U.S. meat exports. The new requirements were so strict that only 8 of 28 points of inspection were in compliance, resulting in closure of several Mexican inspection points to meat imports. Some inspection points have reopened and while there have been some border delays, meat continues to be imported into Mexico. However, industry sources report that, if the Mexican Government does not open additional inspection points or hire additional inspectors at the existing points, significant trade disruption could occur.[66] Mexico also requires that U.S. beef, pork, and lamb exporters include slaughter and packing dates on export certificates.[67] Industry sources report that ungraded beef[68] from the United States is not allowed into Mexico.[69]

A key concern of the U.S. poultry industry is the disagreement with the EU on anti-microbial treatment in poultry production, which has restricted U.S. exports to the EU since April 1997.[70] The USDA has held several discussions with the EU Agricultural Commissioner hoping to change EU regulations if studies conducted by the Europeans show that U.S. methods of poultry meat decontamination present no threat to food safety. The U.S. industry

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[63] Leonard W. Condon, Vice President for International Trade, American Meat Institute, written submission to the Commission, Feb. 15, 2001.

[64] 64 *F.R.*, July 27, 1999, p. 40638.

[65] Leonard W. Condon, Vice President for International Trade, American Meat Institute, written submission to the Commission, Feb. 15, 2001.

[66] USTR, *2001 National Trade Estimate Report on Foreign Trade Barriers*, Mexico.

[67] Leonard W. Condon, Vice President for International Trade, American Meat Institute, written submission to the Commission, Feb. 15, 2001; Frederic D. Van Arnam, Jr., Barnes, Richardson & Colburn, written submission to the Commission on behalf of Hormel Foods Corporation, Apr. 24, 2001.

[68] The USDA grading system for carcasses of beef is voluntary and consists of quality grading and yield grading. Ground beef is made primarily from ungraded beef.

[69] Leonard W. Condon, Vice President for International Trade, American Meat Institute, written submission to the Commission, Feb. 15, 2001; USITC staff interview with U.S. industry representative, May 21, 2001.

[70] USDA, FAS, *European Union Poultry Products Annual 2001*, Brussels, GAIN Report No. E21017, Feb. 1, 2001.

estimates that removing this barrier would increase exports to the EU by $50 million annually.[71]

As a result of the increase in U.S. poultry exports to Mexico following implementation of NAFTA, Mexican poultry producers urged the Mexican Government to impose additional health and other regulatory measures on U.S. poultry products.[72] The Mexican Government responded by introducing new regulations in April 1999 that required U.S. poultry exporters to certify that their products were sourced only from farms free of Avian Influenza (AI) and that farms were tested within two weeks of slaughter.[73] These regulations add to the cost of exporting poultry to Mexico and, according to industry sources, the test is unnecessary because AI is not a problem in the United States.[74]

In response to concerns over the spread of BSE, Saudi Arabia recently set new import standards for poultry; guarantees must now be provided upon entry that chickens have not been fed animal products of any kind.[75] In addition to high tariffs, Thailand is also protecting its domestic poultry industry through the use of arbitrary licensing and health requirements.[76] According to USDA reports, the Thai Department of Livestock Development often refuses to grant import licenses, even though imports comply with all of the country's SPS requirements.

In addition, Mexico imposes trade-restrictive slaughter facility and hygiene requirements, including establishing sanitary inspection parameters for domestic meat production and meat imports.[77] Although the requirements are not discriminatory, U.S. firms view these requirements as barriers to trade, since there is no mutual recognition of standards. Mexico, Russia, South Africa, and Panama are among several countries requiring plants be specially approved for export, over and above the inspections undertaken by the USDA.[78] This adds to the cost of production. For instance, in order for Hormel to export turkey products to Panama, the company must pay the accommodation and travel expenses of a Panamanian inspector to visit about 10 plants throughout the United States. This is expensive and, according to Hormel, unnecessary because all of its plants are regularly inspected by the USDA.

The U.S. industry has also expressed concerns over very stringent health requirements for cooked chicken imported into Australia (not required for domestically produced poultry). Exporters of chicken into Australia must cook the meat to 158 degrees Fahrenheit for 143 minutes, which, according to industry representatives, renders the product unsuitable for

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[71] USA Poultry and Egg Export Council letter to Bush Cheney Transition Office, Jan. 11, 2001.

[72] Ibid.

[73] USDA, FAS, *Mexico Poultry and Products Annual 2000*, Mexico City, GAIN Report No. MX0127, Sept. 27, 2000.

[74] USITC staff interview with U.S. industry representative, July 11, 2001.

[75] USDA, FAS, *Saudi Arabia Poultry: Saudi Arabia to Enforce a New Requirement on Imported Chicken Meat Early in February 2001*, Riyadh, GAIN Report No. SA1004, Jan. 29, 2001.

[76] USDA, FAS, *Thailand Poultry and Products Semi-Annual 2001*, Bangkok, GAIN Report No. TH1016, Feb. 1, 2001.

[77] USDA, FAS, *Mexico Poultry and Products Annual 2000*, Mexico City, GAIN Report No. MX0127, Sept. 27, 2000.

[78] Frederic D. Van Arnam, Jr., Barnes, Richardson & Colburn, written submission to the Commission on behalf of Hormel Foods Corporation, Apr. 24, 2001.

human consumption. Scientists in the United States suggest that cooking to 140 degrees for 20 seconds will kill all possible pathogens.[79]

Other industry grievances include the de facto ban on imports of chicken parts into Indonesia and the Philippines.[80] In Indonesia, the Government banned imports of chicken parts in an effort to defend domestic poultry producers from cheap imports and because of fears that non-Halal poultry meat might be imported.[81] In the Philippines, delays by the Department of Agriculture in issuing veterinary quarantine certificates (certificates necessary to import poultry into the country) have caused serious problems for many U.S. exporters, who believe that the delays have no justification other than to block imports.[82] U.S. poultry exporters are also concerned over the anti-dumping duties imposed on poultry imports by South Africa since December 2000. The industry believes that the method used by South Africa to calculate the dumping margins is inconsistent with WTO rules.[83] Finally, the U.S. industry is concerned about the genetically modified (GM) food issue, particularly in Europe and Japan, and fears that poultry products fed GM grain could be kept out of these markets.[84]

Labeling Requirements and Plant Inspection

Israel has kosher certification requirements that generally preclude nearly all U.S. meat product exports that are accepted as kosher in the U.S. market. In addition, Israel prohibits imports of non-kosher beef and pork yet permits domestic production and marketing of non-kosher beef and pork.[85]

After 9 years of prohibiting imports of frozen poultry meat from all sources, the Egyptian Government in July 1997 partially rescinded its ban. Although the ban was lifted with respect to whole birds, it is still in effect for poultry meat parts and products. This action violates WTO trading rules as does the decision to impose a 80 percent tariff on all poultry imports, combined with a minimum import reference price of $1,500 per ton.[86] The ban on imports of chicken parts is based on religious concerns and methods of Halal slaughtering in the United

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[79] United States Trade in Livestock, Dairy, and Poultry Products with Australia and New Zealand, Hearing of House of Representatives, Subcommittee on Livestock, Dairy and Poultry, Committee on Agriculture, Statement of William P. Roenigk, National Broiler Council, Feb. 26, 1998.

[80] USA Poultry and Egg Export Council letter to Bush Cheney Transition Office, Jan. 11, 2001.

[81] USDA, FAS, *Indonesia Poultry and Products: Indonesia Bans Poultry Part Imports,* Jakarta, GAIN Report No. ID0050, Nov. 11, 2000.

[82] USDA, FAS, *Philippines Poultry and Products Annual 2000*, Manila, GAIN Report No. RP0046, Aug. 15, 2000.

[83] USA Poultry and Egg Export Council letter to Bush Cheney Transition Office, Jan. 11, 2001. While South Africa is a relatively small market for U.S. poultry exports, industry representatives are concerned that other countries representing larger export markets may follow the methodology used by South Africa to unfairly restrict U.S. exports.

[84] USA Poultry and Egg Export Council letter to Bush Cheney Transition Office, Jan. 11, 2001.

[85] USTR, *2001 National Trade Estimate Report on Foreign Trade Barriers*, Israel.

[86] Letter from U.S. Agriculture Secretary Dan Glickman to Egyptian Minister of Supply and Foreign Trade, Ahmad Ahmad Al Guwaili, dated 1997.

States.[87] Prior to the ban, Egypt was a major importer of frozen poultry meat from the United States, with imports valued at an average of $40 million annually during the 1980s.[88] Even in the absence of the ban, U.S. exporters would face an additional barrier with moisture content. Specifically, U.S. frozen product would fail to meet the maximum limit of 5 percent moisture content imposed under Egyptian standards.[89]

U.S. exports of poultry to Israel are restricted because the "Meat and Meat Products Import Law" prevents imports of poultry products that do not carry a kashrut certificate issued by Israel's Chief Rabbinate.[90] With marketing of domestically produced non-kosher poultry products permitted under Israeli law, the ban violates the 1995 United States-Israel Free Trade Area Agreement which requires religion-base requirements apply equally to domestic and imported products.[91] Israel has resisted any change to this law.[92] U.S. exporters have also noted that application for kosher certification is discriminatory and is used to protect domestic producers.[93] The process is non-transparent and involves the payment of fees which may not accurately reflect the true cost of inspection.[94]

All poultry imported into Poland must meet strict health and safety standards administered by the Polish Veterinary Service. Health certification documents must be written in both English and Polish, and product labels that are required on all boxes must be in Polish and must display the production date, product name, and the name of the producer.[95] These requirements are not imposed on domestically produced poultry. According to industry officials, these requirements add considerable cost to shipping product to this market.

State Trading Enterprises

One of Korea's state trading enterprises (STEs) impedes the entry and distribution of foreign beef into Korea.[96] In addition, Korea has not met its minimum access commitment on beef imports in recent years. In August 2000, Korea was found to maintain WTO-inconsistent restrictions on beef imports from the United States. China also uses STEs to control imports and exports of many agricultural goods, including meats, although such enterprises are to be phased out over a three-year period as part of China's accession agreement to the WTO.[97] At

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[87] USDA, FAS, *Egypt Poultry and Products Annual 2000*, Cairo, GAIN Report No. EG0025, Aug. 14, 2000.

[88] USDA, FAS, "Poultry Meat and Products," *Livestock and Poultry: World Markets and Trade*, Mar. 1998, p. 4.

[89] USDA, FAS, *Egypt Poultry and Products Annual 2000*, Cairo, GAIN Report No. EG0025, Aug. 14, 2000.

[90] USTR, *2000 National Trade Estimate Report on Foreign Trade Barriers*, Israel.

[91] Ibid.

[92] "Around the World: Israel," *Poultry International*, Feb. 1997, p. 6.

[93] USITC staff correspondence from U.S. industry association, Mar. 15, 2001.

[94] USTR, *2000 National Trade Estimate Report on Foreign Trade Barriers*, Israel.

[95] USDA, FAS, *Poland Poultry and Products Annual 2000*, Warsaw, GAIN Report No. PL0022, July 20, 2000.

[96] USTR, *2001 National Trade Estimate Report on Foreign Trade Barriers*, Korea.

[97] USDA, FAS, *People's Republic of China, Trade Policy Monitoring: Trade Policy Update 2000*, Beijing, GAIN Report No. CH0014, June 2, 2000.

the end of the period, U.S. beef exporters will be able to sell directly to buyers without going through government buying agencies.[98]

Tariff Escalation

Beef and Other Meat Products

To consider the prevalence of tariff escalation in the meat sector, staff chose to review the value chain of live beef cattle, beef carcasses, and fresh, chilled, or frozen beef in the EU, Canada, the United States, and China. This is an issue of significant concern to the industry, given that the American Meat Institute (AMI) testified that tariff escalation in the EU and Israel (based on in-quota tariffs versus over-quota tariffs) is an important factor affecting trade.[99] Specific tariffs were converted into AVEs. U.S. live cattle prices, carcass prices, and fresh boneless manufacturing beef prices were used as a substitute for world prices. As shown in figure 6-1, there is no tariff escalation from beef carcasses to fresh, chilled, or frozen beef in Canada, the United States, and China. In the EU, however, tariffs on fresh, chilled, or frozen beef are 211 percent compared with a tariff of 171 percent imposed on imported carcasses.

Poultry

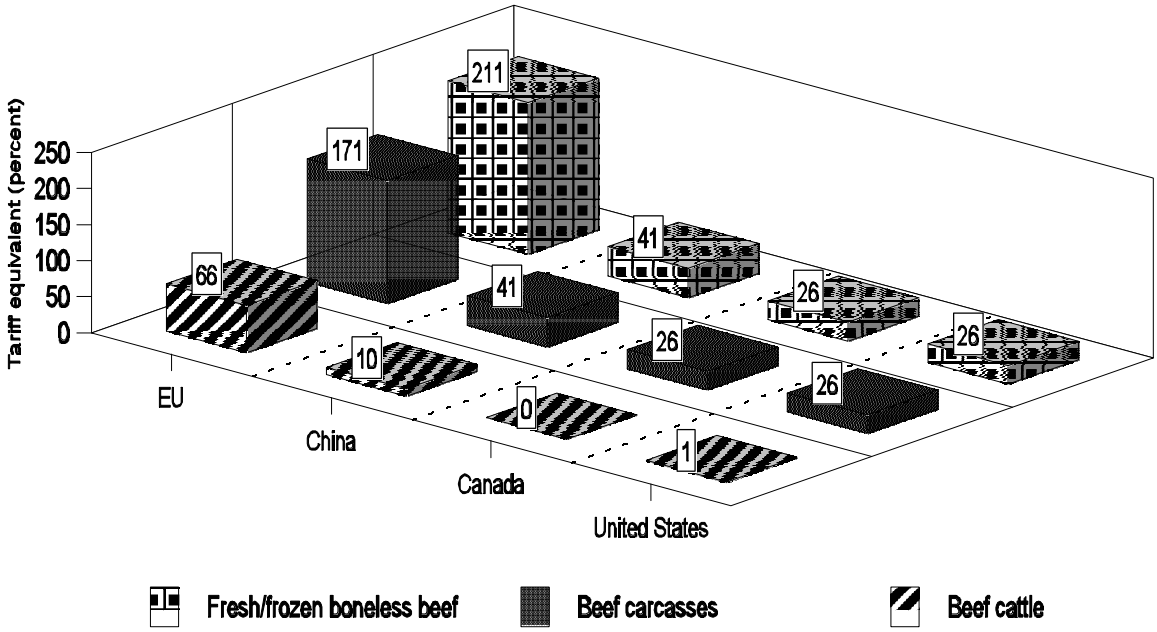
Evidence of tariff escalation in the poultry sector was tested by comparing tariffs for whole chickens (0207.11), chicken cuts and offal (0207.13), and prepared or preserved chicken (1602.32). Specific tariffs were converted into AVEs, and a U.S. export unit value, averaged over 1998-2000, was used as a proxy for world prices. The results, shown in figure 6-2, do not strongly support the existence of tariff escalation in poultry, except in the case of Korea, where tariffs increased consistently along the value chain (i.e., whole chicken, 20 percent; chicken cuts, 28 percent; processed chicken, 30 percent).[100] For many countries, including the United States, Japan, Mexico, and the EU, processed chicken products had the lowest tariff. Canada has extremely high tariffs on poultry which tend to increase along the value chain, but these tariffs were established during the URAA when rates were set at the tariff

[98] Michigan Farm News, *U.S. beef trade with China*, April 15, 2000, found at *http://www.michiganfarmbureau.com*, retrieved May 22, 2001.

[99] Leonard W. Condon, Vice President for International Trade, American Meat Institute, testimony before the USITC, May 22, 2001, transcript, p. 47.

[100] A study by the OECD, *The Uruguay Round Agreement on Agriculture and Processed Agricultural Products*, also looked at tariff escalation in chicken meat. The results of this study similarly did not show clear evidence of tariff escalation in this sector.

Figure 6-1
Beef and beef products: Tariff equivalents for the EU, China, Canada, and the United States, 2000

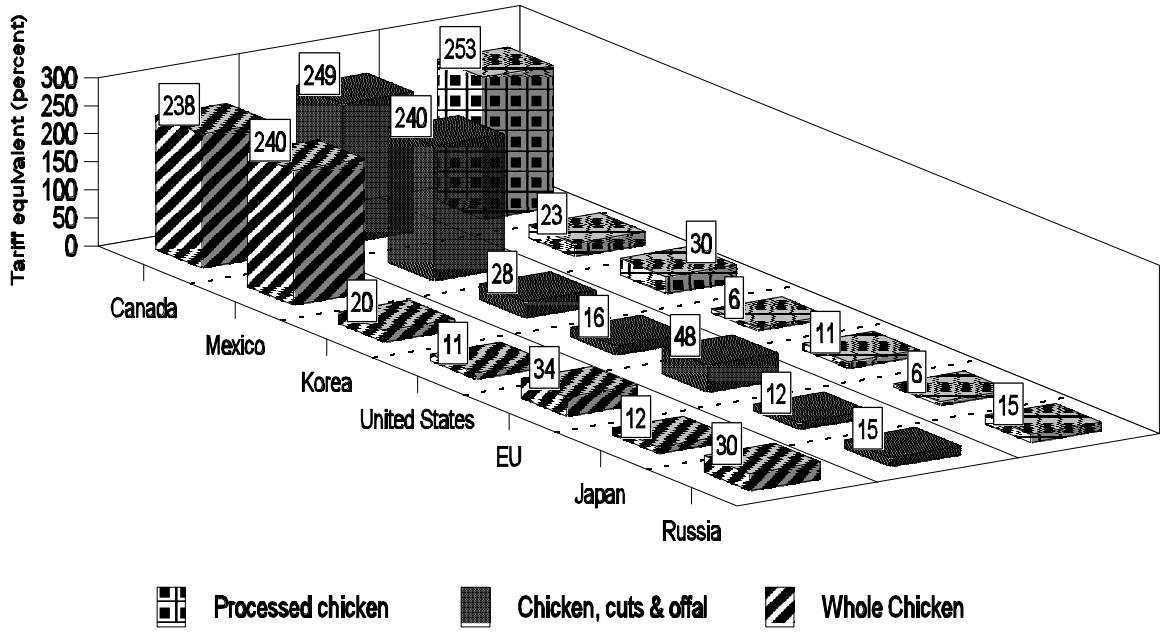


Notes.—For the United States, beef carcasses and fresh/frozen boneless beef are subject to TRQ restrictions, and the over-quota ad valorem rates are reflected above. The United States has a 4.4 cents/kg in-quota tariff on both beef carcasses and fresh/frozen boneless beef, which translate into in-quota ad valorem rate equivalents of 0.194 percent and 3.12 percent, respectively. For the EU, there are TRQ restrictions on beef cattle, beef carcasses, and fresh/frozen boneless beef, and over-quota ad valorem equivalent rates are reflected above. The EU has an in-quota rate on cattle that translates into a 50.92 percent ad valorem equivalent, and places an in-quota ad valorem rate of 20 percent on beef carcasses and fresh/frozen beef. For Canada, beef carcasses and fresh/frozen boneless beef are subject to TRQ restrictions, and the ad valorem over-quota rates are shown. Canada places an in-quota rate of free on beef carcasses and fresh/frozen boneless beef. The tariff equivalent for beef cattle in Canada is 0.482 percent, which was rounded down to zero in the above graph.

Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

equivalent of existing quotas. As a result, tariffs are designed to be prohibitive, and the level of the tariff is not set based on efforts to discourage imports of processed products (as the concept of tariff escalation implies), but instead to block all imports entirely from the domestic market, regardless of the level of processing. This is evident, for example, in the case of Canadian tariffs on chicken cuts (249 percent) and on processed chicken products (253 percent).

Figure 6-2
Poultry products: Tariff equivalents for selected markets, 2000



Note.—For Canada, all three chicken products are subject to a TRQ, and the over-quota ad valorem rates are reflected above. Canada has a 5 percent in-quota ad valorem tariff on the three classes of chicken products. For the EU, whole and cut-up and offal chicken products are subject to a TRQ, and the over-quota ad valorem equivalent rates are reflected above. The EU has in-quota rates of 147 euros/ton on whole chicken and 279 euros/ton on cut-up and offal chicken, that translate into ad valorem equivalent rates of 16.94 percent and 23.81 percent, respectively.

Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

CHAPTER 7
Eggs and Egg Products

Introduction

The U.S. egg industry is the third-largest in the world (behind China and the EU) and accounted for approximately 12 percent of global production in 2000. It benefits from state-of-the-art production technology and advantageous cost and market structures. The industry is made up of many distinct sectors, the major ones being the shell egg sector and the processed egg products sector. The shell egg sector produces table eggs (sold for immediate consumption at home or in restaurants), breaking eggs (sold for use in processed egg products), and hatching eggs. The egg products sector produces various liquid, frozen, and dried egg products, which are used by the processed food industry mainly as an ingredient in the production of food items, such as baked goods, confectionary, mayonnaise, pasta, and salad dressings.[1] Virtually all such eggs and egg products, except for hatching eggs, are from chickens. In this study, table eggs are provided for by a single 10-digit HTS subheading (0407.00.0040). Processed egg products include dried egg yolks (0408.11), egg yolks not dried (0408.19), dried eggs not in shells (0408.91), eggs not in shell, not dried (0408.99), dried egg albumin (3502.11), and egg albumin not dried (3502.19). Hatching eggs which are not considered processed products are not covered in this report.

The U.S. egg industry is oriented toward the domestic market. In 2000, U.S. egg exports represented only about 1 percent and 7 percent of U.S. production (by value) of table eggs and egg products, respectively. About two-thirds of U.S. egg exports were egg products, while table eggs and hatching eggs each accounted for about 15 percent. Nonetheless, the United States is the world's second-largest exporter of eggs, behind the EU, and in 2000 accounted for about one-third of total world exports.[2]

During 1996-2000, U.S. exports of both table eggs and processed egg products declined (table 7-1). This decline was a result of competition from subsidized egg exports, mainly from the EU, and the cessation of support for U.S. egg exporters through the Export Enhancement Program (EEP).[3] In 1996, total U.S. egg exports were valued at $148 million. By 1999, exports had fallen almost in half to $78 million, recovering slightly to $84 million in 2000. Two-thirds of U.S. exports of table eggs were accounted for by Canada and Hong Kong in 2000, with 8 percent going to the EU. According to industry representatives, markets with the

[1] For more information on the U.S. egg industry, see USITC, *Industry and Trade Summary: Eggs*, USITC publication 3268, Dec. 1998.

[2] Food and Agriculture Organization, Agricultural Trade Database.

[3] Ken Klippen, Vice President and Executive Director of Government Relations, United Egg Producers & United Egg Association, testimony before the USITC, May 22, 2001.

Table 7-1
Eggs and egg products: U.S. exports to principal markets and to markets with the potential for expanded U.S. exports, 1996-2000

Items	1996	1997	1998	1999	2000	Change, 2000 over 1996
	1,000 dollars					*Percent*
Table eggs:[1]						
Canada	7,533	9,608	11,393	11,839	11,826	57
Hong Kong	33,300	16,205	13,381	10,798	10,854	-67
EU	3,376	2,590	67	150	2,645	-22
Japan[2]	523	14	190	1,793	2,411	361
Mexico[2]	8,377	7,663	6,305	1,583	1,735	-79
All other	9,006	6,403	3,917	1,914	4,066	-55
Total	62,115	42,483	35,251	28,076	33,537	-46
Processed egg products:[3]						
Japan	49,137	43,594	32,004	31,667	31,392	-36
Canada	11,529	13,027	10,484	8,065	5,359	-54
EU	8,553	8,056	4,044	1,639	3,455	-60
Mexico[2]	9,807	7,949	10,883	2,203	3,077	-69
Korea[2]	1,586	2,230	1,566	1,258	1,407	-11
All other	5,754	13,429	4,841	5,112	6,089	6
Total	86,367	88,285	63,823	49,944	50,779	-41
Grand total	148,482	130,768	99,074	78,020	84,316	-43

[1] Includes HS number 040700 (excludes shell eggs for hatching).
[2] Denotes a potential market.
[3] Includes HS numbers 0408.11, 0408.19, 0408.91, 0408.99, 3502.11, and 3502.19.

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

most potential for expanded U.S. table eggs exports are Japan and Mexico.[4] Japan accounts for about 60 percent of processed egg products exports, while Canada and the EU together account for almost 20 percent. Other potential growth markets for U.S. processed egg product exports are Mexico and Korea, although trade barriers in these markets are significant. Exports of processed egg products to all destinations dropped significantly from $86 million in 1996 to $51 million in 2000, with the most significant declines between 1997 and 1998 (over 25 percent). A decline in exports of processed products was experienced in all major markets, caused by weak demand following economic crisis in several Asian markets, as well as competition from subsidized EU products.[5]

[4] USITC staff conversation with industry representative, Mar. 6, 2001.
[5] Ken Klippen, Vice President and Executive Director of Government Relations, United Egg Producers & United Egg Association, testimony before the USITC, May 22, 2001.

Policy Environment in Selected Markets

There are significant differences among the world's major producing countries in terms of the level of government intervention in domestic egg markets. The United States and the EU have no commodity programs that specifically provide production assistance to the egg industry, such as a minimum price policy or government stockholding activities.[6] By contrast, the Canadian egg industry operates under a system of supply management, in which the supply of eggs available on the domestic market is controlled by quotas on domestic production and imports.[7] Domestic supply levels are set so that producers receive market prices sufficiently high to cover their costs of production plus a reasonable return on investment, while consumers get consistent supplies at stable prices. In order to match supply with demand, imports are controlled through a system of TRQs, introduced in 1995 when the Uruguay Round Agreement on Agriculture (URAA) came into force. Japanese egg producers are assisted by a price stabilization program that compensates them for income losses when prices fall below a predetermined level.[8] This program is supported through check-off funds (producer fee used to finance marketing activities) established by the national egg producers group.

Because feed represents such a high portion of the total variable egg product cost, domestic policies that affect grain markets indirectly affect eggs.[9] For instance, in the United States, conservation, crop insurance, and marketing loans programs influence the price of grain and thus the cost of producing eggs. Similarly, EU egg producers will be affected by Agenda 2000, which involves reforming the EU's Common Agricultural Policy for grains by moving support toward direct payments rather than price support.[10]

In several countries, support for the domestic egg industry is made possible through policies that affect international trade. In the EU, for example, because of high domestic grain prices and labor costs, domestic egg prices are maintained above international price levels through the use of export refunds (see below) and strict import controls. Export refunds are used to remove surplus production generated by high domestic egg prices. Nearly all EU imports of eggs occur under limited access commitments, either TRQs established under the URAA, or preferential access granted under association agreements with Poland, Hungary, the Czech Republic, Slovakia, and Bulgaria.[11] As noted above, Canada applies TRQs on eggs and processed egg products to protect Canadian egg producers from lower priced imports. Imports under the TRQs from the United States were established both under the URAA and under the

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[6] European Commission, *The Agricultural Situation in the European Union, 1999 Report* (Brussels: European Commission, 2000).

[7] Agriculture and Agri-Food Canada, Market and Industry Services Branch, *Snapshot of the Canadian Egg Industry*, Nov. 1999, found at *http://www.agr.ca/misb/aisd/poultry/eggsnap.pdf*, retrieved June 1, 2001.

[8] USDA, FAS, *Japan Poultry Annual 1998*, Tokyo, GAIN Report No. JA8070, Aug. 18, 1998.

[9] According to industry representatives, feed accounts for about 80 percent of the variable costs of producing eggs, as well as 80 percent of the cost of the replacement birds. United Egg Producers & United Egg Association, written submission to the Commission, Feb. 16, 2001.

[10] For further information, see "Agenda 2000 - Agriculture," found at *http://europa.eu.int/comm/agenda2000/index_en.htm*, retrieved June 1, 2001.

[11] European Commission, *The Agricultural Situation in the European Union, 1999 Report*.

Canada-U.S. Free Trade Agreement (CFTA).[12] Two sets of TRQs were established--shell eggs and egg products, and broiler hatching eggs and chicks.

Another key issue increasingly affecting egg production worldwide concerns animal welfare and the ethical treatment of animals. For instance, in the EU, the Council Directive on minimum standards for the protection of laying hens requires a decrease in bird stocking density and a ban on the use of conventional laying cages by the year 2012 (Germany is proposing that requirements on cages be in place by 2007).[13] The concern among producers is that this directive will increase the price of eggs and reduce consumption.[14] As a result, the Europeans are likely to request that animal welfare standards be brought under WTO disciplines in the upcoming round of WTO negotiations.[15] Animal welfare concerns are not limited to Europe. For example, McDonald's Corp. (which uses about 2.5 percent of total U.S. egg production) recently announced that it would purchase eggs only from free-range hens.[16] Industry estimates that costs of production will increase between 11¢/dozen and 24¢/dozen for producers supplying McDonald's Corp (compared to current costs of 40-50¢/dozen).[17]

Tariff Barriers

Table Eggs

Tariff treatment of table eggs varies considerably among countries.[18] For example, among developed economies, the United States has a low tariff (only 2.8 ¢/dozen, roughly 4 percent ad valorem equivalent (AVE)), while Japan maintains tariffs of 17 percent for fresh, chilled or frozen eggs and 21 percent for cooked or preserved eggs (table J-1). In Canada and the EU, TRQs limit imports of table eggs (table J-3). The TRQ in Canada is based on the quantity of eggs (21.37 million) and applied to imports of both table eggs and processed egg products. In-quota tariff rates in Canada are set at levels low enough that the fill rate is close to 100 percent. In the EU, the TRQ is set on a weight basis, which amounted to 135,000 tons of table eggs. The EU applies an in-quota rate of 14 percent AVE, which has limited imports to the extent that the quota has been unfilled in most years. Over-quota rates on table

[12] For further information, see Department of Foreign Affairs and International Trade, *Levels of Tariff Rate Quotas For Agricultural Products*, Serial No. 509, May 15, 1995, found at *http://www.dfait-maeci.gc.ca/~eicb/notices/SER509-e.htm*, retrieved June 1, 2001.

[13] USITC staff interview with British industry association, May 25, 2001.

[14] International Egg Commission, Statement on the Welfare of Laying Hens, 2001.

[15] Proposal by the European Communities to WTO Committee on Agriculture, *Animal Welfare and Trade in Agriculture*, G/AG/NG/W/19, June 28, 2000.

[16] "McDonalds guidelines send signal across all animal production segments," *Feedstuffs*, Aug. 28, 2000.

[17] "Bird husbandry costs called market issue," *Feedstuffs*, Oct. 16, 2000.

[18] United Egg Producers & United Egg Association, written submission to the Commission, Feb. 16, 2001.

eggs are 163 percent AVE in Canada and 28 percent AVE in the EU. In both the EU and Canada, TRQs are administered through import licenses.

Tariffs are a significant factor among the potential markets for U.S. table egg exports (table J-2). For instance, Korea imposes a tariff of 28 percent, while Mexico applies a tariff of 20 percent, although in the case of Mexico, the 2000 applied rate was below the bound rate (37.5 percent). While U.S. access to many markets is constrained by tariffs, several important markets have low tariff rates and in some countries entry is duty-free. For instance, table eggs imported into Indonesia and Malaysia face a tariff of only 5 percent, while product entering Hong Kong, Singapore, New Zealand, and Australia is duty-free.[19]

Processed Egg Products

Tariff treatment of processed egg products is generally similar to that of table eggs. The United States' rates of duty on processed egg products are roughly 16 percent AVE. Japan, which is by far the largest export market for U.S. processed egg products, imposes a complex tariff structure involving both ad valorem tariffs of about 20 percent and a minimum specific tariff of about ¥50/kg (table J-1). Canada and the EU also control imports of processed eggs products via TRQs (table J-3). The TRQ in Canada is based on the number of eggs (21.37 million) and is applied to imports of both table eggs and processed egg products. In the EU, quantity limits are placed on different egg products, including 7,000 tons of egg yolks and 15,500 tons of egg albumin. While most of the Canadian egg quota is filled yearly, this is not the case for the EU, largely because the in-quota tariff rates are high enough to restrict trade. For example, the in-quota tariff on dried whole eggs is about i 687/ton, while the over-quota rate is i 1,374/ton, representing AVE rates of over 22 percent and 43 percent, respectively. EU egg imports are also subject to safeguard duties which are applied when import prices are below a predetermined trigger level.

Developing countries typically maintain tariffs on processed egg products at the same level as table eggs (table J-2). All processed egg products imported into Korea faced a 28 percent tariff in 2000, with the exception of albumin, which received a tariff of 8 percent. Mexico imposed a 2000 applied tariff of 20 percent on most types of processed eggs (compared with a bound rate of 37.5 percent). Several markets allow duty-free entry, including Singapore, Hong Kong, New Zealand, and Australia.

[19] United Egg Producers & United Egg Association, written submission to the Commission, Feb. 16, 2001.

Regional Trade Agreements

International trade in table eggs and processed egg products is highly influenced by regional trade agreements, several involving the United States. Trade in eggs between the United States and Canada, for example, is governed by the CFTA,[20] under which a TRQ was established for shell eggs and egg products, equivalent to 2.988 percent of the previous year's Canadian production (composed of 1.647 percent for shell eggs, 0.714 percent for frozen, liquid, and further processed eggs, and 0.627 percent for powdered eggs). In-quota imports from the United States enter free of duty. However, the United States receives no special treatment on over-quota imports, which are subject to the Normal Trade Relations (NTR) rate of duty and are generally prohibitive. With respect to Mexico, upon entry into force of NAFTA in 1994, the 3.5¢/dozen U.S. tariff imposed on table eggs was dropped.[21] At the same time, Mexico established a temporary TRQ on table egg imports from the United States, scheduled to be phased out in 2004. Under the arrangement, Mexico immediately gave duty-free access to imports from the United States on up to 6,500 metric tons of eggs (equivalent to about 9.6 million dozen eggs), with the amount increasing to nearly 9,000 tons by 2004. With the elimination of the over-quota tariff in 2004, the United States will have duty-free access to the Mexican market. Tariff provisions covering egg trade between Mexico and Canada were excluded from the NAFTA.

Trade agreements between the EU and several Eastern European countries (including Poland, Hungary, Czech and Slovak Republics, Bulgaria, and Romania) have been established in which quotas on egg imports are established every 3 months and tariffs imposed at 80 percent of the MFN rate. The recent EU-Mexico free trade agreement (July 2000) could affect U.S. exports of processed eggs.[22] Under the agreement, Mexico gains preferential access to processed egg product markets in the EU, which could weaken U.S. opportunities in the EU.[23]

Non-tariff Barriers and U.S. Industry Concerns

Non-tariff barriers and industry concerns in the eggs and egg products sector include sanitary and phytosanitary measures, technical barriers, GMOs and traceability, and export refunds. According to industry sources, these measures are often not transparent and their impact on trade is sometimes difficult to assess. These measures are summarized in table J-4.

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[20] For further information, see Department of Foreign Affairs and International Trade, *Levels of Tariff Rate Quotas For Agricultural Products*, Serial No. 509, May 15, 1995, found at *http://www.dfait-maeci.gc.ca/~eicb/notices/SER509-e.htm*, retrieved June 4, 2001.

[21] USDA, FAS, *NAFTA Agricultural Fact Sheet: Eggs*, found at *http://www.fas.usda.gov/itp/policy/nafta/eggs.html*, retrieved June 4, 2001.

[22] USITC staff interview with British industry association, May 25, 2001.

[23] USDA, FAS, *Mexico Poultry and Products Annual 2000*, Mexico City, GAIN Report No. MX0127, Sept. 27, 2000.

Sanitary and Phytosanitary Measures

U.S. industry officials have identified several measures that they believe restrict U.S. exports of eggs and egg products to the EU. EU regulations require that only unwashed table eggs qualify for a Class A grade which may be sold at the retail level.[24] Consequently, U.S. table eggs are prevented from being sold directly to European consumers because in the United States egg washing is a standard practice before packing and marketing. However, according to EU egg industry representatives, the standard practice in the EU is not to wash eggs. This is because the washing process cannot be adequately monitored given the generally small scale of operations. Washing that is not done properly can actually result in the contamination of eggs. Thus, from the standpoint of the EU, eggs are safer if they are not washed.[25]

Another concern of the U.S. industry is the EU regulation that does not allow caramel color[26] to be the only denaturant in imported inedible eggs.[27] Imported eggs that are denatured by caramel color face a tariff (while imported inedible eggs denatured by other substances may enter free of duty), unless an additional denaturant is used to provide an odor to the product, such as fish meal and rosemary oil. The use of additional denaturants is not required for inedible eggs produced domestically (i.e., EU producers need only use caramel color). Since EU customers do not want to purchase eggs with the additional denaturants, U.S. exports of inedible egg products have stopped because of the high tariff,[28] costing the U.S. industry about $3.3 million annually.[29] U.S. industry representatives have requested that the U.S. Government seek a change to the list of approved EU processed egg denaturants (EC Regulation No. 3665/93, December 31, 1993) such that caramel color be acceptable without the requirement of an additional denaturant.[30]

Imports of eggs into the EU are subject to various health and sanitary regulations and restrictions, which also apply to domestic egg production in each country. Industry representatives claim that EU regulations on imports of processed egg products have tolerance levels for excess residues that are overly restrictive, and that higher tolerances would still

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[24] United Egg Producers & United Egg Association, written submission to the Commission, Feb. 16, 2001.

[25] USITC staff interview with British industry association, May 25, 2001.

[26] A common practice in the egg industry is to add caramel color to identify egg powder that is unfit for human consumption.

[27] According to U.S. industry representatives, about 2 percent to 3.5 percent of eggs are broken during the process of sorting, grading, packaging, and distribution. Broken eggs are classified as inedible and thus a denaturant, such as caramel color, is used to make these eggs unfit for human consumption. Most inedible eggs are used in the production of pet foods. Ken Klippen, Vice President and Executive Director of Government Relations, United Egg Producers & United Egg Association, testimony before the USITC, May 22, 2001.

[28] United Egg Producers & United Egg Association, written submission to the Commission, Feb. 16, 2001.

[29] Ken Klippen, Vice President and Executive Director of Government Relations, United Egg Producers & United Egg Association, testimony before the USITC, May 22, 2001.

[30] James H. Sumner, President, USA Poultry & Egg Export Council, in letter to David Johnson, Director, USDA Transitional Team, Jan. 11, 2001.

provide adequate food safety.[31] However, the relatively high EU import tariffs are considered to pose a greater barrier to U.S. egg exports than nontariff measures.[32]

The U.S. egg industry is also concerned about lost export opportunities to Mexico following the implementation of recent health measures and regulations.[33] According to some officials, these measures have been introduced to impede U.S. exports of egg products.[34] For example, U.S. exports of table eggs to Mexico have recently been hampered by changes in standards governing the safety of eggs and egg products (NOM-159).[35] This regulation mandates that local distributors refrigerate all shell eggs and egg products that are marketed in bulk or prepackaged. NOM-159 also mandates that the expiration date be included on all shell eggs and egg products, with the exception of dehydrated and frozen products. Since continuous cold storage in Mexican food transportation and distribution channels does not exist, this regulation has stopped the growth of U.S. table egg exports into this market. Another concern of some industry sources is the Mexican TRQ administration for eggs.[36] TRQs currently are allocated by auction and have been awarded to producers that do not have an incentive to import.[37] According to industry sources, this is one factor contributing to the decrease in imports of U.S. fresh table eggs between 1996 and 1998.

Technical Barriers

Technical trade barriers include shelf-life and labeling requirements imposed by the United Arab Emirates (UAE). The maximum shelf-life of egg imports into the UAE is only 3 months. Industry representatives claim this time period is too short to pack, ship, and market products in the country. Also, the UAE requires all imports of eggs to be stamped as "imported," and labeled with the date laid and company name.[38] One of the Emirates, Dubai, has regulations that mandate that every egg imported from the United States be stamped individually indicating USDA certification. Each egg must be stamped with the producer's name and date laid. U.S. industry claims these regulations are expensive and excessive.[39] U.S. industry officials note also that Singapore has stringent registration requirements, which are cumbersome and costly to U.S. egg exporters.[40]

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[31] United Egg Producers & United Egg Association, written submission to the Commission, Feb. 16, 2001.

[32] Ibid.

[33] Ken Klippen, Vice President and Executive Director of Government Relations, United Egg Producers & United Egg Association, testimony before the USITC, May 22, 2001.

[34] United Egg Producers & United Egg Association, written submission to the Commission, Feb. 16, 2001.

[35] USDA, FAS, *Mexico Poultry and Products Annual 2000*, Mexico City, GAIN Report No. MX0127, Sept. 27, 2000.

[36] Comments of Jim Sumner, USA Poultry and Egg Export Council, reported in "U.S. egg exports continue to grow," *Egg Industry*, Apr. 1997.

[37] USDA, FAS, *Mexico Poultry Annual Report*, Mexico City, GAIN Report No. MX7075, July 17, 1997.

[38] USITC staff interview with U.S. industry association, Aug. 16, 1999.

[39] Washington State Department of Agriculture, *Exporting Washington State Agricultural Products and Processed Foods: Foreign Trade Barriers*, June 1999.

[40] USITC staff interview with U.S. industry association, Aug. 16, 1999.

GMOs and Traceability

U.S. egg exporters are concerned that eggs from hens that have been fed GMO feed will be restricted by several countries. In the EU, several supermarket chains will not accept meat from animals that have been fed genetically modified feed.[41] The rejection by EU consumers of any products associated with GMO could eventually halt U.S. exports of processed egg products to Europe.[42]

Proposed regulation changes (Council Regulation No. 1907/90) by the EU would require labeling of method of production, such as production from cages, free-range, or barn systems. Such labels would be required on both EU and imported eggs. According to the U.S. industry, this proposal would hurt U.S. egg exporters, because shipments for the export market are generally made through regional cooperatives which sort, grade, and pack the eggs supplied to them by egg producers. The proposed labels would require that individual eggs be traced back to each individual farm, which is expensive and often impossible. The proposed regulations would allow imported eggs without specifying production method, so long as they were labeled "farming method not specified" which, according to U.S. industry representatives, would disadvantage imported products.[43]

Five years ago, a German-based trade association was created called KAT (Kontrollierte Alternative Tierhaltungsformen, or Controlled Alternative Animal Keeping). The purpose of KAT is to control and help market eggs produced by association members who use alternative methods of production. This will be achieved through the establishment of a quality label that provides consumers detailed information on the individual egg. The KAT label contains four sets of numbers indicating (i) rearing system (such as organic, open run, ground, perches, or cage systems); (ii) country of origin; (iii) rearing enterprise (e.g., free range, deep litter rearing, stocking density); and (iv) farm number. KAT requirements on animal welfare are also more stringent than current EU regulations. KAT is driven by the industry and retailers, not the government, and has been endorsed by the Red and Green Party coalitions to promote the production and sale of organic products.[44]

Export Refunds

EU exports of eggs are provided assistance through export refunds, which, according to U.S. industry officials, are a major impediment to U.S. sales in several third countries.[45] Although the level of refunds has been reduced under the URAA,[46] the EU still accounts for almost 90

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[41] United Egg Producers & United Egg Association, written submission to the Commission, Feb. 16, 2001.

[42] USITC staff interviews with European Government officials, May 22-23, 2001.

[43] United Egg Producers & United Egg Association, written submission to the Commission, Feb. 16, 2001.

[44] Association for KAT, Users Manual, Bonn, April 2001.

[45] Ken Klippen, Vice President and Executive Director of Government Relations, United Egg Producers & United Egg Association, testimony before the USITC, May 22, 2001.

[46] The volume of exports that qualifies for assistance is being reduced from 107,000 tons shell egg equivalent (hatching eggs, table eggs, and egg products, except albumen) in 1995 to 83,000

(continued...)

percent of total WTO egg export assistance allowances, compared with a U.S. share of about 5 percent. The Netherlands (accounting for close to 80 percent of EU egg exports) is the major beneficiary of assistance and, according to the USDA, has been particularly aggressive in its use of export restitutions on eggs destined for Middle Eastern markets (especially the UAE) and Hong Kong--two key markets for the United States.[47] Under the URAA, the United States is permitted to subsidize egg exports through the EEP. The EEP was used during 1989-93, especially for Hong Kong (which accounted for three-quarters of EEP egg expenditures) and the UAE.[48] Since 1995, export assistance to U.S. exporters through the EEP has stopped and exports to Hong Kong and the UAE have declined as a result, according to industry representatives.[49]

Tariff Escalation

Tariff escalation occurs when tariffs increase along the processing chain--from the raw product, to semi-processed products, to final products for retail consumption. Eggs in their shells are the unprocessed product which is used to make "primary" processed bulk egg products, such as liquid, frozen, or dried eggs yolks, and albumin. Such processed egg products are generally used by the processed food industry as ingredients in food items, such as baked goods, confectionary, mayonnaise, pasta, and salad dressings.

In this study, tariff escalation in the egg sector was evaluated by comparing tariffs on table eggs with tariffs on processed egg products. Because the products using processed egg products are numerous and fall into many tariff subheadings (including HTS 2106.90), it is not possible to investigate the processing chain beyond processed egg products (contained in HTS chapter 4). Identifying tariff escalation in eggs is also complicated by the fact that the table egg, which is the least processed, has higher value than the processed product. Thus while a chain can be identified in terms of processing, value does not necessarily increase along it.

A comparison of tariffs on table eggs with tariffs on processed egg products is shown in figure 7-1. Generally, evidence for tariff escalation is mixed. For the developing countries and Russia, table eggs have the same tariff as processed egg products. Tariffs on processed egg products are higher than table eggs in the EU (44 percent AVE, compared with 28 percent AVE), the United States (16 percent AVE, compared with 4 percent AVE), and Japan (20 percent AVE, compared with 19 percent AVE). By contrast, tariffs on table eggs imported into Canada have a higher tariff than that on processed products.

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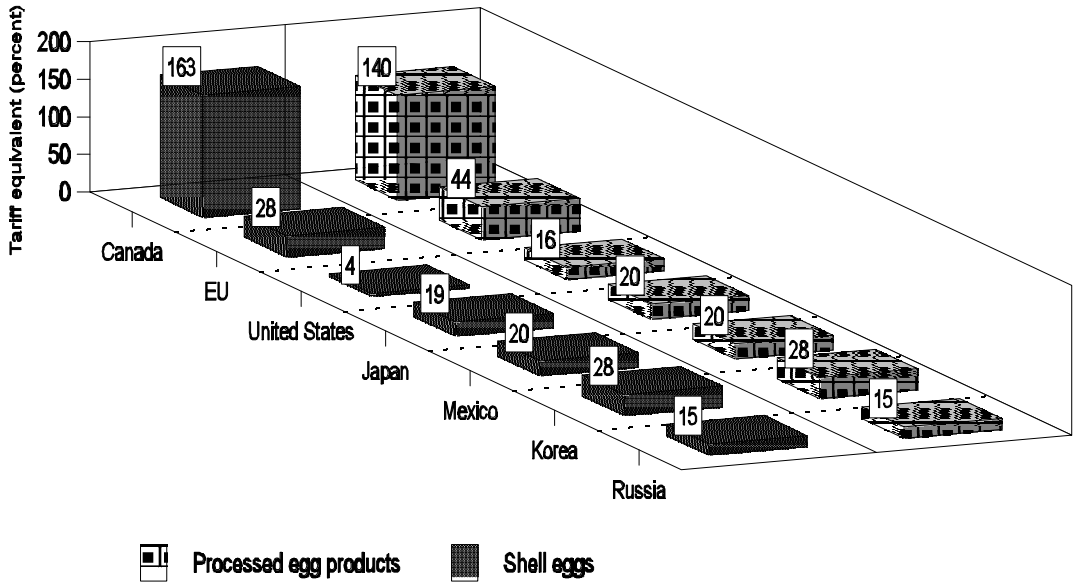
[46] (...continued)
tons in 2000. For further details, see "Export subsidies," Background paper by the Secretariat, World Trade Organization, AIE/S3, Nov. 1997.

[47] David Haig, President, American Midwest Commodities Export Co., written submission to the Commission, Feb. 13, 2001; USDA, FAS, *Livestock and Poultry: World Markets and Trade. Egg and Egg Products*, Oct. 1998.

[48] United Egg Producers & United Egg Association, written submission to the Commission, Feb. 16, 2001.

[49] Ibid.

Figure 7-1
Eggs and egg products: Tariff equivalents for selected markets, 2000



Note.—For Canada, shell eggs and processed egg products are subject to TRQ restrictions, and the data above reflect the over-quota ad valorem rate for shell eggs and the ad valorem equivalent for processed egg products. Canada has an in-quota tariff of 1.51 Canadian cents per dozen that translates into an ad valorem equivalent of 1.48 percent on shell eggs and an in-quota ad valorem rate of 8.5 percent on processed egg products. For the EU, shell eggs and processed egg products are subject to a TRQ, and the data above reflect over-quota ad valorem equivalent rates. The EU has an in-quota rate of 152 euros per ton on shell eggs and an in-quota average tariff rate of 699 euros per ton on processed egg products (HS 0408.11 and 0408.91) that translate into ad valorem equivalent rates of 13.8 percent and 21.84 percent, respectively. The tariff equivalent for shell eggs in Japan is the simple average of the two tariffs, while the tariff equivalent for processed eggs is the simple average of tariffs in HS 0408.11 and 0408.91.

Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

In countries where tariff escalation is observed (the EU, the United States, and Japan), higher tariffs on processed products may not be the result of any deliberate attempt to penalize processing activities. The high transportation costs of moving table eggs as opposed to processed eggs provides "natural" protection against imports, making high tariffs unnecessary. Also, the levels of egg tariffs are determined by several factors, such as the tariff equivalents of quotas, or are set to control imports as part of domestic income and price support policies. An analysis of tariff escalation in this sector must consider the highly volatile prices of table eggs and egg products. As a result, ad valorem equivalents of specific tariffs are highly variable from one year to the next. Therefore, taking a snapshot of tariffs based on one year may not provide conclusive evidence of the existence of tariff escalation.

CHAPTER 8
Flours and Other Intermediate Goods

Introduction

The flours and other intermediate goods sector consists of wheat flour, malts and starches, flour mixes and refrigerated or frozen doughs, protein concentrates and textured proteins (protein concentrates), and other flour and milling products. These products are covered under chapters 11, 19, and 21 of the Harmonized Tariff Schedule. Wheat is ground into wheat flour (HS 1101) by flour millers and then further processed into finished goods such as pasta, breads, bagels, cookies, and cakes. Hard wheat is used principally to produce bread flour; soft wheat is used primarily for pastry flours and flours for cakes, crackers, and biscuits; durum wheat for semolina; and white wheat for pastry flour and flour for breakfast foods. White bread-type flours are the most common types of flour produced in the United States.

Malt (HS 1107), an intermediate food product derived principally from barley and in lesser amounts from rye and wheat, is used primarily in the manufacture of beer. It is also used in the production of distilled alcoholic beverages, nonalcoholic cereal beverages and beverage preparations, breakfast foods, candy, and other food items. In recent years, major brewers in the United States have vertically integrated by purchasing or constructing malting houses and using the malt produced in these facilities for their beer production. A sizeable portion of U.S. malt output, however, is still produced by independent maltsters who sell malt into the open market.

Starch (HS 1108), an intermediate product derived from a number of crops including wheat, corn, rice, sorghum, potatoes, and sweet potatoes, is used in a wide variety of industries. Most of the starch produced and consumed in the United States is corn starch. U.S. output of wheat starch, a co-product of wheat gluten production, has grown in recent years as U.S. wheat gluten production has expanded. Flour mixes and refrigerated or frozen doughs (HS 1901.20) are used for a variety of products such as breads, pancakes, doughnuts, cakes, and cookies, providing convenience for the consumer and savings in time and labor for commercial users. Protein concentrates (HS 2106.10) are ingredients used in many types of foods to improve their flavor, texture, and nutritional value. Other flour and milling products include corn flour and other flours, corn meal and groats, potato flakes and granules, and yeast.[1]

Total U.S. exports of flours and other intermediate goods rose gradually between 1996 and 1999, from $717.2 million to $843.4 million (table 8-1). In 2000, U.S. exports fell by 5.5 percent to $796.9 million. U.S. exports of wheat flour fluctuated during the period, and in 2000 totaled $131.0 million, a decline of 9.9 percent from exports in 1996. U.S. exports of flour mixes and refrigerated or frozen doughs, protein concentrates, and other flour and

[1] HS numbers 1102.20, 1102.90, 1103.13, 1104.23, 1105.20, 1208.10, 2102.10, and 2102.20.

Table 8-1
Flours and other intermediate goods: U.S. exports to principal markets and to markets with the potential for expanded U.S. exports, 1996-2000

Items	1996	1997	1998	1999	2000	Change, 2000 over 1996
	1,000 dollars					Percent
Wheat flour:[1]						
Yemen	0	0	0	9,170	18,486	([2])
Macedonia	0	0	0	3,506	9,724	([2])
Mozambique	0	3,078	5,975	4,829	9,162	([2])
EU[3]	1,001	1,857	1,307	4,799	4,059	305
South Africa[3]	183	0	77	1,391	0	-100
All other	144,203	131,127	118,182	136,929	89,529	-38
Total	145,387	136,062	125,541	160,624	130,960	-10
Malts and starches:[4]						
Mexico	19,925	31,516	32,291	26,073	32,568	63
Canada	17,784	27,576	26,468	25,002	24,460	38
Japan	20,275	15,122	11,872	11,640	13,307	-34
EU[3]	12,928	15,222	13,164	11,608	9,550	-26
Taiwan[3]	2,005	2,268	1,554	1,416	2,045	2
All other	44,762	38,642	29,205	28,500	16,871	-62
Total	117,679	130,346	114,554	104,239	98,801	-16
Flour mixes and refrigerated or frozen doughs:[5]						
Canada	48,021	51,929	53,182	56,116	62,129	29
Japan	43,097	37,385	30,599	31,840	37,414	-13
Mexico	14,322	16,913	16,888	18,523	22,559	58
EU[3]	3,604	7,209	4,717	4,848	5,107	42
Saudi Arabia[3]	4,980	6,304	6,499	7,465	4,353	-13
All other	25,292	27,399	25,555	23,058	21,790	-14
Total	139,316	147,139	137,440	141,850	153,352	10
Protein concentrates and textured proteins:[6]						
Mexico	10,783	12,504	16,223	23,275	22,862	112
EU	17,262	25,696	18,278	19,833	22,123	28
Canada	7,066	8,437	10,680	13,740	13,899	97
Japan[3]	11,543	10,941	9,367	9,397	10,546	-9
Korea[3]	4,634	2,134	2,312	5,741	7,615	64
All other	49,883	67,192	63,660	66,655	58,108	16
Total	101,171	126,904	120,520	138,641	135,153	34
Other flour and milling products:[7]						
Mexico	40,289	34,890	48,702	49,339	57,577	43
Canada	46,836	62,360	54,813	54,815	48,895	4
Japan	32,025	27,163	28,334	26,699	38,042	19
EU[3]	18,114	21,040	11,106	47,925	12,927	-29
Korea[3]	7,606	3,276	13,737	8,065	4,530	-40
All other	68,817	73,648	118,436	111,174	116,642	69
Total	213,687	222,377	275,128	298,017	278,613	30
Grand total	717,240	762,828	773,184	843,371	796,880	11

[1] Includes HS number 1101.00.
[2] Not applicable.
[3] Denotes a potential market.
[4] Includes HS numbers 1107.10, 1108.11, 1108.12, and 1108.19.
[5] Includes HS number 1901.20.
[6] Includes HS number 2106.10.
[7] Includes HS numbers 1102.20, 1102.90, 1103.13, 1104.23, 1105.20, 1208.10, 2102.10, and 2102.20.

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

milling products each rose irregularly during 1996-2000. In 2000, U.S. exports of malts and starches totaled $98.8 million, a decline of 16.0 percent from exports in 1996.

World trade in wheat flour is dwarfed by that of trade in wheat because many countries have the capacity to mill wheat internally.[2] In recent years, more countries have built milling capacity, leading not only to a decline in their flour imports but in some instances entry into flour export markets.[3] Although the United States is a leading world producer and exporter of wheat flour, the vast majority of U.S.-produced wheat flour is consumed domestically. A large portion of U.S. wheat flour exports is in the form of P.L. 480 humanitarian assistance to lesser developed countries. Leading markets for U.S. wheat flour exports in 2000 were Yemen, Macedonia, and Mozambique (table 8-1). Exports to these countries were nonexistent in 1996.

Malt production and trade are driven by developments in the brewing industry, which consumes more than 90 percent of world malt production. Exports of malt tend to flow to those countries with rapidly expanding beer production and insufficient malt capacity. The United States is the world's largest producer of malt, but over 90 percent of production is consumed internally by its vast beer industry. The United States is not a significant exporter of malt.[4] Trade in starches occurs primarily among those countries with sizeable food processing industries as well as manufacturing industries such as papermaking, textiles, and adhesives. Leading export markets for U.S. malts and starches in 2000 were Mexico, Canada, and Japan (table 8-1). U.S. exports of malts and starches to Mexico and Canada increased irregularly during 1996-2000 and totaled $32.6 million and $24.5 million, respectively, in 2000. U.S. exports to Japan fell from $20.3 million in 1996 to $13.3 million in 2000. U.S. exports to Taiwan, a market with the potential for expanded U.S. exports, totaled $2 million in 2000.

The three largest markets for U.S. exports of flour mixes and refrigerated or frozen doughs were Canada, Japan, and Mexico, with exports to these three countries accounting for 80 percent of total U.S. exports during 2000 (table 8-1). Saudi Arabia, a potential market, accounted for only 3 percent of total U.S. exports in 2000. The United States is the world's largest producer of protein concentrates. Little production of protein concentrates occurs elsewhere in the world, and U.S. producers look to export markets to expand sales.[5] Mexico, the EU, Canada, Japan, and Korea were important destinations for U.S. exports of protein concentrates during the period; exports to all of these countries, except Japan, increased during 1996-2000. U.S. exports of other flour and milling products to Mexico, Canada, and Japan rose during 1996-2000, while exports to the EU and Korea declined.

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[2] "Special Report: 2000 World Grain Trade Review," *World Grain*, Nov. 2000, p. 42.

[3] USITC staff interview with U.S. industry representative, Mar. 28, 2001.

[4] David Wilkes, "The World Malt Market," *World Grain*, Oct. 1997.

[5] M. Ann Tutwiler, Director of Government Relations, Central Soya Company, Inc., written submission to the Commission, Feb. 15, 2001.

Policy Environment in Selected Markets

Over the past 30 years, the EU's Common Agricultural Policy (CAP) has transformed the EU into a major world producer and exporter of agricultural products. By maintaining internal prices for wheat and barley (and other cereal grains) above the world prices for these commodities and restricting imports through high tariffs, the CAP caused a rapid and significant expansion in EU grain output and in the intermediate products derived from them.[6] By the early 1980s, the EU had become a large surplus producer of these products and began to use exports as a way to dispose of the surplus, developing into a significant exporter of grains and intermediate grain products. Given the relatively high EU prices for grains, however, the EU has been forced to provide large export subsidies for both grains and intermediate grain products to make them competitive in world markets. These subsidies have been substantial over the years and have vastly surpassed export subsidies provided by all other countries on their grain products.[7]

In recent years, the EU has taken some limited steps to reform the CAP (the MacSharry reforms in 1992 and Agenda 2000 in 1999) in order to reduce surplus production of cereal grains and intermediate grain products and also to meet its commitments on reducing and limiting export subsidies on these products agreed to under the Uruguay Round Agreement. These steps have included a gradual reduction in the internal EU price for cereal grains, direct support payments for EU farmers as compensation for the lower grain prices, and mandatory land set-asides to help reduce the supply of grains. Although internal EU prices for cereal grains have declined in the past few years, they remain above world prices for grains, necessitating continued subsidies for exports of grains and the intermediate grain products derived from them. Indeed, even after the Agenda 2000 reforms have been fully implemented, the EU will remain a surplus producer of cereal grains and intermediate grain products, internal EU prices for these products will remain above world prices, and the EU will continue to rely upon export subsidies to dispose of the surpluses. Nevertheless, these subsidies will be constrained by the EU's Uruguay Round commitments to reduce export subsidies for cereal grains and intermediate grain products. To the extent that internal EU prices for grains and intermediate grain products approach the world prices for these goods, the need for export subsidies should lessen.[8]

In Japan, the cereal grains sector has traditionally been highly controlled and protected by the Government in response to the country's politically powerful farming interests as well as to maintain some level of self-sufficiency in food production. In recent years, the Government has attempted to diversify agricultural production by shifting some land out of rice production and into wheat and soybean production. The Japanese Food Agency of the Ministry of Agriculture, Forestry and Fisheries is the primary importer of wheat and resells it to domestic flour mills for more than double the average import price. The Japanese Food Agency also

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[6] Under the CAP, high tariffs were also applied on intermediate grain products in order to protect domestic grain processors, which purchased EU grain at prices above world market prices for grain.

[7] Gene Hasha, "The European Union's Common Agricultural Policy: Pressures for Change-An Overview," Economic Research Service, United States Department of Agriculture, Oct. 1999.

[8] Susan Leetmaa and Jason Bernstein, "An Analysis of Agenda 2000," and Gene Hasha, "The European Union's Common Agricultural Policy: Pressures for Change-An Overview," Economic Research Service, United States Department of Agriculture, Oct. 1999.

controls the pricing and marketing of domestically grown wheat, purchasing the wheat crop from farmers and then reselling it to flour mills. The price paid to the farmers is nearly four times the resale price of the wheat to the mills.[9] Domestic flour mills are protected from international competition by a tariff-rate quota (TRQ) covering wheat and wheat products such as flour and starch. The Japanese Food Agency controls the distribution and pricing of domestically grown and imported barley. Although the production of corn is negligible in Japan, the Japanese Food Agency, nonetheless, controls corn imports to protect the domestic potato industry (including potato starch) from corn-based substitutes such as corn starch.

In India, the Government exercises control over the wheat sector by providing high support prices for wheat to encourage production, maintaining large stocks of wheat, distributing wheat, and selling wheat to flour millers through an open market sales program.[10] The Indian Government maintains a high tariff on wheat flour. Although Korea is not a major cereal grains producer, the Korean Government applies TRQs on some intermediate grain products to protect domestic grain processors. Until recent years, the cereal grains sector in the United States was also characterized by a certain measure of Government involvement in the form of supply controls and price supports for grains. In 1996, however, with the passage of the Federal Agriculture Improvement and Reform Act, the role of the Government in the grains sector was reduced considerably as price supports were reduced significantly and supply controls abandoned.[11]

Tariff Barriers

As discussed above, an important element of agricultural policies for cereal grains and flour and intermediate grains in many countries is trade protectionism. High tariffs and TRQs are a major form of trade protectionism for flour and intermediate grains. Tariffs applied to these products are principally ad valorem tariffs or specific tariffs; lesser developed countries generally maintain ad valorem tariffs while developed countries apply ad valorem tariffs or specific tariffs. Some countries maintain TRQs on flour and intermediate grains whereby a certain volume of product is allowed entry into the country at a relatively reduced rate of duty and anything exceeding that volume enters at a much higher, often prohibitive, rate of duty. In some instances, the TRQ is for a specific intermediate grain product, such as flour or malt, and in other instances it covers a basket of products including the intermediate product, the finished product, and the raw cereal grain from which it is derived.

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[9] USDA, FAS, *Japan Grain and Feed Annual 2001*, Tokyo, GAIN Report No. JA1026, Mar. 23, 2001; Melissa Cordonier Alexander, "Government grain policies gradually moving toward more market orientation," *World Grain*, Jan. 2000.

[10] USDA, FAS, *India Grain and Feed Annual 2001*, New Delhi, GAIN Report No. IN1005, Feb. 20, 2001.

[11] Gene Hasha, "The European Union's Common Agricultural Policy: Pressures for Change-An Overview," Economic Research Service, United States Department of Agriculture, Oct. 1999.

Wheat Flour

Tariffs on wheat flour vary widely. The United States has a duty of only 0.7¢/kg (ad valorem equivalent (AVE) of 3.45 percent), while the EU maintains a sizeable tariff of i 172/mt (AVE of 78 percent) in order to protect its milling industry, which purchases EU wheat at prices above the world price for wheat. In other major wheat flour markets, tariffs range from 5 percent in Korea to 35 percent in India (tables K-1 and K-2). Wheat flour is subject to TRQs in a number of countries including Canada, Japan, Colombia, and Venezuela. In Japan, wheat flour is part of a TRQ that includes wheat and other wheat products such as starch, breakfast cereals, and certain kinds of mixes and doughs. The over-quota tariff for wheat flour is much higher than the in-quota tariff. In Canada, wheat flour is part of a TRQ that includes numerous wheat-containing products such as wheat starch, wheat gluten, mixes and doughs, pasta, and breakfast cereals (table K-3). The in-quota tariff for wheat flour is C$2.42/mt while the over-quota tariff is C$139.83/mt. Under NAFTA, however, imports of wheat flour from the United States and Mexico enter Canada free of duty.

Malts and Starches

Duties on malts and starches in the United States are low or free. High tariffs and TRQs, however, affect international trade in malts and starches, particularly in the EU, Canada, Japan, and Korea. The EU maintains sizable tariffs on malts and starches because domestic producers of these products purchase EU cereal grains at prices above world prices. Korea has a TRQ for malt with an in-quota rate of 30 percent and an over-quota rate of 281 percent. However, the quota level is often adjusted, depending on the needs of the domestic brewing industry, such that the over-quota tariff reflects more a management tool to regulate trade than a means to prohibit imports. Although Canada allows duty-free entry of corn starch, it maintains TRQs for malt, barley starch, and wheat starch, since malt, barley starch, and wheat starch are part of broader TRQs on barley products and wheat products, respectively. The in-quota rates for these products are low but the over-quota rates are prohibitive; imports of these products from the United States, Mexico, and Chile are not subject to either the in-quota or over-quota rate and enter Canada free of duty.

Japan has TRQs for wheat starch, corn starch, and other types of starches. Wheat starch is part of a TRQ covering wheat and other wheat products, while corn starch and other starches are part of a TRQ also covering certain types of mixes and doughs and flour preparations. In-quota tariff rates for corn starch and other starches vary from free of duty to 25 percent depending upon the end use of the starch; over-quota rates are much higher (table K-3). Access to the Japanese market for corn starch and other starches is further hindered by the Japanese Government, which administers the TRQ for these products in a non-transparent manner and with no system to reallocate unused licenses, causing the TRQ to be persistently under-filled.[12] In the case of malt, a quota is established annually by the Japanese Government based on the conditions in the domestic market and the international market.

[12] Department of Industry, Science and Tourism, Australia, Working Paper, *Processed Foods, Trade and Investment Barriers to Australian Exporters in Key Markets*, July 1998.

Imports are allowed at the in-quota duty provided that domestic malt is completely consumed prior to the use of imports.[13]

Mexico maintains a duty of 161 percent on malt; the rate for imports from the United States and Canada is 99.7 percent. Taiwan has a duty of 15 percent on malt and its duties on starches range from 15.5 percent to 18.5 percent. Brazil applies a duty of 17 percent on malt and 13 percent on wheat starch and corn starch. China's rate of duty on corn starch is 20 percent (tables K-1 and K-2).

Flour Mixes and Doughs

Tariffs on flour mixes and doughs vary, if not subject to TRQs. U.S. tariffs are 8.5 percent or 10 percent; Canadian tariffs are 4.5 percent or 6 percent; Japanese tariffs range from 12 percent to 24 percent; and EU tariffs are 7.6 percent plus an additional duty (called an agricultural component) to account for the milk, starch, and sugar present in the product. Mexico applies a duty of 10 percent on flour mixes and doughs, although imports from the United States and Canada enter free of duty. Tariffs in other major and potential markets range from 5 percent in Australia to 17 percent in Brazil (tables K-1 and K-2).

Some flour mixes and doughs, depending upon the amount of sugar or dairy ingredients contained within them, are subject to the sugar and dairy TRQs maintained in certain countries. In the United States, flour mixes and doughs that fall under the sugar TRQ have an in-quota quantity of zero tons; the over-quota duty is 42.3¢/kg plus 8.5 percent ad valorem. Flour mixes and doughs that fall under the dairy TRQ have an in-quota rate of 10 percent and an over-quota rate of 42.3¢/kg plus 8.5 percent ad valorem. The TRQ for certain other flour mixes and doughs has in-quota and over-quota rates identical to that of the flour mixes and doughs falling under the dairy TRQ. In Canada, some flour mixes and doughs fall under the TRQ for wheat products, while other mixes and doughs fall under a TRQ for dairy products. In both instances, the over-quota rates of duty are much higher than the in-quota rates. Certain flour mixes and doughs entering Japan fall under one of three TRQs covering wheat and wheat products, dairy products, and starches. In Korea, some flour mixes and doughs fall under a TRQ covering rice and rice products. The differences between the in-quota duties and the over-quota duties in both Japan and Korea are significant (table K-3).

Protein Concentrates

High tariffs on protein concentrates in many countries have been cited as the major barrier to increased trade in protein concentrates; the industry claims that their reduction or removal would provide significant export opportunities for the United States, the leading producer of these products.[14] Duties on protein concentrates in Japan range from 10.6 percent to 21 percent, and certain types of these products are subject to a TRQ. Tariffs in the EU are either 12.8 percent or 9 percent plus an additional duty to account for the quantity of milk, starch, and sugar contained in the product. China maintains a duty of 38 percent and Taiwan has a

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[13] USITC staff interview with U.S. industry representative, Sep. 29, 2000.

[14] M. Ann Tutwiler, Director of Government Relations, Central Soya Company, Inc., written submission to the Commission, Feb. 15, 2001.

duty of 5 percent or 35 percent (tables K-1 thru K-3). Other countries where high tariffs impede trade in protein concentrates include Chile, Ecuador, India, Malaysia, Korea, South Africa, and Thailand.[15]

Other Flour and Milling Products

Tariffs on other flour and milling products vary widely by country. In Japan, corn flour and corn meal have a duty of 21.3 percent, potato flakes have a duty of 20 percent, and active yeast has a duty of 10.5 percent. The EU maintains relatively high specific tariffs on many of these products; on the remainder, duties, applied on an ad valorem basis, are also relatively high, with the exception of inactive yeast, which has tariffs ranging from free to 8.3 percent. In contrast, U.S. and Canadian tariffs on other flour and milling products are generally much lower (table K-1).

China maintains duties of 72 percent on corn flour and 77 percent on hulled and sliced corn (corn grits). Taiwan has a duty of 30 percent on other flours and 10 percent on active yeast. Mexico's duties on other flour and milling products are also sizeable, although imports from Canada and the United States enter at a reduced duty or free of duty (table K-2). In Korea, corn meal and corn grits are part of a large TRQ that includes corn and corn products (table K-3). Although this quota is more than 6 million metric tons, the Korean Government restricts access to it to two domestic corn associations representing the processing and feed industries. As a result, the amount of corn grits that can be imported is strictly limited (less than 1 percent of the total quota) and requires annual negotiations between breakfast cereal companies and the Korean Corn Processing Industry Association in order to obtain the quota quantity that can be imported at the favorable in-quota tariff. The in-quota rate for corn grits is 3 percent and the over-quota rate is 174.6 percent.[16]

Regional Trade Agreements

Regional trade agreements have proliferated rapidly throughout the world in recent years. These agreements, by giving member countries preferential market access to other members' markets, have affected trade in flour and intermediate grains. By virtue of NAFTA, U.S. exporters of these products to Canada and Mexico enjoy lower tariffs than exporters in many other countries. Canada maintains TRQs on wheat flour, malt, and some starches but imports of these products from the United States (and Mexico) enter free of duty. Canada has duties of 11 percent and 8.5 percent on protein concentrates and potato flakes, respectively, but U.S. exporters enjoy duty-free access for these products (tables K-1 and K-3). Mexico maintains a duty of 15 percent on a number of flour and intermediate grain products; U.S. (and Canadian) exporters face a duty of 4.5 percent on these products. U.S. (and Canadian) exporters of active and inactive yeast enjoy duty-free entry into Mexico, while exporters in many other countries have a duty of 13 percent or 18 percent (table K-2). Likewise, under

[15] Ibid.

[16] USDA, FAS, *Grain and Feed Annual Report Korea*, Seoul, AGR No. KS7017, Apr. 4, 1997; USITC staff interviews with U.S. industry representatives, Mar. 28, 2001.

NAFTA, with the exception of certain flour mixes and doughs subject to TRQs on sugar or dairy, the United States provides duty-free access for imports of flour and intermediate grains from Canada and Mexico.

Regional trade agreements of which the United States is not a member, however, put U.S. exporters at a disadvantage. In Latin America, the Mercosur Agreement allows duty-free trade in flour and intermediate grains among member countries. U.S. exports of wheat and corn starch to Brazil, though, have a duty of 13 percent, while U.S. exports of malt and flour mixes and doughs have a duty of 17 percent (table K-2). The numerous trade agreements negotiated between the EU and Eastern European and Mediterranean countries provide producers of flour and intermediate grains in these countries preferential access to these markets. U. S. exports of flour mixes and doughs to the EU have a higher duty than exports of these products from some Eastern European and Mediterranean countries. U.S. exports of potato flakes to the EU have a duty of 12.2 percent but exports from some Mediterranean countries enter free of duty. An exception to this trend in regional trade agreements is Japan; with the exception of active and inactive yeast products, the country does not provide preferential tariffs for flour and intermediate grains (table K-1).

Non-tariff Barriers and U.S. Industry Concerns

Non-tariff barriers and industry concerns in the flours and other intermediate goods sector include export subsidies, state trading enterprises, and labeling requirements (table K-4).

Export Subsidies

The dominant player with respect to export subsidies is the EU. The EU's agricultural policies over the past 3 decades have led to surplus production of cereal grains and intermediate derivative grain products. In order to dispose of the surplus production of flour and intermediate grains, the EU has resorted to export subsidies, which have distorted international trade in these products and displaced nonsubsidized exports from other countries, including the United States. They have also vastly exceeded export subsidies utilized by any other country.[17]

Under the Uruguay Round Agreement, the EU agreed to gradually reduce the volume and the value of its subsidized exports of cereal grains and intermediate grain products during the period 1995-2000. Two categories of product were established under the agreement–a wheat category, which includes soft wheat grain, durum wheat grain, wheat flour, and semolina, and a coarse grains category, which includes coarse grains, cereal groats and meal, malt, starch, wheat gluten, and cereal bran. Even with these reductions, in 2000-01 the volume and the value of allowable subsidized exports of products within the wheat category

[17] Gene Hasha, "The European Union's Common Agricultural Policy: Pressures for Change-An Overview," Economic Research Service, United States Department of Agriculture, Oct. 1999; USITC staff interview with U.S. industry representative, Mar. 28, 2001.

and the coarse grains category will remain large.[18] The impact of these export subsidies is evident in the EU's dominance of world trade in flour and malt. In 1998-99, the EU was the top exporter of wheat flour and accounted for 52 percent of total world exports of wheat flour. By contrast, the United States, the second-largest exporter, accounted for only 13 percent of world wheat flour exports.[19] In 1998-99, the EU was the largest exporter of malt and accounted for 59 percent of total world exports of malt, an increase of 5 percentage points over the past 3 years.[20]

State Trading Enterprises

The Japanese Food Agency is a state trading enterprise that restricts and distorts trade in flour and intermediate grain products.[21] In Japan, wheat flour and wheat starch are part of a TRQ covering wheat and other wheat products. The Japanese Food Agency controls all imports of these two products by not issuing import licenses to private firms, thus denying them the opportunity to import product at the in-quota rate of duty. Private firms that attempt to obtain an import license for wheat starch risk losing their right to obtain licenses to import other products.[22] (See box 8-1.) Although imports of malt enter Japan free of duty or at a relatively low duty, the Government requires domestic brewers to consume all of the domestically produced malt before they can import malt.[23]

Labeling Requirements

Labeling requirements have become an impediment to increased U.S. exports of protein concentrates to a number of countries. Industry sources note that different biotechnology labeling and threshold requirements in foreign markets are confusing and make it necessary to reformulate products for different markets and to establish different preservation and testing routines. According to the industry, the harmonization of labeling requirements would have a beneficial effect upon U.S. exports of protein concentrates.[24]

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[18] USDA, FAS, *European Union Grain and Feed Annual Report 2001*, Brussels, GAIN Report No. E21034, Mar. 16, 2001. During the Uruguay Round negotiations involving its export subsidy reduction commitments, the EU wanted wheat flour to be combined with wheat into a large wheat category, thus providing more flexibility to increase export subsidies for wheat flour if market conditions warranted. USITC staff interview with U.S. industry representative, Mar. 28, 2001.

[19] "Special Report: 2000 World Grain Trade Review," *World Grain*, Nov. 2000, p. 42.

[20] "World trade in malt tracks flour issues," *Milling and Baking News*, Dec. 14, 1999, p. 9.

[21] USITC staff interview with U.S. industry representative, Mar. 28, 2001.

[22] Department of Industry, Science and Tourism, Australia, Working Paper, *Processed Foods, Trade and Investment Barriers to Australian Exporters in Key Markets*, July 1998; USITC staff interview with U.S. industry representative, Mar. 28, 2001.

[23] USITC staff interview with U.S. industry representative, Sep. 29, 2000.

[24] M. Ann Tutwiler, Director of Government Relations, Central Soya Company, Inc., written submission to the Commission, Feb. 15, 2001.

Box 8-1: The Japanese Food Agency and flour trade

The Japanese Food Agency distorts trade in wheat flour in another manner as well. In recent years, in an attempt to diversify grain production and increase self-sufficiency in wheat, some land in Japan has been converted from rice production to wheat production. Although wheat production has increased, the quality of the wheat has been uneven, causing quality control problems for Japanese flour millers. To remedy this situation, the Japanese Food Agency allows flour millers to import wheat at world prices, rather than through the normal procedure of buying wheat imported by the Japanese Food Agency at prices more than double the world price. In return, the millers must export an equivalent amount of flour made from domestic wheat. The millers thus have a strong incentive to export their flour milled from low-quality domestic wheat in order to sell domestically at a high price wheat flour milled from low-cost imported wheat. Consequently, Japan, which imports approximately 90 percent of its wheat requirements, has become the fourth-largest exporter of wheat flour in the world. Most of these exports go to markets in Southeast Asia, particularly Hong Kong.[1] Korea has been very concerned about this practice and until 1999 restricted imports of flour from Japan under the Import Diversification Program, which limited the import of certain Japanese products in which Korea was running a trade deficit.[2]

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[1] U.S. Department of Agriculture, Foreign Agricultural Service, *Japan Grain and Feed Annual 2001*, Tokyo, AGR No. JA1026, Mar. 23, 2001; USITC staff interview with U.S. industry representative, Mar. 28, 2001.

[2] WTO, Trade Policy Review: Republic of Korea (Geneva), WTO, Nov. 1996, p. 40.

CHAPTER 9
Grain-Based Foods

Introduction

The grain-based foods sector consists of most products found in chapter 19 of the Harmonized Tariff Schedule (HTS). For the purposes of this study, four sub-sectors were defined under this category. The cookies, crackers, and bakery products sub-sector includes products under HS 1905, such as crispbreads, cookies, breads, pastries, waffles, corn-based snack foods, communion wafers, quiche, and pizza. Breakfast cereals (HS 1904) include packaged breakfast food products, unroasted cereals such as Muesli, and other cereal products such as pre-cooked bulgur wheat. The pasta sub-sector consists of dry egg and non-egg pastas, as well as stuffed, filled, and canned pastas. The other grain-based food sub-sector covers products found in HS 1901.90. This HS category is a basket class of malt extracts and other flour-based preparations that includes items such as tamales, cajeta, corn-soy milk blends, malted milk, and ready-made flour preparations.

The U.S. grain-based foods industry is oriented towards the domestic market in the United States. International sales by U.S. companies are typically conducted by affiliates based in the foreign market, while most exports from the United States consist of new products, specialty niche goods, or specific product lines that are produced only in the United States. For example, U.S. exports of breakfast cereals comprised roughly 2.5 percent of domestic product shipments ($8.8 billion) in 1999, while U.S. exports of cookies and crackers consisted of just 1.4 percent of domestic product shipments ($9.1 billion). Nonetheless, as incomes grow and tastes for foreign products evolve in emerging markets, particularly in Latin America and Asia, there will likely be increased demand for many grain-based foods of U.S. origin.

U.S. exports of all grain-based foods increased steadily during 1996-2000, though growth has slowed over the past couple of years. U.S. exports of cookies, crackers, and bakery products, valued at $539 million in 2000, were the largest component of the grain-based foods sector (table 9-1). NAFTA countries, primarily Canada, are the main destinations for grain-based food products and have been the main source of growth in this category. Other markets, such as the EU and Japan, are not particularly large markets for U.S. exports of grain-based foods. The EU is an important destination only for U.S. exports of cookies, crackers, and bakery products, but U.S. exports to the EU have fallen sharply since 1998, from $44 million in 1998 to $26 million in 2000. This trend reflects, in part, that the EU is a mature market for a number of these products and export growth to the region is predominated by new and/or niche product lines.[1] While Japan is the fourth-most important

[1] Richard Joy, *Standard and Poor's Industry Surveys: Foods & Nonalcoholic Beverages*, Nov. 2000, p. 19 and statistics compiled from the U.S. Department of Commerce for U.S. exports of grain-based foods to the EU at a 10-digit HTS level, 1992-2000. The disaggregated data reveal an erratic trend of U.S. exports to the region, with no real pattern from one year to the next. These statistics might be related to information relayed to staff in an interview on Mar. 28,

(continued...)

Table 9-1
Grain-based foods: U.S. exports to principal markets and to markets with the potential for expanded U.S. exports, 1996-2000

Items	1996	1997	1998	1999	2000	Change, 2000 over 1996
	1,000 dollars					Percent
Cookies, crackers, and bakery products:[1]						
Canada	271,213	285,634	299,129	302,940	334,907	23
Mexico	13,721	20,021	38,639	35,084	39,430	187
EU	21,726	38,206	44,002	35,626	25,877	19
Japan	24,143	25,413	20,175	21,451	21,224	-12
Korea[2]	10,237	7,930	2,110	4,159	5,762	-44
Taiwan[2]	9,467	5,658	2,068	3,025	3,785	-60
Saudi Arabia[2]	6,516	9,763	7,340	5,060	3,163	-51
Argentina[2]	954	616	827	1,187	2,096	120
China[2]	634	463	699	908	1,200	89
Brazil[2]	2,299	2,270	1,727	1,341	1,097	-52
India[2]	13	62	55	217	462	3,454
All other	108,311	112,471	98,193	109,147	100,231	-7
Total	469,234	508,507	514,964	520,145	539,234	15
Breakfast cereals:[3]						
Canada	69,737	84,036	114,998	124,078	127,974	84
Mexico	21,114	21,379	23,049	19,025	19,637	-7
Korea	2,220	3,641	1,286	4,681	9,383	323
Taiwan[2]	1,301	2,909	2,280	1,484	2,093	61
Argentina[2]	1,482	2,812	2,447	1,728	1,353	-9
Saudi Arabia[2]	3,076	3,914	3,386	2,213	708	-77
China[2]	1,431	1,274	167	47	232	-84
All other	75,778	81,105	78,494	62,454	61,211	-19
Total	176,139	201,070	226,107	215,710	222,591	26
Pasta:[4]						
Canada	66,586	79,369	102,279	108,198	118,057	77
Japan	3,058	3,275	7,662	10,323	7,460	144
Korea[2]	283	138	9	50	316	12
Taiwan[2]	133	134	314	18	44	-67
All other	17,069	23,366	33,725	21,451	17,522	3
Total	87,129	106,282	143,989	140,040	143,399	65
Other grain-based foods:[5]						
Canada	27,990	37,517	42,197	58,811	58,650	110
India	46,505	54,135	40,831	40,902	43,556	-6
Korea	4,429	4,760	7,248	15,750	7,914	79
All other	54,071	69,476	86,681	68,983	99,754	84
Total	132,995	165,888	176,957	184,446	209,874	58
Grand total	865,497	981,747	1,062,017	1,060,341	1,115,098	29

[1] Includes HS numbers 1905.10, 1905.30, 1905.40, and 1905.90.
[2] Denotes a potential market.
[3] Includes HS numbers 1904.10, 1904.20, and 1904.90.
[4] Includes HS numbers 1902.11, 1902.19, 1902.20, and 1902.30.
[5] Includes HS number 1901.90.

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

[1] (...continued)
2001, whereby companies will often compete for exports from various global platforms into a market on a short-term basis.

destination for cookies, crackers, and bakery products, and the second-most important destination for pasta, total U.S. exports of these products amounts to less than $30 million. Countries in Asia, such as Korea, China, India, Saudi Arabia, and Taiwan, and Latin America, such as Brazil, Argentina, and Chile, are potential growth markets for U.S. exports of grain-based foods, based on rising middle class incomes and a growing awareness and taste for U.S. grain-based foods. Increases in exports of breakfast cereals to Korea (from $2.2 million in 1996 to $9.4 million in 2000) and in exports of cookies, crackers, and bakery products to China, India, and Argentina provide an indication of the export potential to these regions (table 9-1).

Policy Environment in Selected Markets

For a number of important markets, notably the EU and Japan, domestic support measures in the bulk grains sector underpin many of the tariff policies that exist in the grain-based foods sector. In the case of Japan, domestic wheat policy is based on the Food Control Law, which is directed towards the diversification of agriculture away from rice and towards alternative crops such as wheat.[2] As noted in chapter 8 above, the Japan Food Agency supports wheat farmers by maintaining a procurement price for wheat that is several times higher than the world price. With respect to international trade, protection on wheat is maintained through a tariff-rate quota (TRQ) on wheat, intermediate goods, such as flour, and final products, such as flour-based preparations and wheat-based breakfast cereals. The TRQ is managed by the Japan Food Agency such that imports purchased by the private sector enter at high or prohibitive over-quota rates. High input prices on wheat disadvantage the production of certain wheat-based goods not covered by TRQs and subject to lower tariffs, such as cookies and bakery goods; this has resulted in some investment offshore. Similar protection is accorded to the barley and rice sectors in Japan as well, in the form of high domestic support prices and global TRQs on barley products and rice products that are also managed by the Japan Food Agency.

In the EU, high support prices for wheat, corn, barley, and other grains from the Common Agricultural Policy (CAP) have translated into high import duties on these commodities. As a result of the high input prices faced by food processors in the EU, the EU compensates food processors, including manufacturers of cookies, bakery products, and pasta, exporting into international markets through the use of either export subsidies or the system of Inward Processing Relief (IPR). The level of export subsidy received is determined by the amount by weight of protected raw commodities (cereals, eggs, rice, dairy products, and sugar) and/or "assimilated," or semi-processed inputs (e.g., flour, starch, cream, sugar syrups) that are used in the production of a given processed product.[3] Because of the complexity of many processed goods, in some cases the level of export subsidy is determined through the use of input conversion factors, pre-established recipes for representative processed products, or through chemical analysis.[4] Subsidies are administered by the distribution of refunds, with the relevant

[2] USITC staff interview with U.S. industry association, Aug. 21, 2000.

[3] USDA, FAS, *European Union Agricultural Situation, Non-Annex I products: update July 2000*, Brussels, GAIN Report No. E20093, July 24, 2000.

[4] Ibid.

rates applied either when the product is exported or at a rate fixed in advance.[5] IPR allows processors to import raw materials used in the production of processed products duty-free, provided that the final good is exported. There is increased pressure on the EU to use IPR, given the strain on the EU's declining budget for export subsidies and WTO commitments. In 2000, the EU reduced the level of export refunds by 4.5 percent and temporarily suspended all refunds. At the same time, there is significant complexity in the use of the IPR system, though reforms have been proposed to streamline the process for procuring duty-free imports.[6]

In order to protect domestic producers of processed products in the EU, who must pay higher prices for flour, dairy, starch, and sugar, the EU developed the Meursing table to calculate import tariffs. The Meursing table is a tableau of 504 codes that determine the additional duty for a number of processed grain products with a specific percentage of starch, sugar, and milk by weight. Three separate series of additional duties are found in the Meursing table for the EU. The agricultural component (denoted EA in the EU tariff schedule) is added to other flour preparations. There are also additional duties on starch and sugar (denoted AD S/Z) and an additional duty on flour (denoted AD F/M) that are used to determine tariff rates on products such as sweet biscuits (HS 1905.30) and other bakers' wares (HS 1905.90).

Until recently, domestic policies that were biased against imports in general affected the import of grain-based foods into India. The Indian Government canalized, or restricted, the import of most grain-based foods using the balance-of-payments provisions of the GATT as justification for their actions.[7] One exception to this policy was hotels and restaurants, which were allowed to import food products, including grain-based foods, at the assigned tariff rate; in 1998, hotels and restaurants were allowed to import products at a 25 percent duty, plus a 5 percent rate, plus any countervailing duties that were in effect.[8] However, as part of the five-year (1997-2002) plan to liberalize agriculture, a number of food products were moved off the canalized list beginning in 1997. Certain types of pasta, cereals, and snack foods were allowed to be imported freely or through a special import license (SIL), a tradable license available at a premium. In September 1999, the Indian Government lost a WTO Dispute Body Settlement Case concerning its quantitative restrictions and consequently, in December 1999, signed a bilateral agreement with the United States to lift the quantitative restrictions on some 1,429 items, including grain-based foods, over a two-year period.[9]

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[5] Ibid.

[6] See, for example, "Commission to move on Inward Processing Relief," *Agra Europe*, Dec. 8, 2000, p. EP/8.

[7] Office of the U.S. Trade Representative (USTR), "WTO Appellate Body Confirms That Indian Import Restrictions Violate WTO Rules," press release 99-70, Aug. 23, 1999 found at Internet address *http://www.ustr.gov/releases/1999/09/99-70.html*, retrieved Aug. 25, 2000.

[8] USDA, FAS, *India Agricultural Situation: Agricultural Trade Barriers*, New Delhi, GAIN Report No. IN8032, May 26, 1998.

[9] N. Vasuki Rao, "India: Ripe for foreign products as curbs lifted," *The Journal of Commerce*, Feb. 9, 2000, pp. 20-21.

Cookies, Crackers, and Bakery Products

Tariffs on cookies, crackers, and bakery products are reasonably low in the United States and Canada, with most rates under 6 percent for products not subject to TRQs (table L-1). All wheat-derived foods in Canada, including cookies, crackers, and bakery products that are greater than 25 percent by weight of wheat, are subject to a global TRQ on wheat products that was set at 123,557 tons in 2000 (table L-3). Exempted from the over-quota tariff rate, however, are products put up for retail sale that are less than a given weight (less than 454 g or 1.36 kg, depending on the product). Furthermore, as a result of NAFTA, U.S. exports of cookies, crackers, and bakery products are not affected by this TRQ and their entry into Canada is free of duty. Japanese tariffs are relatively high, ranging from a low of 9 percent for breads and crispbread to a high of 34 percent for other bakery goods. In the case of other bakery goods, Japan places its highest tariffs on traditional rice-based products.

Tariffs on cookies, crackers, and bakery products in the EU are relatively complicated, using complex tariffs (rather than ad valorem rates as in the United States, Canada, and Japan) governed by the use of the Meursing table to assess the value of the specific duty added to these products. The range of additional duties that can be added is quite variable and depends on whether the additional duty is an agricultural component (EA) or additional duty on sugar (AD S/Z) or flour (AD F/M). In 2000, the EA ranged from i 0/100 kg to i 275.82/100 kg, while the AD S/Z varied from i 0/100 kg to i 38.99/100 kg and the AD F/M from i 0/100 kg to i 19.09/100 kg. To further complicate matters, tariff rates on sweet biscuits and other bakers' wares are computed as the minimum of an ad valorem rate (9.0 percent for 2000) plus the EA agricultural component or a higher ad valorem rate (24.2 or 20.7 percent) plus either the AD S/Z rate or the AD F/M rate, depending on the product. One industry group noted that this system lacks transparency.[10]

Tariffs vary widely in other major and potential markets. Most tariffs in Latin America are around 20 percent, with the Mercosur common external tariff set at 21 percent for all of these products. In Asia, tariffs in Korea are 8 percent, while Taiwan applies duties of up to 32.5 percent (table L-2). Saudi Arabia applies a 20 percent duty on certain sweet biscuits, while other products receive a tariff of 12 percent. For cookies and bakery products, Poland adds an additional duty to the 77 percent ad valorem rate that is based on the percentage by weight of sugar contained in the product. This additional duty, noted by DCC in the Polish tariff schedule, is valued at i 0.0049 per 10 grams of product, or each 1 percent of sugar per 1 kg of product.[11]

[10] USITC staff interview with Australian industry association, Mar. 22, 2001.

[11] USDA, FAS, *Market Brief, Poland: Snack Foods,* Warsaw, GAIN Report No. PL0006, Feb. 11, 2000.

Breakfast Cereals

With the exception of specialty products such as Muesli, tariffs on most breakfast cereals in the United States are set at 1.1 percent (table L-1). In the case of Canada, all wheat- and barley-derived foods that are greater than 25 percent by weight of wheat (or barley) are subject to global TRQs. The barley TRQ was set at 16,076 tons in 2000. Breakfast cereals in retail packs that weigh less than 454 g (which would include most breakfast cereal sold at retail) are not subject to the over-quota tariff. As with cookies, crackers, and bakery products, neither wheat-based nor barley-based exports of U.S. breakfast cereals are affected by these TRQs. As a result of the protection on the wheat, barley, and rice sectors in Japan, all imports of wheat-based, barley-based, and rice-based cereals that are 50 percent or more by weight of wheat, barley, or rice are subject to TRQs on wheat, barley, and rice, respectively; their importation is managed by the Japanese Food Agency. The over-quota rate on wheat-based cereals is ¥90/kg, while the over-quota rate on barley-based cereals is ¥83/kg and the over-quota rate on rice-based cereals is ¥341/kg. In the EU, tariffs on breakfast cereals are compound rates based on the raw commodity from which the cereal is derived. Corn-based cereals have the lowest tariff (3.8 percent plus **i** 20/100 kg), while those derived from rice have the highest rate (5.1 percent plus **i** 46/100 kg).

Tariffs on breakfast cereals in potential markets vary considerably (table L-2). As a result of protection placed on the corn sector in Mexico, exports of breakfast cereals under HS 1904.10 and HS 1904.20 face a tariff of $0.39586/kg, though U.S. exports receive a tariff of just 3 percent due to NAFTA (table L-2). Korea subjects certain cereal preparations derived from rice to an adjustment duty. Adjustment duties are temporary duties that change every six months and are placed on a number of sensitive products in Korea. These can be particularly problematic for exporters because the Korean Government does not notify changes to its adjustment duty schedule until 3 or 4 days before it is to go into effect.[12] Rice-based cereal preparations in Korea are assessed a 50 percent tariff. Tariffs in Taiwan range from 25 percent to 40 percent; those in Hungary range from 36 percent to 38.4 percent. Saudi Arabia places a 20 percent duty on breakfast cereals containing cocoa and a 12 percent tariff on all other breakfast cereals. The tariff on breakfast cereal in China is not scheduled to fall in 2004 and will remain at the current applied rate of 30 percent.

Pasta

Tariffs on pasta products in major developed markets vary, with stuffed pastas having higher tariffs than dry or egg pasta. Tariffs in the United States range from free to 6.4 percent (table L-1). Pasta is subject to TRQs on wheat in Canada, though retail-packed pastas with a package weight of less than 2.3 kg are not subject to the over-quota tariffs. Japan applies specific tariff rates to dry pasta imports ranging from ¥27/kg to ¥34/kg, while stuffed pastas receive ad valorem rates of up to 24 percent. As with most grain-based foods, the EU applies a complex rate on pasta, while stuffed pastas receive either an ad valorem rate or a specific tariff.

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[12] Timothy McCrane, *Processed Foods: Trade and Investment Barriers to Australian Exporters in Key Markets*, Working Paper, Competitiveness Section, Department of Industry, Science, and Tourism, July 1998, p. 30.

Tariffs on pasta in developing and potential markets are marginally lower than on cookies, crackers, and bakery products. Mercosur countries apply a common external tariff of 19 percent, while MFN rates in Mexico range from 10 percent to 20 percent; NAFTA rates, by contrast, range from 3 percent to 6 percent. Korea subjects certain varieties of rice vermicelli to an adjustment duty and applies a complex tariff that assesses the maximum of 50 percent or **w**395/kg.

Other Grain-Based Foods

There is a significant variety of tariffs for other grain-based foods found under HS 1901.90, because this is a basket category for a number of flour-based preparations. In the United States, a few products are subject to TRQs on dairy and sugar products (tables F-3 and G-3). Most products under HS 1901.90 in Canada are subject to TRQs on barley (in the case of malt extracts) or dairy (in the case of ice cream mixes and prepared puddings). U.S. exports to Canada of dairy-containing products in HS 1901.90 are subject to the complex over-quota tariff of “275.5 percent but not less than C$1.19/kg" for ice cream mixes and “258 percent but not less than C$3.00/kg” for prepared puddings. All other products receive tariffs under 10 percent. Japan also subjects other grain-based foods that contain 85 percent or more by weight of wheat, barley, starch, or rice, or 30 percent or more by weight of dairy products, to TRQs. For products not subject to TRQs, Japan places its highest tariffs on dairy-based food preparations with added sugar, such as whipped cream (21.3 percent to 23.8 percent), and flour preparations with added sugar (tariffs between 23.8 percent and 28 percent). The EU only has tariff classifications in HS 1901.90 for malt extracts, certain dairy preparations, and other products. The EU assesses an agricultural component to the ad valorem duty on other flour preparations.

In Korea, a 37.6 percent duty is placed on imports of dairy-based flour food preparations and a 30 percent duty on malt extracts. In addition, all rice-based flour preparations are subject to Korea’s quota on rice, effectively prohibiting imports of prepared rice products. Taiwan applies its highest tariffs on dairy-based food products, including a 20 percent tariff on evaporated cream and ice cream powder, a 32.5 percent tariff on flavored milk, and a 40 percent tariff on miscellaneous food products. Tariffs in Brazil range from 17 percent to 19 percent, with the lower rate placed on malt extracts.

Regional Trade Agreements

Preferential tariff arrangements in other markets potentially disadvantage U.S. exports of grain-based foods in third markets. In Latin America, members of Mercosur and the Andean Pact receive duty-free access to each other’s markets, while U.S. exporters face tariffs between 17 and 21 percent. The EU maintains a host of preferential tariffs that strongly favor the export of grain-based foods from non-U.S. markets. In particular, imports from Eastern Europe have a significant advantage. For cookies, crackers, and bakery goods, Eastern European countries such as Romania, Bulgaria, the Czech Republic, Slovakia, Hungary, Poland, Latvia, and Estonia receive preferential TRQs that reduce the ad valorem component of one of the complex tariff rates from 9 percent to 0 percent and provide for

reduced rates for the added agricultural component (EA).[13] A number of Mediterranean countries also receive similar types of preferential tariff treatment, with the ad valorem component of complex tariffs reduced to zero in the cases of cookies, breakfast cereals, certain types of pasta, and bakery products.

GSP access to major markets varies considerably. The EU provides GSP countries a reduced duty rate that is 70 percent (for cookies and breakfast cereals) to 85 percent (for pasta) of the MFN rate. Argentina, Brazil, and Thailand do not receive GSP privileges into the EU for grain-based foods. Least developed countries and OCT areas (i.e., overseas colonies and territories of European countries) have duty-free access to the EU market. Japan gives least developed countries duty-free access for certain cookies, crackers, and bakery products, while giving countries under its preferential schedule reduced duties ranging from 9 percent to 15 percent for these products. Until 1999, Japan accorded preferential access to Asian markets such as Korea and Taiwan and still gives preferential treatment to imports from China and Thailand. Japan does not give preferential access for any other types of grain-based foods. The United States accords its NAFTA partners duty-free access to all grain-based foods, except those subject to TRQs (in HS 1901.90) and certain types of breakfast cereals originating from Mexico. The United States benefits from preferential access to Canada and Mexico as a result of NAFTA, although, as noted above, U.S. exports of dairy-containing grain-based foods to Canada are subject to TRQs and face the same over-quota rates as non-NAFTA countries.

Non-tariff Barriers and U.S. Industry Concerns

There are a number of non-tariff measures, including ingredient restrictions, registration and certification requirements, sanitary and phytosanitary regulations, and government policies that affect grain-based foods, particularly breakfast cereals. These issues are presented below and are summarized in table L-4.

Restrictions on Vitamin Fortification, Additives, and Food Colorings

A number of restrictions exist on ingredients used in the production of grain-based foods, particularly breakfast cereals. Canada and Chile, in particular, have different standards for vitamin and mineral fortification for both domestic and imported breakfast cereal than the

[13] Note that tariffs on cookies are given as the smaller of two complex rates–one is an ad valorem tariff of 9 percent added to EA, the other is an ad valorem tariff of 24.2 percent added to AD S/Z. In the case of the preferential rates for Eastern Europe, the “in-quota” tariff is the smaller of 0 percent plus EA(R) and 24.2 percent plus AD S/Z(R), where the (R) refers to reduced rates for the agricultural component and additional duty on sugar. The “over-quota” rate is the same as the “in-quota” rate, except that the regular agricultural component/additional duty on sugar is applied.

United States. Both countries claim that U.S. producers "over-fortify" their breakfast cereals and have restricted U.S. exports of these items.[14] Chile justifies its restrictions on the basis of studies conducted by the Ministry of Health that claim consumers already receive enough vitamins in their daily diet and that there is a health risk from the consumption of too many vitamins.[15] The Food and Drug Act in Canada strictly regulates the addition of food additives and vitamins by product category. Breakfast cereals that are fortified with 25 percent or more of the U.S. FDA recommended daily allowance of vitamins and minerals are not allowed to enter Canada.[16] U.S. companies have to operate separate production runs in order to export to Canada, while some products have been banned from the market entirely.[17] In the case of one company, less than half of the product lines it manufactures in the United States are eligible to be exported to Canada (including those that it reformulates for the Canadian market), costing this company about $1 million per year.[18] Some products which sell as breakfast cereals in the United States are classified as "meal replacements" in Canada that allows them to be fortified at levels above those allowed for products classified as breakfast cereals; these products are sold alongside unfortified breakfast cereals.[19] The Canadian government currently is in the process of reviewing its Food and Drug Act, but no changes to its policy on fortification have been made to date.[20]

Food additive laws are also an issue for U.S. exporters of grain-based foods. Most countries operate a positive approval list for food additives (such as preservatives and colorings), which lists the use of an ingredient and the class of products that can use that ingredient. These lists can differ markedly by country. Japan, for example, restricts breakfast cereals containing nutrients such as zinc and magnesium and food additives such as BHT, potassium bicarbonate, sodium aluminum phosphate, and sodium steroyl lactylate, which one company noted as impeding the marketing of new product lines into Japan from the United States and other affiliate markets.[21] A similar case applies in Malaysia with respect to the use of BHT.[22] In the Middle East, one company wanted to export a breakfast cereal product that used calcium carbonate as a fortifying agent. Its approved use in that market was as a coloring, however, which complicated trade.[23]

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[14] USITC staff correspondence from U.S. industry representative, received Feb. 19, 2001 and U.S. Department of State Telegram No. 000751, "USITC Request on Tariff And Non-tariff Barriers to Trade in Processed Foods and Beverages," prepared by U.S. Embassy, Santiago, Mar. 19, 2001.

[15] USITC staff interview with Chilean Government officials, June 5, 2001.

[16] USITC staff correspondence from U.S. industry representative, received June 20, 2001.

[17] USDA, FAS, *Canada Food and Agricultural Import Regulations and Standards: Canada To Review Policy on Nutrient Fortification of Foods*, Ottawa, GAIN Report No. CA9103, Aug. 25, 1999 and Susan Taylor Martin, "Orange juice may become 'drug' of choice in Canada," *St. Petersburg Times*, Aug. 25, 1999, found at *http://www.sptimes.com/News/82599/Worldandnation/Orange_juice_may_beco.shtml*, retrieved June 19, 2001.

[18] USITC staff correspondence from U.S. industry representative, received June 20, 2001.

[19] USITC staff interview with U.S. industry association, June 19, 2001.

[20] USDA, FAS, *Canada Food and Agricultural Import Regulations and Standards: Canada To Review Policy on Nutrient Fortification of Foods*, Ottawa, GAIN Report No. CA9103, Aug. 25, 1999.

[21] USITC staff interview with Australian industry representative, Mar. 20, 2001.

[22] Ibid.

[23] USITC staff interview with U.S. industry association, June 12, 2001.

Labeling, Certification, and Registration Requirements

Registration requirements in many markets often require exporters to divulge detailed ingredient and manufacturing process information, much of which is deemed proprietary. In the case of Argentina, for example, a list of ingredients with their percentage use in the product and a one-page flow chart illustrating the manufacturing process is required to register a new product.[24] Similar information is required in Japan and Korea. One foreign exporter of cookies, however, noted that this requirement was not a major impediment to its trade into Japan. In particular, it was emphasized that the type of information provided for registration was not enough for their products to be copied.[25] Health certificates, also required for some markets, require different types of information for each market. In the case of Indonesia, health certificates are required to accompany each shipment of breakfast cereals (at the cost of $75 per product) attesting that the product is fit for human consumption.[26]

Shelf-life and labeling restrictions, while more troublesome for other types of processed foods, also have some effect on grain-based foods. In Korea, shelf-life restrictions on cheesecakes were only between 30 to 40 days, thus precluding all imports except those delivered by expensive air freight.[27] Cookies in Saudi Arabia have different shelf-life requirements depending on whether they contain filling (9 months) or lack filling (12 months) and must have at least 50 percent of their shelf-life (remaining from the date of manufacture) upon entry into the country.[28] While these requirements are applied equally to domestically produced products and imports, a U.S. industry association claims that the standards are based on outdated science and do not take into account advances in packaging and production technology.[29]

New laws governing foods containing genetically modified organism (GMO) ingredients have had some impact on the grain-based foods industry. Supermarkets in the EU, in response to consumer demand for GMO-free products, have restricted offerings of processed products containing genetically modified ingredients, affecting U.S. exports of corn-based products in particular. Saudi Arabia has adopted a decree mandating that exporters assert to the absence of GMO materials in their products.[30] The recent problems concerning the Starlink variety of GMO corn have prompted Korea and Thailand to mandate certificates declaring that corn-based products from the United States be Starlink-free. There have been reports that U.S. products containing corn were required to undergo testing for Starlink, while locally made products manufactured with U.S. corn were exempt from this requirement.[31]

Government Policies

Trade policies that affect ingredients used in grain-based foods have some effect on U.S. exports. U.S.-owned breakfast cereal manufacturers operating in foreign markets have

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[24] USITC staff interview with Argentine importer, June 7, 2001.
[25] USITC staff interview with Australian industry representative, Mar. 19, 2001.
[26] USITC staff interview with Australian industry representative, Mar. 20, 2001.
[27] Ibid, Mar. 19, 2001.
[28] USDA, FAS, *Saudi Arabia Retail Food Sector Report*, Riyadh, GAIN Report No. SA0003, Jan. 25, 2000.
[29] USITC staff interview with U.S. industry association, June 12, 2001.
[30] USITC staff correspondence from industry representative, received Mar. 28, 2001.
[31] USITC staff interview with U.S. industry association, June 12, 2001.

experienced problems in obtaining key ingredients and raw materials due to tariff and non-tariff restrictions. These include restrictions on imports of corn grits, processed rice, and honey in Korea; processed rice and sugar in Japan; and corn grits, rice, and sugar in China.[32] Corn flakes, for instance, cannot be produced in China due to restrictions on corn grits and must be imported from Korea.[33] U.S. policies on sugar have also been cited as hindering U.S. exports of cookies and biscuits into third markets.[34] As a result of NAFTA, there has been a rationalization of the cookie industry along the U.S.-Canada border, with U.S.-owned companies engaging in greater private-label arrangements with Canadian cookie manufacturers.[35] Part of the motivation for this has been access to lower cost world-priced sugar in Canada.

Taxes and Other Fees

Additional duties applied to imports into India were cited by a U.S. company as a burden on its breakfast cereal exports into that market. Specifically, India assesses a 16 percent countervailing duty (CVD) and a 4 percent special additional duty (SAD) on breakfast cereals imports on top of the duty-adjusted price. The purpose of the CVD is to tax foreign products at the same level local producers are taxed in the form of a manufacturing tax. However, since the CVD is applied on the CIF price plus the import duty, the Indian government is effectively double taxing imports. A similar story applies to the SAD, which is supposed to compensate for local sales taxes that are not faced by importers. Traders who resell imports were formerly exempt from paying the SAD, since they incurred local sales taxes on their domestic purchases. This situation has changed such that traders are responsible for both the SAD on the import side and local sales taxes from local distribution.[36]

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[32] USITC staff interview with Australian industry representative, Mar. 20, 2001. These policies are elaborated upon in the chapters on flours and other intermediate goods and sugars and sugar-containing products.

[33] Ibid.

[34] USITC staff interview with U.S. industry association, Aug. 10, 2000.

[35] Agriculture and Agri-Food Canada, Food Bureau, *The Canadian Food and Beverage Processing Sector: An Overview of Opportunities and Challenges at the Turn of the Century*, Discussion Paper, Mar. 1998.

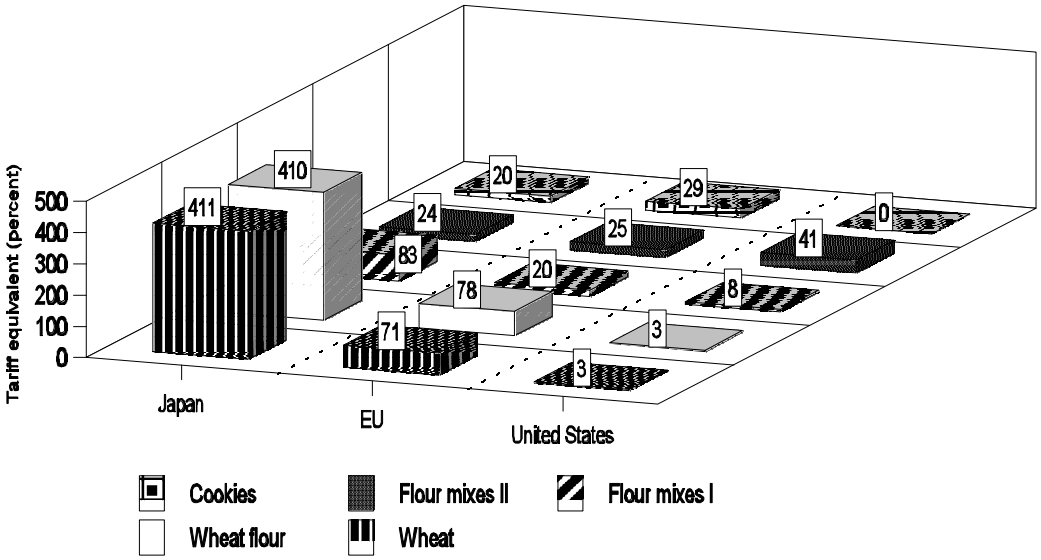
[36] USITC staff interview with Australian industry representative, Mar. 20, 2001.

Tariff Escalation

Five products were considered to assess the prevalence of tariff escalation: spring wheat, wheat flour, two types of flour mixes (for developed markets), and cookies. Given that flour mixes are not always used in cookies, one could interpret this chain of processing as more akin to three processing "trees," with each type of flour mix and cookies the three respective final outputs derived from the common chain of wheat and flour. Flour mixes are distinguished on the basis of the level of sugar contained in each product. "Flour mixes I" is a product that is mostly wheat, with less than 5 percent by weight of sugar. "Flour mixes II," by contrast, is a product that contains over 10 percent by weight and less than 85 percent by weight of wheat; other inputs to this mix are not defined. The reason for the distinction is due to TRQs placed on flour mixes by Japan and the United States. Japan subjects flour mixes that are 85 percent or more by weight of wheat to its wheat and wheat products TRQ, with their importation controlled by the Japan Food Agency. Over-quota imports are assessed an effective tariff of over 400 percent. However, flour blends that are just under this 85 percent threshold can be imported by private entities at a rate of 23.8 percent. In the United States, flour mixes that contain over 10 percent sugar are subject to a TRQ due to their sugar content. These imports are assessed a duty of over 40 percent, while mixes with less than 10 percent sugar receive a much lower 8.5 percent duty. In all cases where there are TRQs, over-quota rates were used.

Figures 9-1 and 9-2 illustrate the tariffs faced on these processing relationships for six countries: three developed markets (the United States, EU, and Japan) and three developing markets (Hungary, Taiwan, and Brazil). In the sample of developed country markets, there is clear evidence of tariff de-escalation in the EU and Japan, whereby the tariffs on the raw commodities are higher than those on the processed product. Tariffs on wheat and flour are especially prohibitive in Japan, with over-quota rates of over 400 percent. Cookies and flour mixes, by contrast, have tariffs under 25 percent. In the EU, tariffs on wheat and flour are over 70 percent, while mixes and cookies have tariffs ranging from 20 percent to 30 percent. While there is some tariff escalation in the United States with respect to flour mixes, the duty rates on each product in the chain are less than 10 percent. The existence of tariff de-escalation in these countries does not imply, however, that there is no effective protection from the tariffs on the final processed product (see box 9-1). In the sample of developing countries, tariff escalation is significant with respect to processed products. In each country, the highest tariffs are placed on cookies, which range from 21 percent in Brazil to over 51 percent in Hungary. Tariffs on wheat and flour in these countries, by contrast, are much lower.

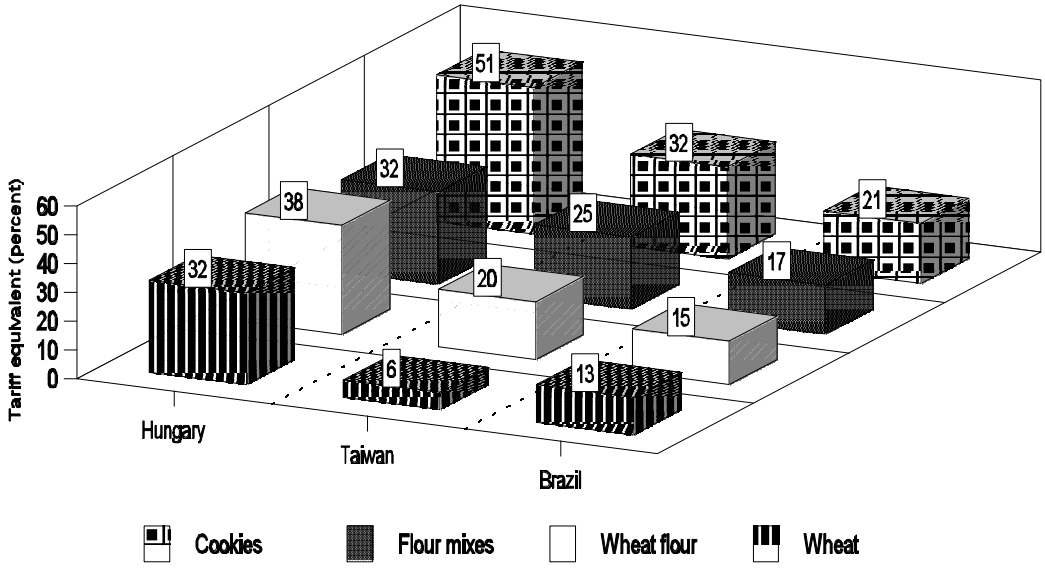
Figure 9-1
Wheat and related products: Tariff equivalents for Japan, the EU, and the United States, 2000



Note.–Flour mix I products are mixes that are mostly wheat (in the form of flour), with less than 5 percent sugar by weight. Flour mix II products are mixes that are less than 85 percent by weight wheat (in the form of flour), and greater than 10 percent by weight sugar (but less than 30 percent by weight sugar). For the United States, flour mix II products are subject to a TRQ, and the over-quota ad valorem equivalent rate is reflected above. The U.S. has an in-quota ad valorem rate of 10 percent on flour mix II products. The U.S. tariff on cookies is free. The differences in the tariff equivalents between flour mixes I and flour mixes II in the EU are due to different agricultural components added to the tariff, based on the sugar content in flour mixes II. For cookies, the EU charges the minimum of 9 percent plus €44.38/100 kg or 24.2 percent plus €18.87/100 kg. Japan places TRQ restrictions on wheat, wheat flour and flour mixes I, and over-quota ad valorem equivalent rates are reflected above. Japan places in-quota ad valorem tariff rates of free on wheat and 25 percent on both wheat flour and flour mixes I.

Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

Figure 9-2
Wheat and related products: Tariff equivalents for Hungary, Taiwan, and Brazil, 2000



Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

Box 9-1: Effective rates of protection on grain-based foods

In developed markets such as the EU, Japan, and the United States, the tariff escalation exercise showed tariff de-escalation from raw ingredient (wheat) to finished product (cookies). However, the existence of tariff de-escalation can still imply that tariffs on the processed product provide protection to the processed sector. In order to understand the degree of *effective* protection from the nominal tariff for a particular sector, given the level of input tariffs, effective rates of protection (ERPs) should be calculated.[1]

Data on cookie production were obtained to estimate the technical coefficients needed in the ERP calculation.[2] Staff chose the formulation for wire cut cookies as a representative product, which is reasonable as the recipe is relevant to common cookie varieties such as wafers, sugar cookies, and shortbread.[3] To simplify the analysis, the only inputs considered were flour, sugar, and shortening. Other inputs such as eggs and milk were not used in the analysis.[4] Thus, the "true" ERP, when all inputs are considered, will be lower than those calculated. U.S. export unit prices were used to calculate reference prices for cookies and shortening, while for flour and sugar, U.S. wholesale prices were used. Tariff rates are those found in each country's 2000 schedule, with over-quota rates used for inputs subject to TRQs.

Results from the ERP analysis show significant variation in the effective protection accorded the cookie sector in each market (table). In all three countries, high tariffs on sugar disadvantage the processing sector. However, in the case of the EU, the moderately high nominal tariff on cookies still allows for positive effective protection in light of moderately high to extremely high tariffs on flour, sugar, and shortening. In the United States and Japan, by contrast, the effective rates of protection are negative, though this is not surprising in the United States given the zero duty on cookies. Processors in Japan are especially penalized by high effective duties on both sugar and flour (with a tariff equivalent of 411 percent).

Country	Nominal output tariff	Effective rate of protection	Highest nominal input tariff (sector)
USA	Free	-6.6%	178.8% (sugar)
EU	28.7%	20.8%	238% (sugar)
Japan	20.4%	-17.1%	448.6% (sugar)

The European environment, where processors are still relatively shielded from foreign imports and the tariff regime on many grain-based foods is non-transparent, might induce investment over trade as a strategy for marketing in the EU. In Japan and the United States, by contrast, one might expect that processors would be better off servicing each of these two markets from offshore venues that have lower commodity costs. Indeed, anecdotal evidence suggests that these relationships have not gone unnoticed by firms in driving investment decisions. Since NAFTA, for instance, a number of U.S. bakery and cookie manufacturers have moved operations from the United States to Canada, in part due to the lower price of sugar in Canada, and use their operations in Canada to export to the U.S. market. This is evidenced in part by the tremendous surge in exports of cookies from Canada (some 2,100 percent since 1992).[5] In addition, as a result of the high commodity prices in Japan, many Japanese processors have moved offshore to Thailand, China, and Taiwan for the purposes of exporting processed products back to Japan.[6]

[1] Details on ERPs can be found in chapter 2.
[2] Peter E. Ellis (ed.), *Cookie & Cracker Manufacturing Volume II*, (Silver Spring, MD: The Biscuit and Cracker Manufacturers Association, 2000) and USITC staff correspondence, received Mar. 16, 2001.
[3] Ellis, *Cookie & Cracker Manufacturing*, p. 412.
[4] It should be noted that on a percentage weight basis, flour, sugar, and shortening are the predominant inputs. In the production of 100kg of wire cut cookies, only 5.21 kg of eggs and 2.23 kg of milk are used.
[5] Karl Rich, Ronald A. Babula, and Robert F. Romain, "The Dynamics in the Wheat and Wheat Products Sector: U.S.-Canada comparisons." Paper presented for the conference "Challenges in Agricultural Trade under CUSTA," Fargo, ND, Oct. 26-27, 2000, p. 6.
[6] USITC staff interview, Mar. 26, 2001.

CHAPTER 10
FRUITS AND VEGETABLES

Introduction

The fruits and vegetables sector consists of three subsectors: fruit, fresh and processed vegetables, and fruit juices and other nonalcoholic beverages classified in chapters 7, 8, 20, 21, and 22 of the Harmonized Tariff Schedule. Fruit includes raisins (HS 0806.20), dried plums (0813.20), canned peaches (2008.70), and a large group of all other fruit.[1] Fresh and processed vegetables include frozen potato products (HS 0710.10 and 2004.10), dried vegetables (HS 0712.20-.90 and 0713.10-.90), processed tomato products (HS 2002.10-.90, 2009.50, and 2103.20), and a large group of all other vegetables.[2] Frozen potato products are principally frozen french fries and other types of frozen potatoes. Dried vegetables include dried leguminous vegetables (e.g., beans, chickpeas, lentils, and peas), dried onion products, and miscellaneous other dried vegetables. Processed tomato products consist mainly of canned tomato paste and sauce, tomato ketchup and other tomato sauces, canned whole tomatoes, and tomato juice. Fruit juices (HS number 2009) include principally citrus juices (such as orange, grapefruit, and lemon juice), other fruit juices (mainly apple, pear, and grape juice), tomato and mixed vegetable juices, and pineapple juice. Other nonalcoholic beverages (HS numbers 2201 and 2202) consist of bottled water, carbonated soft drinks, chocolate milk and other milk-based drinks, other fruit or vegetable juices, and non-alcoholic beer.

The U.S. fruit sector is comprised of fruit processing facilities and the farmers that supply them. Farmers generally grow fruit for either the fresh fruit market or for the processed fruit market. Fruit processors are typically located close to fruit growing regions. In recent years, rising costs and increased domestic and foreign competition have led to consolidation and a reduction in the number of fruit farmers and fruit processors. U.S. production of processed fruit was flat during 1996-2000 in response to flat consumer demand. U.S. and world trade in processed fruit has grown in the past five years as the global fruit market has become more integrated and the retail food sector has experienced increased consolidation.

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[1] Products include fresh or dried dates and figs; frozen strawberries, raspberries, and other berries, and miscellaneous other frozen fruit; dried apples; other dried fruit; and certain mixtures of nuts or dried fruits, peels of citrus fruit or melons; cooked preparations of jams, fruit jellies, marmalades, fruit or nut puree, and fruit or nut pastes; and prepared or preserved pineapples, citrus fruit, pears, apricots, cherries, strawberries, and miscellaneous other fruit and fruit mixtures. These products are included in HS items 0804.10-.20, 0811.10-.90, 0813.10, 0813.30-.50, 0814.00, 2007.10, 2007.91-.99, 2008.20-.60, and 2008.80-.99.

[2] All other vegetables consist of many other fresh and processed vegetables and vegetable products, such as prepared or preserved potato products (mainly potato chips), canned and frozen sweet corn, and fresh cauliflower, carrots, and celery. These items are included in HS items 0704.10, 0706.10, 0709.40, 0710.21-.22, 0710.40, 0710.80, 0710.90, 0714.20, 2001.10, 2001.90, 2004.90, 2005.10-.20, 2005.10-.20, and 2005.40-.90. It should be noted that fresh vegetables covered herein are only those vegetables, in a fresh state, which are prepared or preserved in some way (e.g., cut or sliced and bagged as pre-cut vegetables).

The U.S. fresh and processed vegetable industry is made up of thousands of growers and hundreds of processors, with recent annual production an estimated $5.0 billion. U.S. production of fresh and processed vegetables accounts for less than 10 percent of world production; U.S. exports are estimated to account for about 15 percent of U.S. production. Farmers grow vegetables for either the fresh vegetable market or for the processed vegetable market, with vegetables grown for processing generally produced under contract with a regional processor. The industry has experienced a reduction in the number of growers and processors in recent years, causing many processors to expand the number of vegetable products they process.

The fruit juices and other nonalcoholic beverages sector includes producers of fruit and vegetable juices, bottled water, and carbonated soft drinks. The fruit and vegetable juice industry consists of a large number of growers who contract their production to a few dozen juice processors. The number of contract growers and juice processors has steadily declined in recent years. Large multinational corporations account for most of the production of carbonated soft drinks and bottled water. Carbonated soft drinks and bottled water are less traded internationally than fruit and vegetable juices because high transportation costs generally make trade in these products uneconomical.

Total U.S. exports of fruits and vegetables increased gradually between 1996 and 1999, from $3.3 billion to $3.7 billion (see tables10-1, 10-2, and 10-3). In 2000, exports declined by 4 percent to $3.5 billion. Fresh and processed vegetables accounted for 53 percent of total U.S. exports of fruits and vegetables during 1996-2000; fruit and fruit juices and other nonalcoholic beverages accounted for 19 percent and 28 percent, respectively, of total U.S. exports.

U.S. exports of fruit fluctuated irregularly during 1996-2000 (see table 10-1). In 2000, exports totaled $654.3 million, a decline of 3.2 percent from exports in 1996. U.S. exports of raisins fell by 30 percent during the period. The European Union and Japan were the major markets for U.S. raisins; exports to both countries declined. U.S. exports to Canada, the third largest market, rose moderately. U.S. exports of dried plums increased slightly during 1996-2000, while U.S. exports of canned peaches fell by 12 percent. The European Union, Japan, and Canada were the major markets for U.S. dried plums; Canada and Japan were the major markets for U.S. canned peaches. There were no U.S. exports of canned peaches to India during the period, but India is nonetheless considered a potential market if its tariff and non-tariff barriers were reduced. U.S. exports of all other fruit grew from $311.4 million in 1996 to $353.1 million in 2000. Canada, Japan, and the EU were the major markets; China and India are markets with the potential for expanded U.S. exports.

U.S. exports of fresh and processed vegetables rose from $1.7 billion in 1996 to $1.9 billion in 2000 (see table 10-2). U.S. exports of frozen potato products totaled $378.5 million in 2000, an increase of 32 percent over 1996. The growing popularity of fast-food restaurants overseas has led to increased sales of frozen french fries to institutional and fast-food outlets, both U.S.- and foreign-owned.[3] Japan accounted for approximately one-half of U.S. exports of frozen potato products. Korea and Mexico were other important markets. U.S. exports of dried vegetables fell by 12 percent during the period. Increases in exports to Canada, the largest market, were more than offset by decreases in exports to other major

[3] USITC staff interview with U.S. industry representative, May 24, 2001.

Table 10-1
Fruits: U.S. exports to principal markets and to markets with the potential for expanded U.S. exports, 1996-2000

Items	1996	1997	1998	1999	2000	Change, 2000 over 1996
	1,000 dollars					*Percent*
Raisins:[1]						
EU15	93,083	81,795	84,863	70,351	53,363	-43
Japan	46,954	38,718	40,839	58,510	33,672	-28
Canada	20,630	22,896	23,248	22,480	21,822	6
China[2]	0	65	0	57	329	([3])
India[2]	16	4	29	60	0	-100
All other	47,884	56,326	45,601	40,257	36,705	-23
Total	208,567	199,804	194,580	191,715	145,891	-30
Dried plums:[4]						
EU15	77,802	61,599	60,821	59,029	71,267	-8
Japan	25,564	35,019	39,571	32,912	30,850	21
Canada	9,578	8,919	8,545	9,816	9,457	-1
Israel[2]	2,683	1,902	2,291	1,701	2,160	-19
All other	23,509	31,752	22,877	26,705	26,609	13
Total	139,136	139,191	134,105	130,163	140,343	1
Canned peaches:[5]						
Canada	5,124	5,841	7,160	7,517	6,557	28
Korea[2]	1,571	1,013	283	791	1,815	16
Japan	3,085	3,267	2,761	2,615	1,652	-46
Mexico	323	456	2,314	4,710	910	182
India[2]	0	0	0	0	0	([3])
All other	6,911	6,950	11,113	4,178	3,976	-42
Total	17,014	17,527	23,631	19,811	14,910	-12
All other fruit:[6]						
Canada	82,768	89,131	101,001	104,534	112,371	36
Japan	61,373	67,059	79,618	71,049	69,187	13
EU15	60,201	47,558	49,849	49,654	55,098	-8
China[2]	248	486	726	364	1,315	430
India[2]	3	5	26	59	35	1,067
All other	106,853	112,858	107,686	110,290	115,125	8
Total	311,446	317,097	338,906	335,950	353,131	13
Grand total	676,163	673,619	691,222	677,639	654,275	-3

[1] Includes HS subheading 0806.20.
[2] Denotes a potential market.
[3] Not applicable.
[4] Includes HS subheading 0813.20.
[5] Includes HS subheading 2008.70.
[6] Includes HS headings and subheadings 0804.10, 0804.20, 0811.10, 0811.20, 0811.90, 0813.10, 0813.30, 0813.40, 0813.50, 0814.00, 2007, 2008.20, 2008.30, 2008.40, 2008.50, 2008.60, 2008.80, 2008.91, 2008.92, and 2008.99.

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

Table 10-2
Fresh and processed vegetables: U.S. exports to principal markets and to markets with the potential for expanded U.S. exports, 1996-2000

Items	1996	1997	1998	1999	2000	Change, 2000 over 1996
	1,000 dollars					Percent
Frozen potato products:[1]						
Japan	151,299	159,110	182,428	185,842	181,898	20
Korea	19,094	21,289	15,935	19,179	26,845	41
Mexico	11,313	16,023	18,957	20,741	25,745	128
Hong Kong[2]	16,607	18,802	19,748	17,995	18,388	11
Canada[2]	11,827	18,606	23,558	19,552	15,743	33
All other	75,590	86,825	83,110	95,893	109,851	45
Total	285,730	320,655	343,736	359,202	378,470	32
Dried vegetables:[3]						
Canada	43,461	50,248	56,937	79,827	66,290	53
Mexico	81,805	46,905	124,004	57,335	42,980	-47
Japan[2]	45,153	47,412	34,156	35,271	37,070	-18
United Kingdom	59,681	66,713	52,067	50,087	34,037	-43
Italy[2]	27,001	34,549	19,186	18,105	13,290	-51
All other	212,000	257,857	263,355	235,546	217,413	3
Total	469,101	503,684	549,705	476,171	411,080	-12
Processed tomato products:[4]						
Canada	107,015	105,223	119,346	120,771	107,365	0
Japan	31,948	28,852	27,344	25,436	27,267	-15
Mexico	9,535	14,095	14,401	19,001	25,543	168
Korea[2]	8,573	11,718	8,707	9,728	8,918	4
Philippines[2]	2,725	4,452	3,615	6,346	4,070	49
All other	58,240	76,438	63,691	52,335	50,492	-13
Total	218,036	240,778	237,104	233,617	223,655	3
All other vegetables:[5]						
Canada	222,154	268,009	273,094	280,209	307,414	38
Japan	195,913	187,866	210,545	219,851	202,208	3
Korea[2]	29,096	38,522	19,935	36,664	47,671	64
Mexico	20,141	36,523	61,976	48,938	44,825	123
Taiwan[2]	33,718	39,059	42,650	46,241	41,112	22
All other	250,279	234,662	298,667	261,222	222,456	-11
Total	751,301	804,641	906,867	893,125	865,686	15
Grand total	1,724,168	1,869,758	2,037,412	1,962,115	1,878,891	9

[1] Includes HS numbers 0710.00 and 2004.10.
[2] Denotes a potential market.
[3] Includes HS numbers 0712.20, 0712.90, 0713.10, 0713.20, 0713.31, 0713.32, 0713.33, 0713.39, 0713.40, 0713.50, and 0713.90.
[4] Includes HS numbers 2002.10, 2002.90, 2009.50, and 2103.20.
[5] Includes HS numbers 0704.10, 0706.10, 0709.40, 0710.21, 0710.22, 0710.40, 0710.80, 0710.90, 0714.20, 2001.10, 2001.90, 2004.90, 2005.10, 2005.20, 2005.40, 2005.51, 2005.59, 2005.60, 2005.70, 2005.80, and 2005.90.

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

Table 10-3
Fruit juices and other nonalcoholic beverages: U.S. exports to principal markets and to markets with the potential for expanded U.S. exports, 1996-2000

Items	1996	1997	1998	1999	2000	Change, 2000 over 1996
	1,000 dollars					Percent
Fruit juices:[1]						
Canada	224,690	243,793	258,237	262,956	252,254	12
EU	109,586	139,412	133,218	153,998	147,846	35
Japan	153,399	129,187	118,790	133,041	140,978	-8
Mexico	9,316	9,010	14,476	18,102	33,327	258
Korea[2]	33,998	35,798	20,127	28,134	20,490	-40
All other countries	105,050	110,413	108,749	134,977	102,712	-2
Total	636,039	667,613	653,597	731,208	697,607	10
All other products:[3]						
Canada	73,644	120,558	151,867	174,903	168,168	128
Mexico	9,262	13,951	18,491	24,019	23,096	149
Japan	80,874	65,094	48,694	42,720	44,984	-44
EU	6,880	12,824	16,418	25,713	12,072	75
Taiwan	4,151	5,597	2,216	807	688	-83
All other countries	70,712	83,378	66,772	61,986	65,575	-7
Total	245,523	301,402	304,458	330,148	314,583	28
Grand total	881,562	969,015	958,055	1,061,356	1,012,190	15

[1] Includes HS number 2009.11-2009.90.
[2] Denotes a potential market.
[3] Other processed citrus and nonalcoholic beverages (HS numbers 0812.90, 2201.10, 2201.90, 2202.10, and 2202.90).

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

markets as U.S. exporters in recent years have experienced greater competition from other country suppliers. U.S. exports of processed tomato products and all other vegetables rose by 3 percent and 15 percent, respectively, between 1996 and 2000. Canada, Japan, Mexico, and Korea were the largest markets for these products. Markets with the potential for expanded U.S. exports include the Philippines for processed tomato products and Taiwan for all other vegetables.

U.S. exports of fruit juices and other nonalcoholic beverages increased by 14.8 percent between 1996 and 2000, from $881.6 million to $1.0 billion (see table 10-3). U.S. exports of fruit juices rose by 10 percent during the period and totaled $697.6 million in 2000. Exports to Canada and the EU, the two largest markets for fruit juice exports, grew by 12 percent and 35 percent, respectively. U.S. exports of other nonalcoholic beverages increased by 28 percent between 1996 and 2000. The four leading markets for these beverages were Canada, Mexico, Japan, and the EU.

Policy Environment in Selected Markets

Government involvement at the farm level for fruits and vegetables is common throughout the world as countries attempt to increase farmer income, raise agricultural productivity, and strive for a measure of self-sufficiency in food. This involvement can take the form of support payments for fruit and vegetable farmers, credit programs for farmers, and the maintenance of high prices on fruit and vegetables to stimulate production.[4] These agricultural policies, however, can necessitate high tariffs on processed fruits and vegetables to protect the domestic processing sector and the farmers that supply it, and can lead to surplus production of some fruits and vegetables and the processed products derived from them. In some instances, surplus production of processed fruits and vegetables has been exported, which has distorted world trade and displaced the production of other countries.

In the European Union, fruits and vegetables destined for the processing sector fall under the purview of the Common Agriculture Policy (CAP). EU farmers have received various measures of support under the CAP, including, up until very recently, a minimum grower price for certain fruits destined for the processing market.[5] Aid under the CAP has coincided with surplus production of fresh and processed citrus, tomatoes, peaches, pears, and apples, among others. This has led to the withdrawal of some of these products from EU markets.[6] The subsequent export of surplus processed tomato products and canned cling peaches has reportedly distorted world trade in these products.[7] Since the 1996 reform of the EU's common market organization for fruits and vegetables, the role of producer organizations[8] (POs) has been strengthened as a counterweight to the growing market power of retailers. Approximately 1,300 POs are now recognized by the EU Commission in the fruits and vegetables sector. One result of this policy change is that aid for fruits and vegetables used in processing is now given directly to growers through the POs, rather than to EU processors, and the minimum price scheme has been scrapped.[9] Surplus production of wine in the EU has led to EU policies, including production aids and storage subsidies, that have diverted grape production into grape juice and other grape products.

Japan supports fruit and vegetable farmers through administered prices, various trade measures, and supply management regimes, including a vegetable supply stabilization fund.

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[4] Australian Bureau of Agricultural and Resource Economics (ABARE), *Australian Horticulture in the Global Environment* (Canberra: ABARE, 2000), pp. 11-34.

[5] Ibid., pp. 12-17.

[6] Report from the Commission to the Council on the state of implementation of Regulation (EC) No. 2200/96 on the common organisation of the market in fruit and vegetables, pp. 21-23.

[7] John C. Welty, Chairman, National Association of Growers and Processors for Fair Trade, written submission to the Commission, Jan. 2, 2001; Randy Fiorini, Chairman, California Cling Peach Board, written submission to the Commission, Mar. 1, 2001.

[8] Producer organizations are groups of agricultural producers that organize with the intent "to ensure that production is planned and adjusted to demand, to promote concentration of supply and marketing, to reduce production costs and stabilize producer prices, and to promote the use of environmentally sound cultivation techniques, production methods and waste management techniques." See *CAP Working Notes, Fruit and Vegetables 1996/97*, European Commission, p. 25.

[9] USDA, FAS, *European Union, Agricultural Situation, EU Fruit and Vegetables Regime, 2001*, Brussels, GAIN Report No. E21058, May 2, 2001.

The Korean Government is heavily involved in the farm sector and provides financial support to farmers. The Taiwan Government provides support to farmers through direct and indirect subsidies and guaranteed domestic prices that are above world prices. In the United States, by contrast, Government support for fruit and vegetable farmers is relatively small.[10]

Tariff Barriers

Fruits

Tariff schemes in the fruit sector vary among countries. In general, most tariff structures, including those in Canada and Japan, are relatively simple and are on an ad valorem basis. The U.S. tariff structure is a mix of ad valorem and specific tariffs. The EU tariff structure employs more compound tariffs and tariff line items than other countries.

Tariffs in the fruit sector vary significantly according to product and country. In general, tariffs are higher in a particular country for imports of items that are produced domestically. For example, the U.S. maintains tariffs on raisins (1.8¢/kg-3.5¢/kg), dried plums (2¢/kg), and canned peaches (17 percent), all products with domestic production (table M-1). EU tariffs on these products, which are domestically produced, are 2.4 percent, 9.6 percent, and 17.6 percent to 25.6 percent. In contrast, Canadian tariffs for these products tend to be lower than those in the United States and the EU (free; free; 6 percent or 8 percent), as domestic production is negligible. Also, tariffs are generally higher in developing countries (table M-2). For example, Indian tariffs on raisins (115 percent), dried plums (25 percent), and canned peaches (35 percent) are substantially greater than corresponding tariffs in the U.S., Canada, Japan, and the EU. Other developing countries with relatively high tariffs on fruit include China, Korea, Taiwan, and Mexico. In some developing countries, there is a large difference between bound rates and applied rates in the fruit sector. For example, India's applied tariff on dried plums is 25 percent while the final bound tariff is 55 percent, and the applied tariff on canned peaches is 35 percent while the final bound tariff is 150 percent.

Fresh and Processed Vegetables

U.S. tariffs on most dried vegetables are free, and duties are less than 5 percent ad valorem equivalent (AVE) on most fresh vegetables (table M-1). Duties on frozen vegetables range from about 5 percent to 15 percent, and duties on most canned products, including canned tomatoes and tomato products, canned asparagus, and canned homogenized vegetables, range from 10 percent to 15 percent. Japan applies tariffs ranging from 5 percent to 10 percent on many dried leguminous vegetables. Tariffs in the EU on certain frozen vegetables such as frozen french fries and other frozen potato products are over 14 percent, while tariffs on certain canned vegetables, such as asparagus, olives, and beans, range from 12.8 percent to 19.2 percent.

[10] Australian Bureau of Agricultural and Resource Economics (ABARE), *Australian Horticulture in the Global Environment* (Canberra: ABARE, 2000), pp. 18-34.

In many developing countries, many tariffs are well above 20 percent. In Korea, for example, duties on potato products range from 22.8 percent to 28.2 percent. Tariffs over 15 percent are imposed on potato chips in Taiwan, China, Korea, and Brazil (table M-2). Thailand applies the maximum of 30 percent or 25 Baht/kg on frozen french fries, while China's duty on frozen potato products is 22.8 percent. Tariffs on many types of dried vegetables in developing countries are variable. Tariffs on processed tomato products are lower than those on other processed vegetables in developing countries, with the exception of ketchup, where rates range from 8 percent in Korea to 27 percent in China.

Fruit Juices and Other Nonalcoholic Beverages

Tariffs on fruit juices vary considerably among countries and between products. In the United States, all apple juice enters free of duty, except for imports of non-frozen concentrated apple juice from certain companies in China, which are currently assigned an additional anti-dumping margin of over 300 percent ad valorem (table M-1). U.S. tariffs on concentrated orange juice imports are as high as 50 percent, although duties are lower for single-strength juice.

In other markets, such as the EU and Japan, tariffs, tariff-rate quotas, other taxes, or additional duties are an impediment to U.S. exports (table M-1). The European Union applies tariff-rate quotas on certain types of frozen concentrated orange juice and grape juice, with the tariff rates varying by season, container size, and the degree of product concentration (table M-3). The EU also uses an entry-price system on grape juice which triggers higher tariff rates if prices of the imported product fall below a certain entry target price. EU tariffs on orange juice, grapefruit juice, lemon juice, and miscellaneous nonalcoholic beverages are compound rates.

Korean tariffs on apple juice and other single-strength fruit juices are 47 percent and 50 percent, respectively (table M-2). In other developing markets, tariffs on juices are often over 20 percent. Tariffs in Taiwan, for example, are 40 percent for orange juice and grape juice. Mexico applies a tariff of 23 percent for many non-NAFTA imports of juices.

Regional Trade Agreements

The EU provides preferential tariff rates for a number of Eastern European and Mediterranean countries which place U.S. exporters of fruits and vegetables at a disadvantage. Imports of fruit or nut puree, fruit or nut pastes, and a number of dried fruits from these countries enter the EU duty-free. Imports of jams, fruit jellies, and marmalades from Mediterranean countries enter the EU duty-free. Frozen asparagus, dried onions, and a number of processed vegetables are accorded duty-free treatment if entered from certain Mediterranean or ACP countries; Eastern European countries receive preferential duties. Certain fruit juices and waters from Mediterranean and ACP countries enter the EU duty-free. The EU also provides preferential tariff rates on many types of fruits and vegetables from GSP countries. Thailand's GSP benefits in the EU on fruits and vegetables and certain

other food products, however, were removed in 1999, rendering Thai exports of these products less competitive vis-a-vis EU and other foreign suppliers.[11]

Many Latin American countries, upon joining Mercosur, raised their duties significantly on numerous processed foods, including juices and beverages. Argentina applies a tariff of 17 percent on mixed vegetable juices and 23 percent on other beverages. In addition, Argentina imposes an additional 3 percent import tax and a 21 percent VAT on most juices and beverages. U.S. imports from Mexico and Canada enter at lower duties as a result of NAFTA, while imports from many countries eligible for CBERA classification are entered duty-free. For instance, U.S. imports of orange juice, grapefruit juice, lemon or lime juice, and pineapple juice from Canada enter duty-free, while duties on other U.S. imports from Canada are under 11 percent for all other beverages covered in this chapter.

Non-tariff Barriers and U.S. Industry Concerns

Non-tariff barriers and industry concerns in the fruits, vegetables, and fruit juices sector are discussed in detail below and summarized in table M-4. These include shelf-life and labeling restrictions, testing standards, product classification, registration and licensing issues, and domestic assistance.

Shelf-life and Other Labeling Restrictions

A number of shelf-life and labeling restrictions are applied to many processed fruit, vegetable, and fruit juice products. Some countries, particularly those in the Middle East, require that a product's shelf-life be printed on the label and that at least 50 percent of that shelf-life remain when the product enters the country.[12] Shelf-life standards set by the Governments in these countries may not accurately reflect the shelf-life as determined by the manufacturer. For many processed fruits, vegetables, and fruit juices, some Governments assign a shelf-life of twelve months. However, many canned fruits and vegetables are produced once a year from the fresh products harvested in season and then distributed from inventory a number of months afterwards.[13] Since it can take up to 3 months for products to arrive in these markets and since most products have been in storage for at least a few months, the 50 percent shelf-life regulation sometimes hinders the orderly year-round distribution of products in these markets.

A U.S. potato product has had a number of difficulties penetrating the Chilean market because of regulatory issues raised by the Chilean Government;[14] these issues are allegedly on behalf of domestic companies producing rival products.[15] In one instance, shipments of this product

[11] USITC staff interview, Bangkok, Thailand, Apr. 2-4, 2001.

[12] USITC staff interview with U.S. industry association, June 12, 2001.

[13] Peggy S. Rochette, Senior Director for International Trade, National Food Processors Association, written submission to the Commission, June 6, 2001.

[14] USITC staff interview with Chilean industry representative, June 5, 2001.

[15] USITC staff interviews with Chilean industry representatives, June 4 and 5, 2001 and U.S. Department of State Telegram No. 000751, "USITC Request on Tariff and Non-Tariff Barriers to

were restricted over a dispute about the product's actual fat content. Chile requires this type of food product to have a fat content no greater than 40 percent, which this potato product meets. Random testing of one particular shipment, however, revealed that the fat content of this product was slightly above that level, resulting in the automatic rejection of this shipment and subsequent imports. The dispute was resolved when a third-party laboratory confirmed the product was not in violation of the fat content regulation. Had this been a domestically-produced product, shipments would not have been stopped; rather, the company would have simply received a small fine for the violation.[16]

Recently, labeling problems have also added difficulties for the entry of this potato product. This product was originally labeled as a potato crisp, a designation that was approved by the Government upon its initial registration in Chile. Other companies, however, claim that this label is misleading, since the product is not technically a potato chip, as it is produced with flour and dehydrated potatoes.[17] The Chilean Government began to investigate the label designation in January 2001; the company is currently in court proceedings to resolve this issue.[18]

Composition, Formulation, and Analytical Testing Standards

According to U.S. industry sources, U.S.-produced fruit juice must comply with an EU directive which regulates the composition of a fruit juice as well as the labeling of such products. This same directive also allows only those fruit juices that were formulated using mechanical extraction methods and bans the in-line pulp wash method currently used by U.S. juice processors. Further, the EU's Code of Practice (COP) sets forth numerous compositional standards and analytical methods for all major fruit juices. Some of the provisions of this code differ from commercial juice production standards in the United States. For example, the COP precludes use of tangerine juice in frozen concentrated orange juice, deacidification and de-bittering of fruit juices (both of which produce a smoother, less-acidic product with improved flavor), and the addition of pulp and aromatics to juices not made from concentrate. These latter restrictions, in particular, tend to support the consumption of EU-produced juice at the expense of products from U.S. and other country suppliers.[19]

The California Prune Board claims that a recently enacted EU regulation would lower allowable tolerances for aflatoxin on dried fruits and nuts.[20] The Board also claims that such regulations would require an expensive and time-consuming sampling procedure and set tolerances at unnecessarily low levels. The Coca-Cola Company has reported that the fortification of beverages is strictly regulated by the Ministry of Health in Chile. For example, Health Ministry officials have prohibited the import of cranberry juice because it contains

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Trade in Processed Foods and Beverages," prepared by U.S. Embassy, Santiago, Mar. 19, 2001.

[16] USITC staff interview with Chilean industry representative, June 5, 2001.

[17] "P & G And Evercrisp Locked in *Pringles* Label Battle," *Food Institute Report*, Aug. 6, 2001, p. 10.

[18] USITC staff interview with Chilean industry representative, June 5, 2001; "P & G And Evercrisp Locked in *Pringles* Label Battle," *Food Institute Report*, Aug. 6, 2001, p. 10.

[19] Paul C. Rosenthal, Collier Shannon Scott, PLLC, written submission to the Commission on behalf of the National Juice Products Association, Feb. 16, 2001.

[20] Aflatoxin is a carcinogenic substance created by a mold that grows on certain crops.

additional Vitamin C.[21] Sanitary restrictions on strawberry jam and preserves entering Korea[22] and Guatemala[23] are also restricting trade.[24]

Product Classification, Registration, and Licensing

The U.S. potato industry has alleged that Korea classifies certain types of blended dehydrated potato products in a tariff line (HS 1105) which does not accurately describe the product and imposes a significantly higher tariff.[25] The industry contends that these products should be classified under HS 2005, since they do not meet the criteria for inclusion in HS 1105. This issue has discouraged U.S. exports of these products to Korea. Potato products imported into Korea under HS 1105 are subject to a TRQ, with an over-quota rate of 317.6 percent, while products under HS 2005 have a tariff of 20 percent.

In Chile, a local company had been using the same cap coloring scheme that a U.S. company used on its own jam product exported to Chile. This resulted in problems in the registration of this U.S. product until the U.S. company changed the color scheme on the cap.[26] One U.S. company indicates that restrictive licensing requirements on imported jams and fruit spreads in the EU and China increase the retail prices of imported products to premium levels as compared with domestically produced jams and fruit spreads.[27]

Domestic Assistance

According to U.S. tomato growers and processors, the EU has subsidized the production of processed tomato products (canned tomatoes, tomato paste and other tomato concentrates, dried tomatoes, frozen tomatoes, and tomato juice) in Italy, Spain, Greece, Portugal, and France. The subsidization consists of "processing aids" paid by the EU to tomato processors in these five countries. The EU's subsidies on tomato products have distorted world trade in tomato products by stimulating excess EU production and exports and reducing the prices for tomato products in all markets. The subsidies have hindered U.S. exports of processed tomato products to the EU and to third country markets as well as lowered prices for tomato products in the United States.[28]

According to U.S. industry sources, the EU has provided excessive domestic subsidies to canned cling peach processors, particularly in Greece, for many years. These subsidies have led to excess production of canned cling peaches, increased EU exports of this product at low

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[21] USITC staff interview with Chilean industry representative, June 5, 2001.

[22] Zero tolerance for microorganisms.

[23] Restrictions on artificial colorings.

[24] Tina Knauss, Manager, Government Affairs, The J. M. Smucker Company, written submission to the Commission, Feb. 13, 2001.

[25] Bud Middaugh, Executive Director, National Potato Council, written submission to the Commission on behalf of the American Potato Trade Alliance, Feb. 15, 2001.

[26] USITC staff interview with Chilean importer, June 4, 2001.

[27] Tina Knauss, Manager, Government Affairs, The J. M. Smucker Company, written submission to the Commission, Feb. 13, 2001.

[28] John C. Welty, Chairman, National Association of Growers and Processors for Fair Trade, written submission to the Commission, Jan. 2, 2001.

prices, and the displacement of U.S. canned cling peach exports in all third country markets.[29] EU producers, however, refute such claims and point to the recent change in the EU Common Market Organization support system for fruits and vegetables,[30] wherein EU canners will no longer receive direct aid and the amount of fresh fruit subject to withdrawal subsidies will decline significantly.

Tariff Escalation

The concept of tariff escalation is not always appropriate for many of the fruits and vegetables covered in this sector. Most producers of raw fruits and vegetables produce exclusively for either the fresh market or for processing. Moreover, there is little trade in raw fruit and vegetables used for processing, with most production and processing occurring in the home market. As such, there is little direct connection between tariffs on fruits and vegetables in a fresh form and those in a processed form. The tariff schedules, however, do not often distinguish between raw fruits and vegetables for the fresh market and those used for processing. Within the processed fruit, vegetable, and fruit juice industries, there are some instances wherein a first-stage processed product may be further prepared or preserved into another perhaps similar, but otherwise distinctly different, processed product. An example would be the production of tomato paste provisionally preserved for later processing into canned paste, sauce, or other finished tomato-based products.

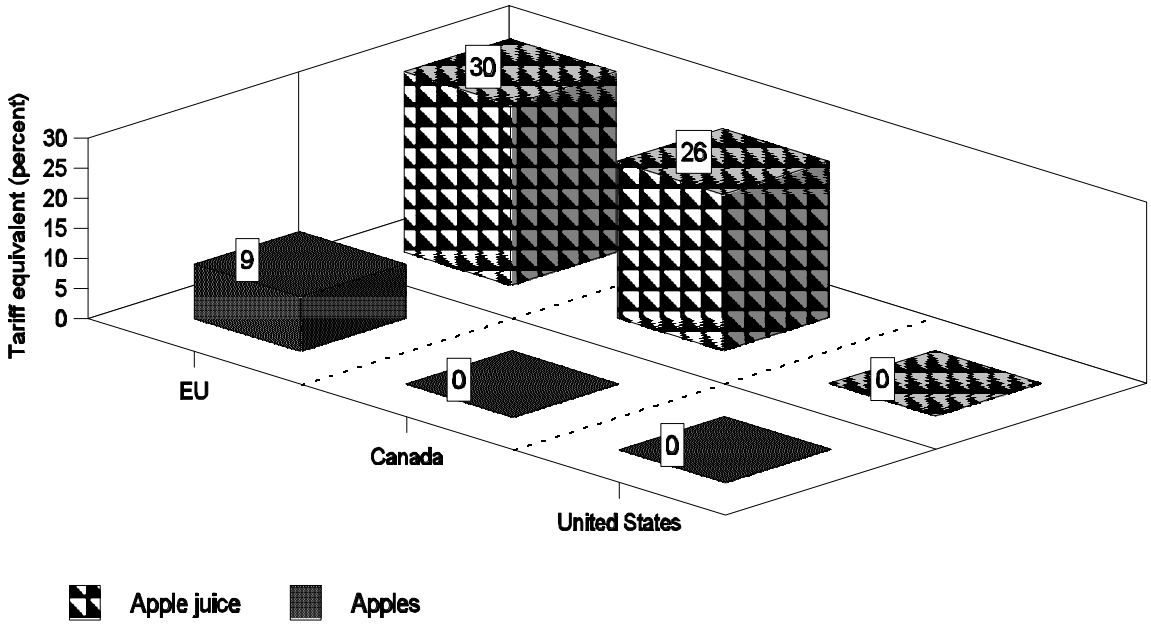
Five product categories in this sector were examined for possible tariff escalation in foreign markets--apples and apple products, oranges and orange products, pineapples and pineapple products, grapes and grape products, and fresh tomatoes and tomato products. For apples and apple products, there is evidence of tariff escalation in both Canada and the EU, as the duties on apple juice are significantly higher than duties on raw apples (figure 10-1). In China, tariff escalation also occurs, while in India, tariff de-escalation occurs from apples in the fresh state to apple juice (figure 10-2).

Tariff escalation occurs between fresh oranges and processed orange juice in developed countries, such as the EU and the United States (figure 10-3). In India and China, however, there is tariff de-escalation for the same products. Tariffs on fortified orange juice are higher than those on non-fortified orange juice in India, China, and Canada, while the United States and Korea apply much lower tariffs on fortified orange juice. There is some evidence of tariff escalation between the tariffs on fresh oranges and tariffs on fortified orange drink in China, the United States, and Canada.

[29] Randy Fiorini, Chairman, California Cling Peach Board, written submission to the Commission, Apr. 16, 2001.

[30] "Peaches: Greece Hits back Over Subsidy Attacks," *FOODNEWS*, Canned Foods 2001 Supplement (Southend-on-Sea, Essex, UK: Wednesday Press, May 2001), p. 3.

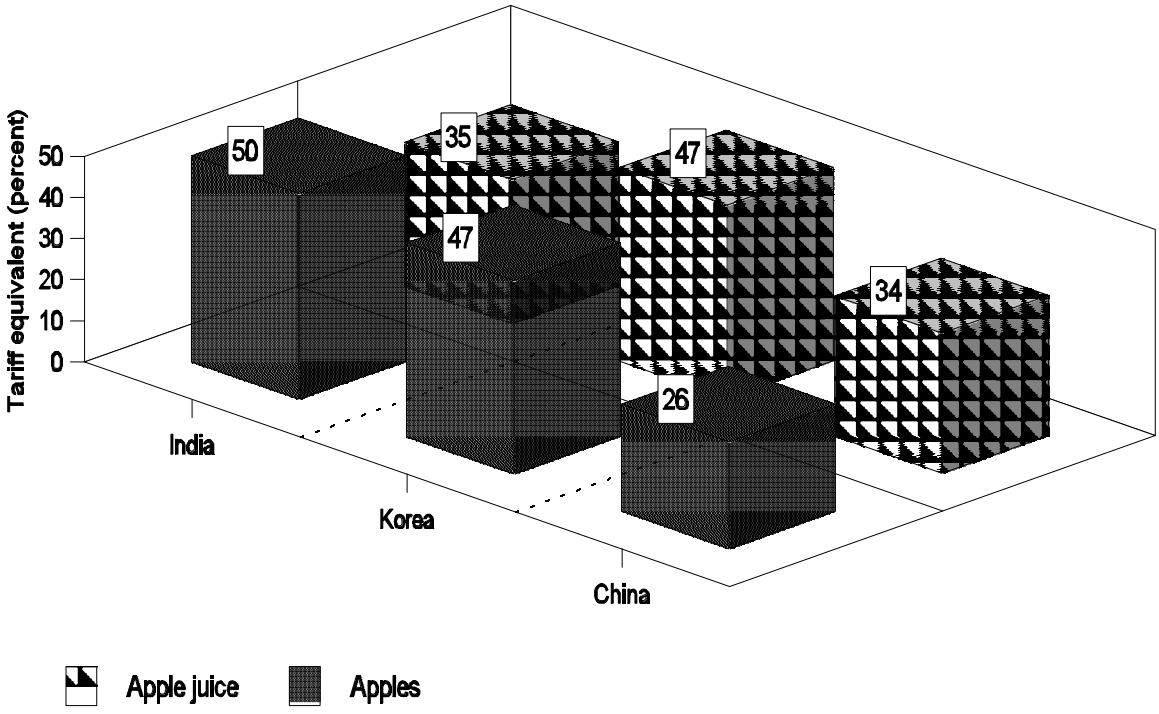
Figure 10-1
Apples and apple juice: Tariff equivalents for the EU, Canada, and the United States, 2000



Notes.—The EU places TRQ restrictions on imports of apples, and the over-quota ad valorem rate is reflected above. The EU places an in-quota tariff of free on apples. The Canadian ad valorem equivalent tariff of 26.23 percent on apple juice was calculated from specific rates of 9.35 Canadian cents per liter, under the condition that the rate not be less than 8.5 percent. The U.S. tariff on apple-based products is free; the Canadian tariff on apples is free.

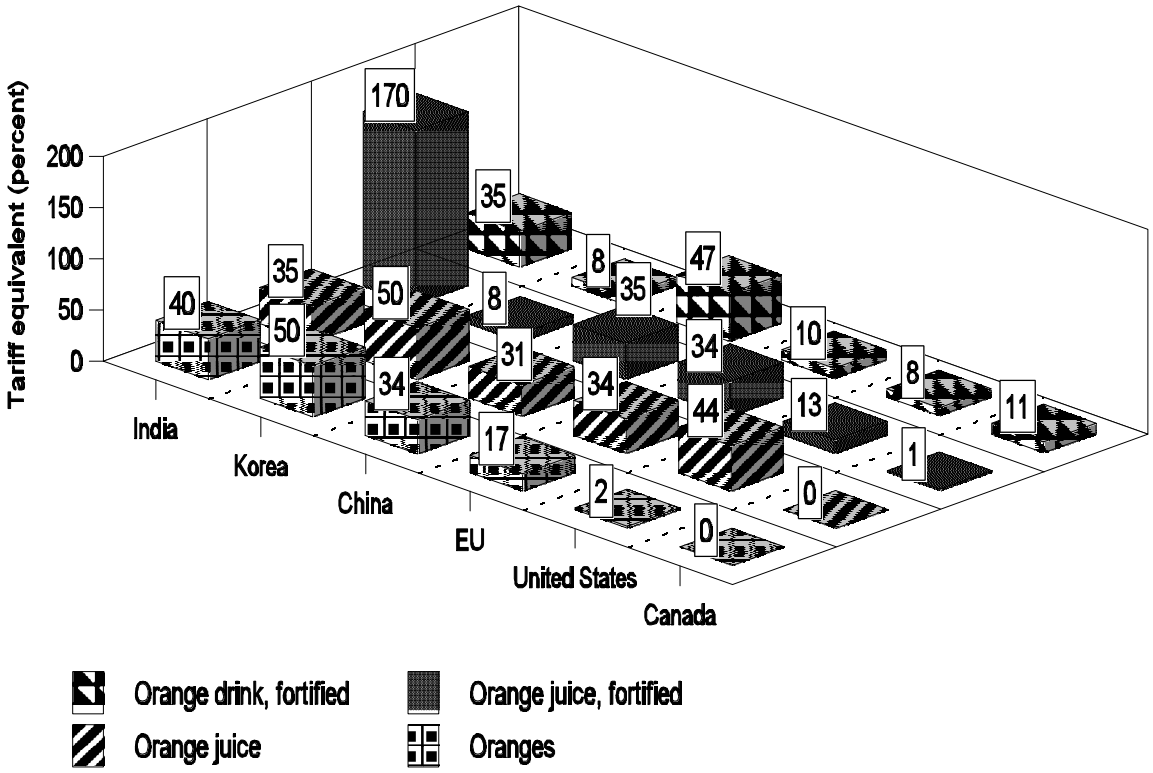
Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

Figure 10-2
Apples and apple juice: Tariff equivalents for India, Korea, and China, 2000



Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

Figure 10-3
Oranges and orange products: Tariff equivalents for selected markets, 2000



Notes.—"Orange juice, fortified" (HS 2106.90) and "orange drink, fortified" (HS 2202.90) are fortified with vitamins and minerals. The EU places TRQ restrictions on imports of orange juice and fortified orange juice, and over-quota rates are reflected above. The EU places an in-quota tariff of 13 percent on imports of orange juice and fortified orange juice. Canada places a tariff of free on imports of oranges and orange juice.

Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

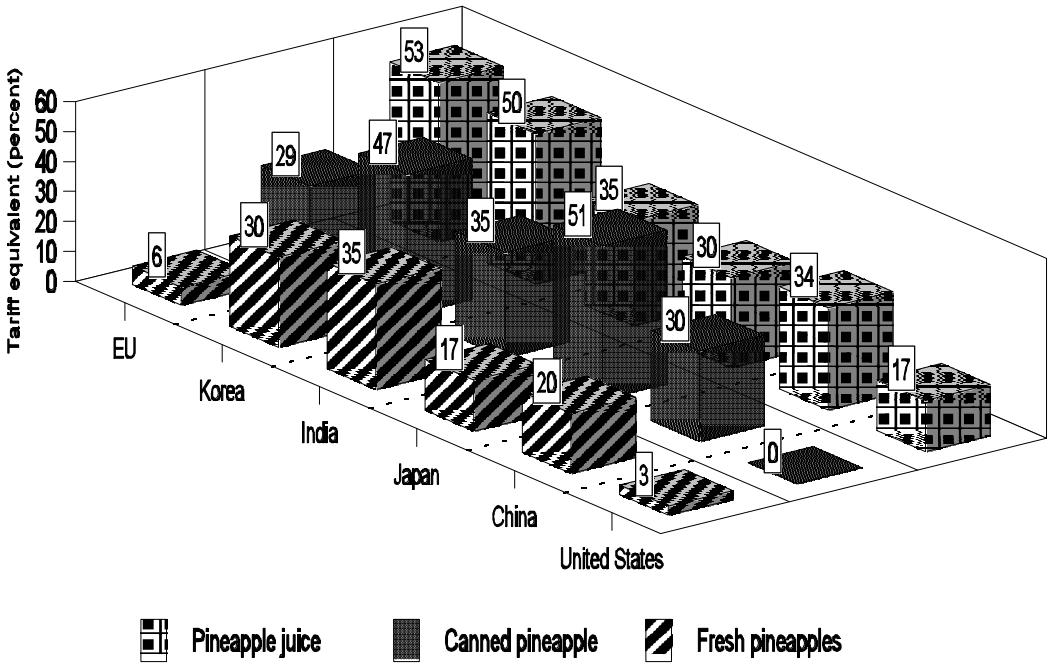
For pineapples and pineapple products, there is strong evidence of tariff escalation from fresh pineapples to canned pineapples in all covered markets with the exception of the United States and India (figure 10-4). India applies a tariff of 35 percent on all pineapple products covered in figure 10-4. Duties on both fresh and canned pineapples in the United States are less than 3 percent AVE. Tariffs on pineapple juice are higher than those on fresh pineapple in all covered markets, except India, and range from a low of 17.5 percent in the United States to a high of 53.59 percent AVE in the EU. Tariffs on pineapple juice are slightly lower than those on canned pineapple in the EU and Japan, while they are higher in the United States, Korea, and China. The practice of tariff escalation was mentioned prominently by one U.S. company as affecting its affiliates' exports to third markets.[31]

Tariff de-escalation exists between fresh grapes and raisins and between fresh grapes and wine in the EU, Canada, and Korea (figure 10-5). Tariff escalation between fresh grapes and grape jelly occurs in the United States, Canada, the EU, and Korea. Tariff escalation between fresh grapes and wine occurs in China, India, and the United States.

Duties on processed tomato products (canned tomatoes, canned tomato paste and sauce, and ketchup and sauces) are all significantly higher than duties on fresh tomatoes in the United States and Japan, but about the same or slightly lower in Canada and the European Union (figure 10-6). In developing countries, duties on processed tomato products are the same as (Guatemala), or slightly higher than (the Philippines), those on fresh tomatoes, while in Korea the duties on processed tomatoes are much lower than those on fresh tomatoes (figure 10-7). In Mexico, however, there is some evidence of tariff escalation.

[31] Patrick A. Nielson, Vice President, International Legal and Regulatory Affairs, Dole Food Company, Inc., written submission to the Commission, Feb. 16, 2001.

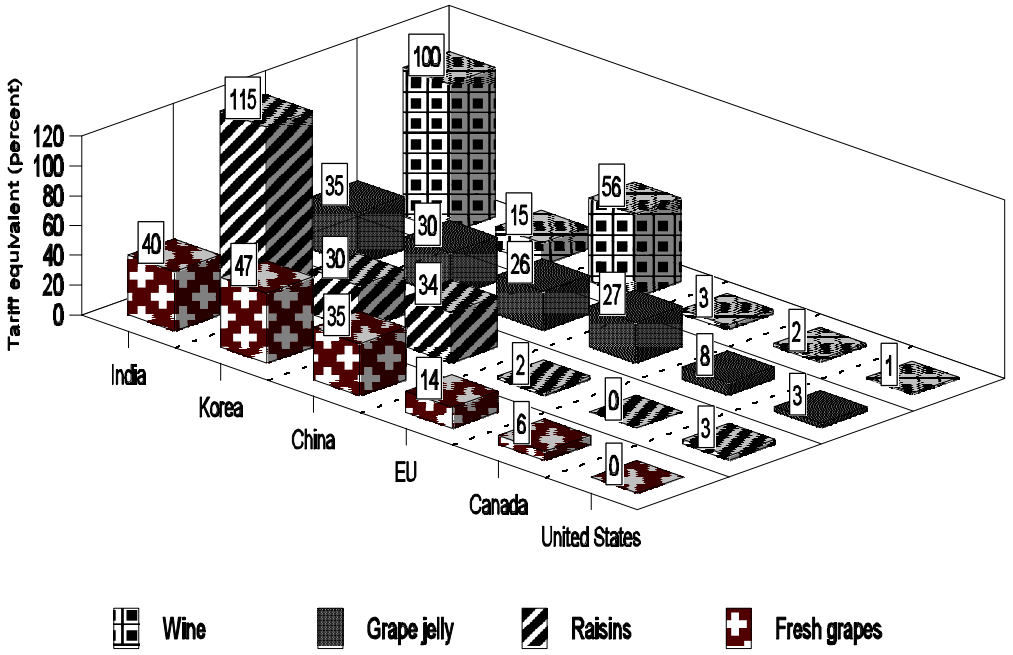
Figure 10-4
Pineapples and pineapple products: Tariff equivalents for selected markets, 2000



Notes.—U.S. tariffs range from 0.44 cents/kg to 1.1 cents/kg for fresh pineapple, and from 1 cent/liter to 4.2 cents/liter for pineapple juice. The ad valorem equivalents of the higher rates, adjusted for rounding, are reflected above. EU tariffs on canned pineapples are either a compound rate of 25.6 percent plus 2.5 euros/100 kg or ad valorem rates that range from 17.6 percent to 25.6 percent on canned pineapples, and the ad valorem equivalent of the highest rate, the compound rate, is reflected above. EU tariffs on pineapple juice fall within one of two tariff ranges: an ad valorem tariff ranging from15.2 percent to 33.6 percent, or a compound set of tariffs ranging from 15.2 percent plus 20.6 euros/100 kg to 33.6 percent plus 20.6 euros/100 kg. The highest of these EU tariffs on pineapple juice is the specific duty of 33.6 percent plus 20.6 euros/100 kg, and its ad valorem equivalent rate is reflected above. Japan's duty on canned pineapple products is either a specific rate of 33 yen/kg or an ad valorem rate ranging from 23.8 percent to 46.8 percent. The highest of these Japanese tariffs on canned pineapple products is the specific rate of 33 yen/kg, and its advalorem equivalent rate is reflected above.

Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

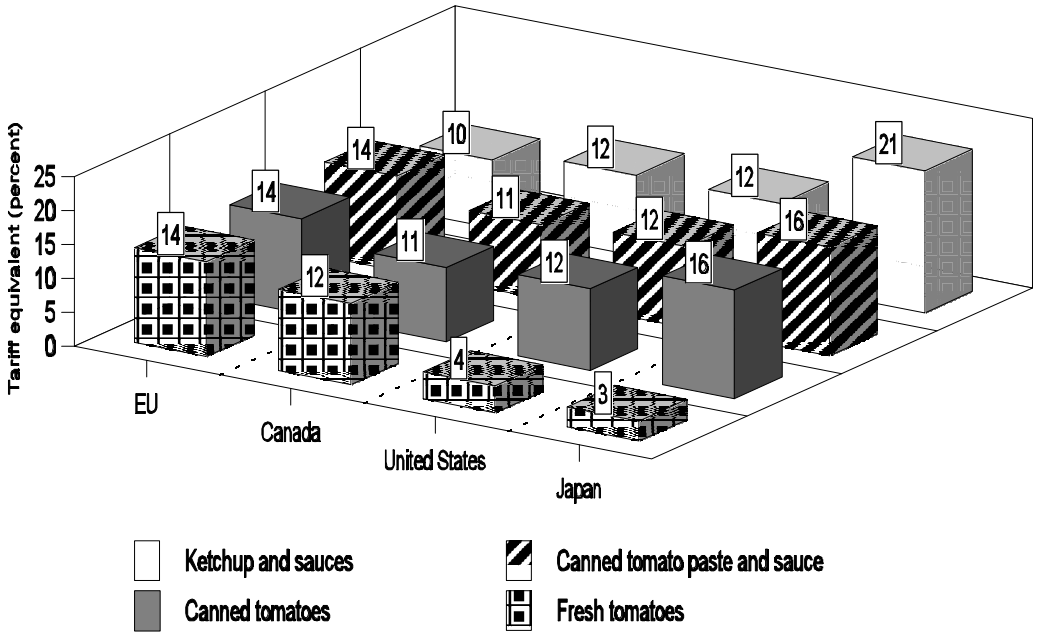
Figure 10-5
Grapes and grape products: Tariff equivalents for selected markets, 2000



Notes.–U.S. tariffs range from free to $1.80 per cubic meter (based on season) for fresh grapes, and from 1.8 cents/kg to 3.5 cents/kg for raisins, and the ad valorem equivalents of the higher tariffs, adjusted for rounding, are reflected above. Canadian tariffs on fresh grapes are either 1.41 Canadian cents/kg or ad valorem rates that range from free to 6 percent, and the highest duty, the ad valorem rate of 6 percent, is reflected above. Canadian tariffs on raisins are free. EU tariffs on fresh grapes range from 8 percent to 14.1 percent ad valorem, and the highest rate of 14.1 percent is reflected above.

Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

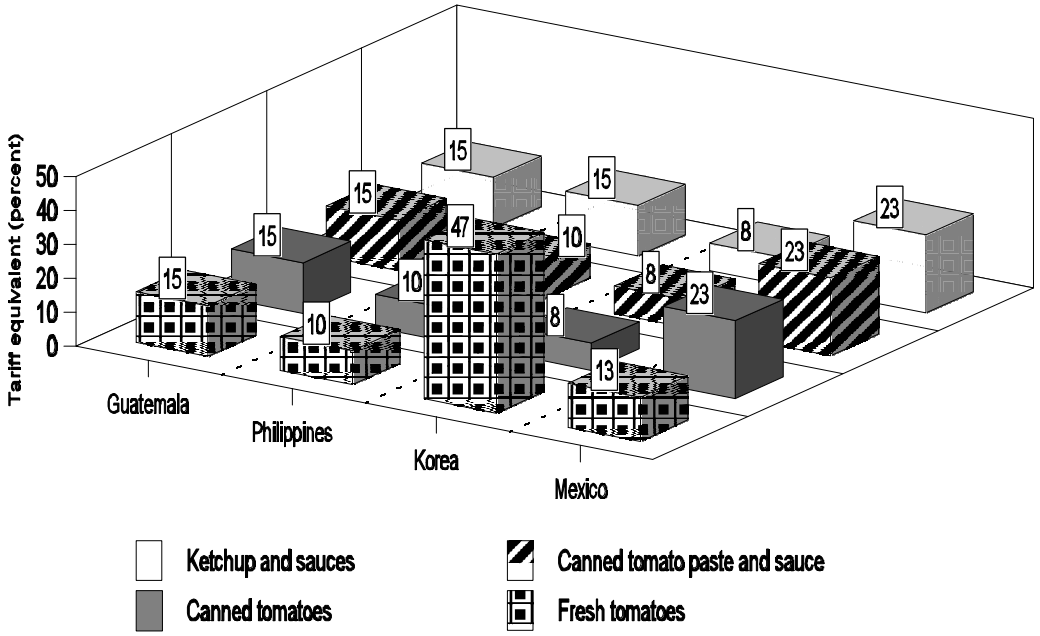
Figure 10-6
Fresh tomatoes and tomato products: Tariff equivalents for the EU, Canada, the United States, and Japan, 2000



Notes.--Canned tomatoes include canned whole tomatoes and tomato pieces covered by HS 2002.10. Canned tomato paste and sauce include products covered by HS 2002.90, while ketchup and sauces include products covered under HS category 2103.20. Japan's ad valorem tariffs range as follows, with the higher rates reflected above: from 9 percent to 16 percent on canned tomatoes and from 17 percent to 21 percent for ketchup and sauces. The EU and the United States have the following ranges of ad valorem tariffs, with the higher tariffs reflected above: EU tariffs from 8 percent to 14 percent on fresh tomatoes and U.S. tariffs from 6 percent to 11.6 percent on ketchup and sauces.

Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

Figure 10-7
Fresh tomatoes and tomato products: Tariff equivalents for Guatemala, the Philippines, Korea, and Mexico, 2000



Notes.—Canned tomatoes include canned whole tomatoes and tomato pieces covered by HS 2002.10. Canned tomato paste and sauce include products covered by HS 2002.90, while ketchup and sauces include products covered under HS category 2103.20.

Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

CHAPTER 11
Edible Nuts and Nut Products

Introduction

The edible nuts and nut products sector includes shelled almonds, raw shelled peanuts, shelled pistachios, processed peanuts, and certain other edible nut products found in chapters 8 and 20 of the HTS.[1] U.S. production of edible nuts in crop year 1999-2000 was valued at $2.5 billion[2] and accounted for about 10 percent of world production. U.S. exports of edible nuts and nut products fell from $1.4 billion in 1996 to $1.1 billion in 2000 (table 11-1). During the period, the volume of U.S. exports increased by 0.4 percent, while the value of U.S. exports declined by 24 percent. Shelled almonds account for about one-half of U.S. exports in this sector. In most years, certain other edible nut products account for about one-quarter of the sector's export shipments.[3]

U.S. exports of edible nuts and nut products can vary significantly depending on crop sizes, the quality of the various U.S. nut crops, the size and quality of nut crops in foreign producing countries, and the relative price differentials between the various types of edible nuts. Edible nut purchasers (brokers and retailers), particularly those in the EU, are very price-sensitive.

The value of U.S. exports of tree nuts and tree nut products[4] declined over the period 1996-2000, from $1.2 billion in 1996 to $822 million in 2000. U.S. exports of shelled almonds were the largest component of the tree nuts and tree nut products category, with export sales of $525 million in 2000 (table 11-1). The EU, Japan, and Canada are the principal U.S. shelled almond markets. The United Arab Emirates (UAE) and Switzerland are markets with the potential for expanded U.S. exports of shelled almonds. Certain other edible nut products are the second-largest export category in the tree nuts and nut products subsector. The EU, Canada, and Japan were the principal destinations for certain other edible-nut products during 1996-2000. Potential export markets are Mexico and Israel. U.S. exports of raw shelled pistachios are relatively small, totaling only $6.0 million in 2000. Raw shelled pistachios[5] are primarily used as an ingredient in other processed foods such as baked goods and ice cream. Japan, the EU, and Canada were the principal markets for U.S. exports in 2000. Israel and Brazil are potential markets.

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[1] Prepared or preserved in-shell nuts are covered in this sector; raw in-shell products are excluded.

[2] Compiled from official statistics of the U.S. Department of Agriculture.

[3] Certain other edible nut products include HS numbers 0802.22, 0802.32, 0802.90.15, 0802.90.95, and 2008.19.

[4] The category tree nuts and tree nut products will be used to describe the subgroups shelled almonds, certain other edible nut products, and shelled pistachios, as shown in table 11-1, and includes HS items 0802.12, 0802.22, 0802.50, 0802.32, 0802.90, and 2008.19.

[5] Raw in-shell pistachios (HS number 0802.50.20) are not within the scope of this report.

Table 11-1
Edible nuts and nut products: U.S. exports to principal markets and to markets with the potential for expanded U.S. exports, 1996-2000

Items	1996	1997	1998	1999	2000	Change, 2000 over 1996
	1,000 dollars					*Percent*
Shelled almonds:[1]						
EU	565,270	431,010	424,608	338,218	305,679	-46
Japan	87,658	78,984	70,884	55,382	44,649	-49
Canada	37,195	33,987	29,919	29,862	28,824	-23
UAE[2]	16,693	15,411	17,807	15,170	25,740	54
Switzerland[2]	15,871	14,518	8,174	9,919	2,740	-83
All other	118,977	119,439	99,447	92,407	117,638	-1
Total	841,664	693,349	650,839	540,958	525,270	-38
Certain other edible nut products:[3]						
EU	127,283	81,633	98,672	69,644	87,132	-32
Canada	40,887	42,356	54,758	64,581	67,595	65
Mexico[2]	1,726	5,157	4,579	12,260	31,693	1,736
Japan	66,875	56,242	41,824	40,008	35,475	-47
Israel[2]	10,296	14,029	11,963	11,726	14,849	44
All other	75,513	82,230	57,750	51,778	53,837	-29
Total	322,580	281,674	269,546	249,997	290,581	-10
Pistachios, shelled:[4]						
Japan	960	67	281	1,638	2,558	166
EU	1,560	1,013	5,145	629	1,351	-13
Canada	1,033	523	928	1,082	1,009	-2
Israel[2]	293	172	295	116	303	3
Brazil[2]	474	118	18	0	145	-69
All other	12,287	6,391	4,862	1,907	640	-95
Total	16,607	8,284	11,529	5,372	6,006	-64
Raw shelled peanuts:[5]						
EU	52,498	65,173	46,577	51,534	76,368	45
Canada	56,187	61,680	56,320	51,257	54,685	-3
Mexico	21,897	25,642	21,615	24,358	29,994	37
Japan[2]	4,701	4,001	3,127	5,414	7,232	54
Venezuela[2]	28	475	254	408	391	1,296
All other	4,019	7,481	5,289	4,534	5,311	32
Total	139,330	164,452	133,182	137,505	173,981	25
Processed peanuts:[6]						
EU	27,434	28,903	28,197	23,508	20,264	-26
Canada	6,382	10,817	8,421	7,385	6,647	4
Japan	6,736	3,579	1,616	4,143	4,815	-29
Saudi Arabia[2]	4,471	4,102	3,967	3,756	4,235	-5
Korea[2]	2,237	2,323	1,847	3,311	2,628	17
All other	21,734	25,307	22,340	22,028	19,901	-8
Total	68,994	75,031	66,388	64,131	58,490	-15
Grand total	1,389,175	1,222,791	1,131,485	997,962	1,054,328	-24

[1] Includes HS number 0802.12.
[2] Denotes a potential market.
[3] Includes HS numbers 0802.22, 0802.32, 0802.90.15, 0802.90.95, and 2008.19.
[4] Includes HS number 0802.50.40.
[5] Includes HS number 1202.20.
[6] Includes HS number 2008.11.

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

U.S. exports of raw shelled peanuts and processed peanuts[6] increased from $208 million in 1996 to $232 million in 2000 (table 11-1). U.S. exports in 2000 comprised about 20 percent of U.S. output. The U.S. peanut industry is the third-largest in the world, accounting for about 5 percent of world production in 2000.[7] Exports of U.S. peanuts depend on the crop sizes in the United States and in other major producing countries and on prices in major markets. U.S. raw shelled peanut exports have increased irregularly in recent years from $139 million in 1996 to $174 million in 2000. The EU, Canada, and Mexico were the principal U.S. export markets for raw shelled peanuts. Potential U.S. markets are Japan and Venezuela. About 7 percent of the raw shelled peanuts exported from the United States are destined to be used for crushing. The remainder are believed to be used for human consumption either directly as snack foods or as ingredients in processed foods.

U.S. exports of processed peanuts declined irregularly over the period 1996-2000 from a high of $75 million in 1997 to $58 million in 2000. The EU, Canada, and Japan were the principal markets for processed peanuts. Saudi Arabia and Korea are potential markets. Peanut butter accounted for 50 percent of U.S. processed peanut exports in 2000, blanched peanuts accounted for 30 percent, and other prepared and preserved peanuts accounted for the remainder.

Policy Environment in Selected Markets

With the exception of the United States, none of the major world producers of peanuts or tree nuts is believed to have domestic price support programs. The United States maintains a price-support program for peanuts that benefits U.S. peanut growers through high domestic prices. The high domestic price for in-shell peanuts has resulted in high domestic prices for shelled peanuts and processed peanuts, as well as high tariffs. In order to control domestic peanut production at the farm level, production is regulated through a national poundage quota system, and the price is maintained through a two-tier price-support system, consisting of a higher price for peanuts produced within the quota (quota peanuts) and a lower price for those produced outside the quota ("additional") peanuts. Peanuts grown by non-quota-holders and by quota holders in excess of their poundage quota (additionals) cannot be sold into the U.S. edible market, and must be exported, sold into the domestic crush market, or placed under loan at the additional support price. For the 2000 crop, the national average support price was $610 per short ton for quota peanuts and $175 per short ton for additional peanuts. The prices for U.S. exports of additional peanuts are usually substantially higher than the additional support price. Until 1995, the United States maintained import limitations on peanuts under section 22 of the Agricultural Adjustment Act to prevent imports from interfering with the price-support program. In 1995, the limitations were replaced with a tariff-rate quota (TRQ), as required by the Uruguay Round Agreement.

The EU tree nut sector is eligible to receive assistance from various EU and member-country government programs that are intended to increase nut production and quality. The EU established an "improvement program" in 1991 (for a period of 10 years) that provided up to

[6] HS items 1202.20 and 2008.11.

[7] The majority of the world's production of peanuts is shelled and crushed for oil and oil meal. The oil is used for human consumption and the meal is used as a high protein animal feed.

i 475/hectare to growers to plant improved varieties.[8] French walnut growers have received assistance from the European Walnut program, the French Agricultural Research Institute, and the Technical Center for Fruits and Vegetables in the development of new varieties that have higher yields and reach bearing age earlier.[9] The French Fruit and Vegetable Board has also provided walnut growers with financial assistance to improve production, including grants for machinery and equipment, planting new orchards, and as working capital.

Tariff Barriers

Tree Nuts and Tree Nut Products

Tariffs on tree nuts and tree nut products in the United States are generally below 5 percent ad valorem equivalent (AVE) except for certain types of other prepared or preserved nuts and nut mixtures, which are dutiable at 17.9 percent and 22.4 percent, respectively (table N-1). Tree nuts and tree nut products enter Canada duty-free, except for certain other prepared nuts, including mixtures, that are subject to a duty of 6 percent. Japanese tariffs on tree nuts and tree nut products range from free to a high of 10 percent. EU tariffs on tree nuts and tree nut products range from free to 12.8 percent. The EU also maintains a global TRQ of 90,000 tons on all almonds. The in-quota rate on shelled almonds is 2 percent, while the over-quota rate is 3.5 percent (table N-3).

Duties applicable to tree nuts and tree nut products in developing and potential markets depend on the market, type of nut or nut product, and the level of processing. Tariffs in Mexico are 23 percent for shelled almonds, walnuts, and mixtures (table N-2). For shelled walnuts, Korea has a duty of 38 percent and Brazil has a duty of 13 percent. China has a tariff of 26 percent for shelled almonds.

Raw Shelled Peanuts and Peanut Products

The United States, Japan, and Korea maintain TRQs on imports of peanuts and certain peanut products (table N-3). The TRQs have been imposed to protect domestic production and maintain food security. Under the U.S. TRQ,[10] the duty on in-quota imports of raw shelled

[8] USDA, FAS, *Spain Tree Nuts Annual 2000*, Madrid, GAIN Report No. SP0031, July 27, 2000.

[9] USDA, FAS, *France Tree Nuts Annual 2000*, Paris, GAIN Report No. FR0070, Aug. 24, 2000.

[10] The TRQ covers imports under HS subheadings 1202.10.40, 1202.20.40, 2008.11.25, and 2008.11.45. Imports under HS subheading 1202.10.40 are outside the scope of this study. In 2000, the in-quota quantity was 50,906 tons and applies to countries other than Mexico. Imports from Mexico are subject to a TRQ under NAFTA. The NAFTA TRQ in 2000 was 4,032 tons, and increases annually through 2007. Beginning in 2008, imports from Mexico will not be subject to a TRQ. In-quota imports from Mexico enter duty-free, but quantities above the quota are subject to a duty of 131.8 percent.

peanuts and certain peanut products, except peanut butter and peanut paste, was 6.6¢/kg,[11] while the duty on over-quota imports was 131.8 percent. On January 1, 1995, U.S. imports of peanut butter and peanut paste became subject to a separate TRQ of 19,150 tons, increasing to 20,000 tons in 2000. In-quota imports are free of duty. Over-quota imports are subject to a duty of 131.8 percent. Imports from Mexico are not subject to the quota limitation but were subject to a duty of 1.9¢/kg in 2000 (table N-3). The Japanese TRQ on peanuts covers in-shell and shelled peanuts.[12] In-quota imports in 2000 were subject to a 10 percent duty, but quantities above the quota were subject to a rate of ¥617/kg. Japan's duties on processed peanuts range from 10 percent to 23.8 percent (table N-1). In 2000, rates of duty on imports of peanuts into Korea subject to a TRQ ranged from 31.1 percent to 40 percent for imports within quota to 66.7 percent to 240.7 percent for over-quota quantities.

Duties on raw shelled peanuts in the EU and Canada are free. The EU's tariffs on processed peanut products range from 11.2 percent to 12.8 percent. Canadian duties on processed peanut products range from free to 6 percent (table N-1). Duties on raw shelled peanuts and peanut products in developing and potential markets vary. Processed peanut products enter Saudi Arabia duty-free; Mexico allows duty-free entry of raw shelled peanuts. Venezuela applies a duty of 15 percent on raw shelled peanuts, while Taiwan has a duty of 40 percent on processed peanut products (table N-2).

Regional Trade Agreements

Preferential tariff arrangements in the EU, Latin America, and Israel potentially disadvantage U.S. exports of nuts and nut products. The EU maintains numerous preferential tariff agreements, including the Lomé Convention, Mediterranean preferences, and the GSP. Under these agreements, EU preferential duties on edible nuts and nut products range from free to 8.9 percent, compared to MFN rates ranging from 1.6 percent to 20 percent. Members of Mercosur receive duty-free access to each other's market for edible nuts and nut products. U.S. exports, however, are subject to tariffs ranging from 9 percent to 17 percent, except for certain raw shelled peanuts that enter free of duty. Israel grants Jordan duty-free treatment on its exports, while U.S. exports of shelled and processed almonds into Israel are subject to duties. Turkey also has preferential access to the Israeli market for certain prepared or preserved almonds. The United States grants duty-free preferential tariff treatment to tree nuts and tree nut products under NAFTA, CBERA, GSP, the United States-Israel Free Trade Area, and the Andean Trade Preference Act.

[11] In-quota imports of raw shelled peanuts and certain peanut products are eligible for duty-free treatment under CBERA, GSP, United States-Israel Free Trade Area, and the Andean Trade Preference Act. In addition, Canada is eligible for duty-free treatment under NAFTA. Imports of peanuts from Israel have a separate TRQ of 113 tons. In-quota imports from Israel are free of duty.

[12] Raw in-shell peanuts are outside the scope of this study.

Non-tariff Barriers and U.S. Industry Concerns

Sanitary and phytosanitary measures and export subsidies are the main non-tariff barriers and industry concerns applicable to the edible nut sector (table N-4).

Sanitary and Phytosanitary Measures

The EU maintains restrictions on the level of aflatoxin on edible nuts and in edible nut products intended for food use. U.S. industry representatives have stated that these restrictions require expensive and time-consuming sampling and set tolerance levels at unreasonably low levels that are not based on science.[13]

Japan has subjected imported walnuts to unnecessary phytosanitary restrictions.[14] Japan has required repeated testing of established quarantine treatments each time a new variety of walnut is exported from the United States.

Export Subsidies

The EU has provided export refunds for almonds, hazelnuts, and walnuts. In 2000, the refunds were 5.6¢ per kilogram for in-shell hazelnuts, 10.5¢ per kilogram for shelled hazelnuts, 6.8¢ per kilogram for in-shell walnuts, and 4.6¢ per kilogram for shelled almonds.[15] The refunds put competitive pressure on U.S. exports in third-country markets where they compete with EU exports.

Tariff Escalation

Two product chains (raw shelled almonds and processed almonds and raw shelled peanuts and processed peanuts) were considered to assess the prevalence of tariff escalation in the edible nuts and nut products sector. Raw in-shelled almonds and peanuts are processed as quickly as possible to the raw shelled stage to maintain quality. At this stage, the product has also been dried, sized, and graded. Almonds and peanuts are further processed by roasting, blanching, grinding, slicing, dicing, or chopping. Flavorings and spices may also be added to almonds and peanuts destined for use in snack foods. Processed almonds and peanuts are used as an ingredient in other food products; peanuts are also used in the production of peanut butter.

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[13] Dan Haley, Haley & Associates, written submission to the Commission on behalf of the California Walnut Commission and Diamond of California, Feb. 16, 2001.

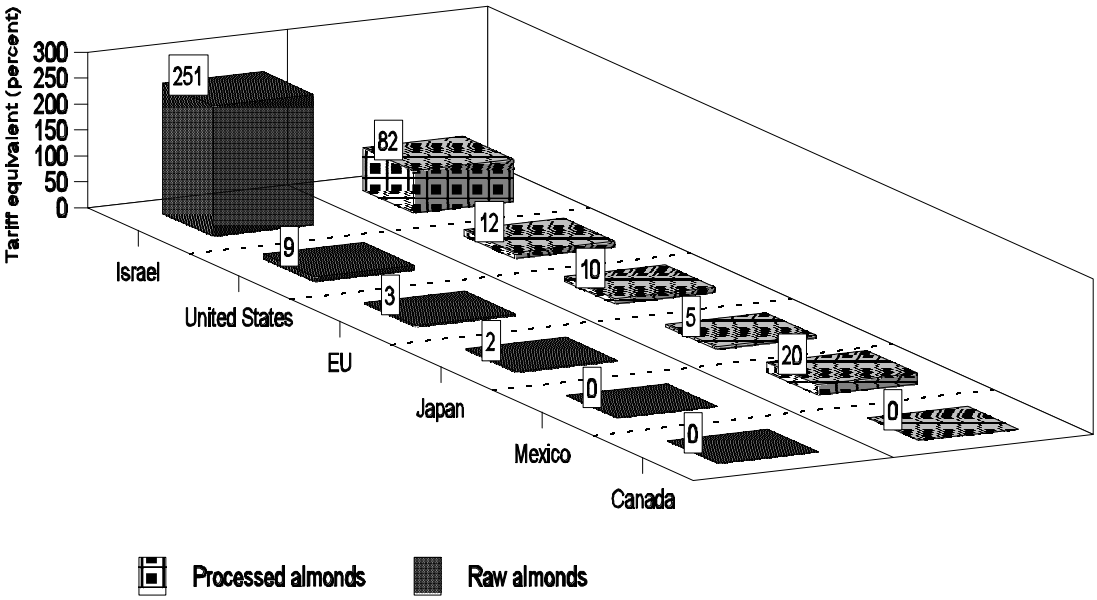
[14] USTR, *2000 National Trade Estimate Report on Foreign Trade Barriers*, Japan.

[15] USDA, FAS, *European Union, Fresh Vegetables Report, EU Export Subsidies for Fruit and Vegetables 2000*, Brussels, GAIN Report No. E20032, Mar. 23, 2000. Calculations are based on an exchange rate of $0.92492 per euro.

In the case of almonds, the Quad countries and two potential markets (Israel and Mexico) were selected for comparison (figure 11-1). There is evidence of tariff escalation in every country except Canada, which has no duty on either raw shelled almonds or processed almonds, and Israel, where there is tariff de-escalation. Mexico has no duty on raw almonds but a duty of 20 percent on processed almonds. The EU applies a duty of 3.5 percent on raw almonds and a duty of 20 percent on processed almonds.

A similar country comparison for peanuts is shown in figure 11-2. There is evidence of tariff escalation in Mexico, Japan, and the EU. There is no evidence of tariff escalation in Saudi Arabia and Canada. There is no evidence of tariff escalation in the United States since raw shelled and processed peanuts are subject to a 131.8 percent over-quota rate of duty.

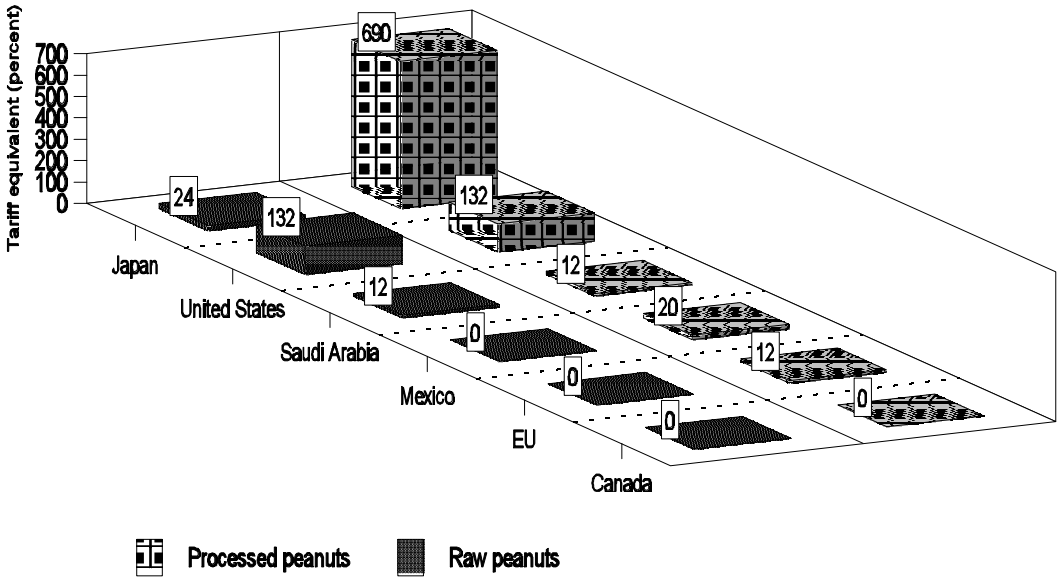
Figure 11-1
Raw and processed almonds: Tariff equivalents for selected markets, 2000



Notes.—EU imports of raw almonds are subject to TRQ restrictions and the over-quota rate is reflected above. The Israeli AVE on processed almonds of 82 percent is the rate imposed on non-U.S. imports. A rate of free is imposed on the following imports: Mexican imports of raw almonds and Canadian imports of raw and processed almonds.

Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

Figure 11-2
Raw and processed peanuts: Tariff equivalents for selected markets, 2000



Note.—U.S. imports of raw and processed peanuts are subject to TRQ restrictions, and the over-quota ad valorem rates are reflected above. The U.S. ad valorem equivalent rate on imports of in-quota raw peanuts is 7.95 percent, while the U.S. rate on imports of in-quota peanut butter and paste is free and that on other processed peanuts is 4.15 percent ad valorem equivalent. Japanese imports of raw peanuts are subject to TRQ restrictions, and the over-quota rate is reflected above. Japan places an in-quota ad valorem rate of 10 percent on raw peanut imports. A rate of free is placed on Mexican and EU imports of raw peanuts and on Canadian imports of raw and processed peanuts.

Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

CHAPTER 12
Alcoholic Beverages

Introduction

Alcoholic beverage products covered in this section are categorized in chapter 22 of the Harmonized Tariff Schedule (HTS) and include beer (HS 2203); wine (HS 2204) including sparkling wine (HS 2204.10), bottled wine in containers of 2 liters or less (HS 2204.21), and wine in bulk containers over 2 liters (HS 2204.29); distilled spirits (HS 2208) including brandy (HS 2208.20), rum (HS 2208.40), vodka (HS 2208.60), and other distilled spirits (HS 2208.90); and other alcoholic beverages classified under HS 2206 including the fermented beverages perry, mead, and sake; and HS 2207, ethyl alcohol with an alcoholic strength over 80 percent by volume used in the preparation of alcoholic beverages.

The United States is a leading global producer, consumer, and trader of all major categories of alcoholic beverages.[1] In 1999, U.S. production of beer totaled $17.0 billion, followed by wine[2] ($6.9 billion), and distilled spirits ($3.6 billion).[3] Product saturation and intense competition in the U.S. market have put downward pressure on prices and profitability that has led to significant consolidation of the industry during 1996-2000. In the beer industry, three producers control nearly 65 percent of the domestic market.[4] In the U.S. distilled spirits industry, four out of the six leading companies are headquartered outside the United States.[5] In the wine sector, the three largest wine companies control over half of the U.S. market.[6] The wholesale and retail sectors have also experienced significant consolidation, with the 25 leading U.S. wine and spirits wholesale distributors accounting for 60 percent of sales in 1999.[7]

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[1] By volume, the United States is the largest global producer of beer, fourth-leading global wine producer, and third-largest global producer of spirits. NTC publications Ltd., Productschap voor Geditilleerde Dranken, *World Drink Trends* 1999, pp.142-143, 146.

[2] Includes brandy and brandy spirits.

[3] U.S. Department of Commerce, *Annual Survey of Manufactures 2000*.

[4] In the beer industry, Anheuser-Busch, Miller Brewing, and Coors account for over 65 percent of the U.S. beer market, with Anheuser-Busch controlling nearly 50 percent of all beer sales. *Impact*, "Hot Brands," Mar. 1 & 15, 2001, p. 16.

[5] USITC, *Industry and Trade Summary: Distilled Spirits*, USITC publication 3376, Nov. 2000.

[6] Gallo, Constellation brands (formerly Canandaigua), and the Wine Group have an estimated 52 percent share of the U.S. wine market. Standard and Poors, *Industry Surveys, Alcoholic Beverages & Tobacco*, Mar. 1, 2001.

[7] M. Shanken Communications, *Impact*, Vol. 29, No. 9, May 1, 1999.

Global trade in alcoholic beverages, valued at $28 billion in 1999,[8] represented only a fraction of total world production as most alcoholic beverages are produced and consumed within national borders.[9] Imported alcoholic beverages are generally more expensive than domestically produced products due to shipping, tariffs, and other costs.[10] Most international trade in alcoholic beverages, therefore, is concentrated among developed nations, with trade in the sector correlated with countries that have relatively high per-capita incomes. The EU, with high rates of per-capita alcohol consumption, is by far the leading importer and exporter in the world, accounting for nearly 75 percent of world exports and nearly 50 percent of world imports in 1999.[11] U.S. exports of alcoholic beverages represented about 4 percent of world exports, while U.S. imports accounted for nearly 25 percent of world imports.[12] Global trade in wine expanded significantly during 1996-99, totaling over $14 billion in 1999.[13] The expansion of trade in wine has been fueled by the growth in production and exports of the New World Wine Producers (NWWP), including the United States.[14] The EU, the location of the three leading world producers (France, Italy, and Spain), accounts for the majority of world trade, while the EU is also the largest import market (including intra-EU trade).

The United States is a mature market with relatively flat consumption of alcoholic beverages. In recent years, demand growth, particularly for wine and spirits, has been primarily driven by high-value products brought about by the strong income growth of U.S. consumers. The income effect also led to double-digit import growth rates in all major alcoholic beverage categories during 1996-2000. However, stable demand in the domestic market has prompted U.S. alcoholic beverage companies to expand trade and investment opportunities in foreign markets. In addition to generating export growth, many leading alcoholic beverage firms have invested in foreign markets through acquisitions, mergers, joint ventures, and production licensing agreements.

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[8] USDA, FAS database using statistics from the United Nations Statistical Office.

[9] The U.S. alcoholic beverages industry is focused on the domestic market, with the ratio of exports to production ranging from a low of 1.2 percent for beer to a high of 11.5 percent for distilled spirits. The United States is the leading world importer of alcoholic beverages; the ratio of imports to production ranges from 11 percent for beer to 64 percent for distilled spirits. Calculated using production data from the U.S. Dept. of Commerce, *Annual Survey of Manufactures, 1999*, and trade data from the USITC dataweb.

[10] Examples of domestically produced products include traditional alcoholic beverages, such as casacha (a sugar cane-based alcoholic beverage) in Brazil and rice wine in Japan (shoyu) and Korea (soju).

[11] This figure includes intra-EU trade. Calculated with statistics from USDA, FAS database using statistics from the United Nations Statistical Office.

[12] Calculated with statistics from USDA, FAS database using statistics from the United Nations Statistical Office.

[13] USDA, FAS database using statistics from the United Nations Statistical Office.

[14] New World Wine Producers include major world producers and exporters of wine located outside of the EU, including the United States, Australia, Chile, Argentina, New Zealand, and South Africa.

U.S. exports of alcoholic beverages were relatively stable during 1996-2000, totaling about $1.2 billion in 2000 (table 12-1). On a sectoral basis, U.S. exports have been mixed. U.S. shipments of beer declined by over 50 percent during the period, because of economic weakness in major markets such as Japan, the EU, and Brazil.[15] Markets with the potential for expanded U.S. exports of beer include Latin American countries such as Chile and Argentina; Eastern European markets where there are relatively high levels of per-capita beer consumption; and Asian markets such as Korea and Taiwan. During 1996-2000, U.S. exports of wine rose 75 percent with growth rates exceeding 40 percent for most major markets. The United Kingdom (U.K.) and the Netherlands are the leading EU markets, accounting for 75 percent of U.S. shipments to the EU. Wine exports to Japan increased by over 100 percent despite its weak economy, while shipments to other Asian markets such as Taiwan and Korea, though small, experienced growth rates averaging 50 percent during the period.

Exports of whiskey, including bourbon and Tennessee straight whiskey, the unique U.S. corn-based spirit and leading bottled export, rose 15 percent during 1996-2000. Shipments increased to most major markets, including the EU and Australia. Potential markets for U.S. whiskey exports include Turkey, Russia (formerly a major U.S. export market), and Asian markets such as China, Korea, and Taiwan.

Policy Environment in Selected Markets

The EU provides extensive support to the wine, wine-grape growing, and brandy industries through the Common Market Organization of wine (CMO). During marketing year 1998-99, the EU notified the WTO of support totaling i 1.8 billion. This figure includes direct subsidies plus the protection afforded by EU tariffs on wine.[16] The latest EU budget data on expenditures indicate that the EU provided i 614.6 million in 1999 for such programs as distillation, aid for storage of wine and must, and export subsidies.[17] Most EU subsidy programs are directed towards non-appellation "table wine," that is generally a lower quality wine than wines produced under the rules and controls of "appellation of origin." These programs promote overproduction and support inefficient producers, and displace lower value imports into the EU and third-country markets.

EU aid is also provided to wine grape growers for removing vineyards planted with nonmarketable table wine grapes and converting vineyards to internationally marketable varieties such as Chardonnay, Cabernet Sauvignon, Merlot, and Sangiovese. Funding

[15] The EU, Japan, and Brazil are also major global producers of beer. Weakness in their currencies has made imported U.S. products more expensive, leading consumers to switch to less-expensive domestic brands.

[16] The WTO evaluates the "aggregate measure of support" by quantifying the protection afforded from tariff barriers and adding direct government aid. EU notification to the World Trade Organization of the specific equivalent measure of support for wine, WTO Committee on Agriculture, Notification of the European Communities, G/AG/N/EEC/30, Mar. 14, 2000, Table DC:4.

[17] Official Journal of the European Communities, EAGGF Guarantee Expenditure for 1999.

Table 12-1
Alcoholic beverages: U.S. exports to principal markets and to markets with the potential for expanded U.S. exports, 1996-2000

Items	1996	1997	1998	1999	2000	Change, 2000 over 1996
	1,000 dollars					Percent
Beer:[1]						
Canada	30,990	34,539	35,305	39,632	34,775	12
Mexico	11,464	17,565	17,477	20,522	25,752	125
Japan	80,467	79,391	51,309	33,800	21,663	-73
EU	38,503	35,698	37,103	25,101	18,337	-52
Korea[2]	2,731	3,853	557	1,425	2,165	-21
Brazil[2]	37,256	4,883	470	42	107	-100
All other	160,951	142,867	111,989	80,767	66,530	-59
Total	362,362	318,796	254,210	201,289	169,329	-53
Wine:[3]						
EU	143,654	194,619	261,906	277,111	289,356	101
Canada	66,998	71,919	83,788	87,644	92,757	38
Japan	28,163	35,170	87,001	70,727	60,932	116
Switzerland[2]	13,557	18,066	23,146	25,446	23,540	74
Taiwan[2]	4,190	13,891	6,496	5,001	6,057	45
Korea[2]	1,932	2,494	999	2,344	3,002	55
Brazil[2]	968	1,631	1,073	1,194	1,649	70
China[2]	1,037	1,383	574	1,050	922	-11
Israel[2]	157	271	313	267	339	116
All other	37,361	45,014	41,611	41,847	42,127	13
Total	298,017	384,458	506,907	512,631	520,681	75
Whiskey:[4]						
EU	138,962	141,888	127,091	162,133	169,427	22
Japan	55,863	57,148	67,297	59,203	44,030	-21
Australia	35,641	40,918	40,829	44,371	42,088	18
Turkey[2]	1,081	1,107	2,254	1,619	3,239	200
Korea[2]	1,333	1,042	325	779	1,901	43
China[2]	71	20	98	196	793	1,017
Russia[2]	604	658	445	115	423	-30
All other	44,501	47,213	50,602	58,582	57,309	29
Total	278,056	289,994	288,941	326,998	319,210	15
Other alcoholic beverages:[5]	364,686	354,745	253,869	182,613	210,553	-42
Grand total	1,303,121	1,347,993	1,303,927	1,223,531	1,219,773	-6

[1] Includes HS number 2203.
[2] Denotes a potential market.
[3] Includes HS number 2204.10, 2204.21, and 2204.29.
[4] Includes HS number 2208.30.
[5] Includes HS numbers 2206.00, 2207.10, 2208.20, 2208.40, 2208.60, 2208.70, and 2208.90.

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

provided by the EU can account for 50 percent to 75 percent of the restructuring costs depending on the region.[18] The newly renovated vineyards produce quality appellation of origin wines that compete directly with U.S.-produced wines in the EU and other world markets. In some traditional table wine growing regions, as much as half of the hectares planted with table wine grapes are scheduled for conversion to quality wine grapes.[19]

For most other major wine-exporting countries, there are little or no direct production or price support policies that distort trade flows. Most government support of domestic wine industries is related to non-trade distorting "green box" promotional efforts. There is little evidence of domestic production support for distilled spirits and beer in major and potential markets.[20] The U.S. alcoholic beverage industry receives no Government production or price support. Output is determined solely by market forces. Consequently, U.S. tariff protection is either zero or minimal (see tariff section). The USDA provides some market development assistance to the wine industry through the Market Access Program jointly administered by the Foreign Agriculture Service and non-profit agricultural trade associations.[21]

Tariff Barriers

Tariff barriers for alcoholic beverages in most major export markets are ad valorem or relatively simple specific rate tariffs (tables O-1 and O-2). Most specific tariffs are based on volume, but for certain markets and products, tariffs are levied on the percent volume of ethyl alcohol (tables O-1 and O-2). Tariff barriers in the alcoholic beverage sector serve to protect domestic suppliers; however, when domestic industries, particularly in the developed countries, produce differentiated and branded products[22] that are traded internationally, tariff rates tend to be zero or relatively low. Due to the large value-added component of alcoholic beverages (i.e., primary farm products constitute a small percentage of production and marketing costs,[23] particularly for distilled spirits and beer), tariff policies in most countries do not serve to underpin domestic farm policies.

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[18] EU Council Regulation 1493/99.

[19] USITC staff interviews with Spanish and Italian Government officials, June 2001.

[20] The distilled spirits and beer industries did not submit any information to the USITC related to production support in competitor countries.

[21] Participating trade associations in the alcoholic beverages sector include the Wine Institute, Northwest Wine Promotion Coalition, the New York Wine and Grape Foundation, and the Kentucky Distillers' Association. USDA, FAS, *Market Access Program Factsheet*, found at *http://www.fas.usda.gov/info/factsheets/mapfact.html*, retrieved May 18, 2001.

[22] Many distilled spirits that are unique products of national origin such as bourbon (United States) and tequila (Mexico), or have geographic designations such as Scotch (Scotland) and cognac (France), are protected in U.S. Federal code and recognized as products of distinct national origin in the regulations of other trading countries. U.S. Code of Federal Regulations, Title 27, Alcohol, Tobacco Products, and Firearms, Labeling and Advertising of Distilled Spirits.

[23] For wine, especially high value wine, grapes can represent a significant percentage of the final product.

Beer

Global trade in beer, valued at $4.6 billion in 1999,[24] is a small fraction of world production. Beer has a high water-to-alcohol ratio that makes it relatively expensive to transport. Since the manufacturing process is simple and inputs are relatively abundant, it is generally more cost effective to market locally-produced beer. Beer that is traded internationally, therefore, tends to be higher quality distinctive and branded products that are shipped mainly to nearby countries, as exemplified by trade within North America and Europe where products are transported by ground or shipped over relatively short distances. For example, the leading U.S. imported beer, "Corona," is brewed in, and shipped from, Mexico. Instances where beer is shipped over longer distances are confined mainly to premium quality and value products.[25] In other instances, international branded beer is produced domestically or in the region through licensing agreements.[26]

Tariffs on beer in the United States, the EU, Canada, and Japan are scheduled for elimination in 2002 pursuant to the Uruguay Round Agreements. Mexican duties on U.S. beer, 6 percent in 2000, are scheduled for elimination under NAFTA. In potential and growth markets, duties are variable, from duty-free for China and 5 percent for Taiwan, to higher duties for Brazil (23 percent), Korea (30 percent), and India (100 percent). High duties in the latter markets are designed to protect domestic suppliers (table O-2).

Wine

Unlike the beer and distilled spirits sectors, tariffs are maintained in all major wine-producing countries; however, in most major supplier countries, tariffs are relatively low. In the EU and Japan, tariffs on bulk wine tend to be lower than tariffs on bottled wine, indicating an inward processing bias towards domestic bottlers. The United States and Canada maintain higher rates on bulk wine that provide tariff protection for wine grape growers that sell their products to bulk processors and brokers (tables O-1 and O-2).

In developed countries, most tariffs are applied on a per-unit volume basis (specific tariffs). U.S. tariffs are among the lowest. For most U.S. imports of bottled wine, the ad valorem equivalent (AVE) tariff is about 2 percent.[27] AVEs for the EU total 5 percent.[28] U.S. products enter Canada duty-free, while Canadian MFN rates are relatively low (AVEs of 5 percent). Tariff rates in Japan for bottled wine are higher than those in other Quad countries, with a rate

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[24] USDA, FAS database using statistics from the United Nations Statistical Office.

[25] For example, the second-leading U.S. beer import, "Heineken," is a "super premium" beer shipped from Holland.

[26] Examples include the Japanese brand "Kirin," brewed under license in the United States, and the Australian brand "Fosters," brewed in, and imported from, Canada.

[27] Calculated using the per-unit U.S. import price of bottled wine of $4.40/liter and the specific rate of 6.3¢/liter.

[28] Tariff barriers in the EU are not viewed as important barriers to trade. Domestic excise duties have a much greater impact on U.S. exports. While EU exporters are interested in a "zero for zero agreement" to eliminate tariffs between the EU and the United States on wine, U.S. producers reportedly want to harmonize tariffs at the lower U.S. rate. USITC staff interview with French industry representative, June 13, 2001.

of 15 percent or ¥125/ℓ, whichever is less, while tariffs for bulk wine are lower, providing incentives for Japanese bottlers.[29]

In many other markets, tariff rates on wine, both bottled and bulk, are uniform and in some instances, relatively high. In some countries, wine is viewed as a luxury good, unlike other alcoholic beverages, which results in higher tariffs. In China, tariffs are 56 percent on all wine products.[30] The U.S. wine industry noted that tariffs for Korea (15 percent), Taiwan (20 percent), and India (100 percent) limit U.S. exports to these emerging wine markets.

Distilled Spirits

In the United States and the EU, most spirits enter duty-free. At the WTO Ministerial Conference in December 1996, the United States and the EU concluded an agreement to eliminate tariffs on most categories of distilled spirits in 2000. The "zero for zero" agreement on spirits, promoted by the U.S. and EU industries, accelerated tariff reduction on whiskies and brandy that were originally scheduled to be eliminated in 2003 as part of the Uruguay Round Agreements, and added "white spirits" vodka, gin, and liqueurs. Special provisions were made for rum by both trading partners; high-value rum is scheduled for tariff elimination in 2003, while tariffs on low-value rum[31] were maintained in order to provide preferential treatment for the Virgin Island and Caribbean suppliers.[32] Canada maintains no duties on whiskey and brandy and relatively low specific tariffs (12.28C¢/ℓ, or an AVE of 2 percent) on most other spirit types. Tariffs in Japan include both specific and compound tariffs that vary by spirit type. For whiskey, tariffs are relatively low (5.4 percent or 7.8 percent). In separate agreements with the United States, the EU, and Canada, Japan will eliminate most tariffs on distilled spirits by April 1, 2002.[33]

Tariffs on whiskey in other major U.S. export markets are low; free in Turkey and Mexico (NAFTA rate); and 5 percent in Australia. By contrast, tariffs in Taiwan (12.5 percent), Korea (20 percent), and Brazil (15 percent or 23 percent) are relatively high and are a major concern for the U.S. industry. Duties in China (54 percent) are scheduled to be reduced to 10 percent in equal increments over 5 years,[34] while the tariff rate in India (210 percent) exceeds its bound rate (table O-2).

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[29] Wine Institute, *International Trade Barriers Report, 2001*, prepared by JBC International, May 2001, p. 52.

[30] Bound rates in China for 2004 are 20 percent for wine compared with zero for beer and 10 percent on certain distilled spirits.

[31] Tariffs on rum in the United States were maintained in order to provide preferential treatment to low-value products produced in the Caribbean. Rum products currently enter the United States duty-free from CBERA countries as part of the U.S. Government's trade and development program for the region.

[32] USITC, *Advice Concerning the Proposed Modification of Duties on Certain Information Products and Distilled Spirits*, Investigation 332-380, USITC publication 3088, Apr. 1997, p. E2-3.

[33] Deborah A. Lamb, Vice President, International Issues & Trade, Distilled Spirits Council of the United States (DISCUS), written submission to the Commission, Feb. 16, 2001, p. 19.

[34] Ibid., p. 6.

Regional Trade Agreements

Regional and bilateral trade agreements are not currently major determinants of trade flows in alcoholic beverages. With few exceptions, most trade in alcoholic beverages is conducted among developed nations that maintain relatively low tariff rates. Major markets that maintain relatively high duties (e.g., wine tariffs in Japan) generally do not have preferential trade arrangements with competitor countries. Switzerland is an exception, as imports from the EU enter duty-free.

In some developing and potential markets, regional and bilateral trade agreements may be limiting export growth. For example, Mexico, under an FTA with Chile, provides duty-free treatment for Chilean wine, while Mexican tariffs on U.S. wine were 6 percent in 2000.[35] Members of the Mercosur Customs Union extend duty-free treatment to imports from member countries, providing a competitive advantage to Chile and Argentina in those markets. Duties on U.S. wine, however, are 23 percent in Brazil and 35 percent in Argentina.

The EU maintains a vast array of preferential tariff rates on wine. Special tariff arrangements are extended to countries that have applied for EU membership, including Turkey, Cyprus, the Czech Republic, Estonia, Hungary, Poland, Slovenia, Bulgaria, Latvia, Lithuania, Romania, and Slovakia. Many of these countries are major world producers, particularly Eastern European countries such as Romania and Bulgaria. Though producers of lower quality products, they displace lower cost U.S.-produced wine in certain EU markets. The EU also maintains tariff-rate quotas for the Republic of South Africa, Tunisia, Algeria, and others that allow certain types and quantities of wine to enter the EU duty-free or under preferential rates. Certain other Mediterranean countries receive duty-free access on specified types and quantities of wine. Mexico receives preferential rates ranging from i 10.6/hℓ to i 26/hℓ. Certain overseas colonies and territories also receive special tariff treatment, while GSP rates are free for many least developed qualifying countries that ship wine to the EU. The United States provides duty-free access to wine imports from Canada, South Africa (under AGOA), Israel, and beneficiaries of CBERA and Andean Trade Preference Act, and most imported bottled and bulk wine from Mexico received preferential rates ranging from 2.9¢/ℓ - 7.9¢/ℓ in 2000.

Japan extends preferential tariff rates on alcoholic beverages under two regimes (JPREF and JLDC, noted in table O-1). Japan extends preferential duties under JPREF on sparking wine and bulk wine, while certain least developed countries receive duty-free treatment. Canada provides preferential treatment through a bilateral agreement to major wine trade competitor Chile and offers variable preferential tariffs on certain Australian and New Zealand wine products.

[35] 2001 Mexican tariffs on U.S. wine are 4 percent and are scheduled to be reduced to zero under NAFTA.

Non-tariff Barriers and U.S. Industry Concerns

Major non-tariff barriers and industry concerns in the alcoholic beverages sector include domestic subsidies, certification, licensing, and labeling requirements, government monopolies, differential taxes, and other government policies and trade issues (table O-4).

Subsidies

As discussed above, the EU CMO for wine is a comprehensive and complex support program for the wine and wine grape growing industry. It has been cited by the U.S. industry as stimulating over-production and distorting free trade. In Canada, the Province of British Columbia provides a rebate of $2/bottle for wine made from 100 percent grapes produced in the Province on the first 13,000 cases of wine purchased by the Provincial Liquor Control Board (LCB). According to the U.S. wine industry, this practice distorts the market price for wine and places imported, non-subsidized wine at a competitive disadvantage.

Certification, Licensing, and Labeling Requirements

Certification and licensing requirements add additional costs to exporters and are particularly difficult for smaller U.S. producers that ship small volumes. In Canada, certain provinces, including Ontario, require expensive testing and certification procedures. The EU requires certification documents (V.I.1 form) to accompany each shipment of wine that verifies that the imported wine meets the compositional limits and standards of EU countries. The U.S. industry claims that preparing and filing these forms is "tedious and complicated" and imposes additional costs on U.S. exporters.[36]

The EU also restricts the use of certain terms on imported wine labels, including such commonly used wine label terms such as "reserve" and "table wine," either because there is no U.S. legal definition for the term (reserve), or the U.S. definition does not correspond with the EU definition (table wine).[37] Moreover, protection for other "traditional expressions" used for wine labels is not specifically provided by the WTO. According to the U.S. Patent and Trademark Office, there is no legal basis under the TRIPS agreement to provide protection for such terms. In Mexico, labeling regulations require not only that volume and alcohol content be printed in Spanish, but all additional information printed on the label that is printed in English must also be printed in Spanish, whether or not that information is necessary for the Mexican consumer to make an informed purchasing decision. The costs of printing special labels for the Mexican market are prohibitive for smaller producers. In addition, all labels must be approved by the Mexican Secretariat of Commerce prior to importation. Other

[36] Wine Institute, *International Trade Barriers Report, 2001*, prepared by JBC International, May 2001, p. 3.

[37] James B. Clawson, JBC International for the Wine Institute and the California Association of Wine Grape Growers, written submission to the Commission, Feb. 16, 2001.

certification processes that have been cited as difficult include the documentation process for exporting to Taiwan, which is reportedly costly, burdensome, and time consuming.[38]

Import licensing regimes that are burdensome and non-transparent impede U.S. exports in certain markets. Indonesia, for example, requires importers to secure licenses from the Ministry of Commerce, yet the Ministry has approved only 2 such licenses since 1983, effectively creating a monopoly in the importation of spirits and severely limiting access for U.S. products. A non-transparent import licensing regime in Russia, combined with quantitative restrictions on spirits above a certain alcohol percentage, has effectively closed the Russian market to U.S. spirits products. Turkey also requires import permits that are sometimes difficult and time consuming to obtain. Import permits required for shipments to the Ukraine require Ukrainian government inspections of production facilities with inspection costs paid by the foreign producer.[39]

Labeling regulations in certain export markets are considered onerous by the U.S. distilled spirits industry and are viewed as technical barriers to trade. For example, new labeling legislation in China requires that labels for distilled spirits must comply with all existing food labeling legislation. Such requirements that are valid for food products are in many cases not appropriate for alcoholic beverages. Similar legislation was introduced in Indonesia. The U.S. industry views these regulations as violations of SPS principles. India requires that labels include the maximum retail price for which products can be sold, which interferes with producers' marketing strategies and limits the flexibility of retailers and wholesalers to set prices. Turkey requires label information on imported spirits that is not required on similar domestic products.[40]

State Monopolies

In Canada, each province controls the sale and distribution of alcoholic beverages. In most cases, government-operated Liquor Control Boards (LCBs) oversee purchasing, distribution, and retailing of alcoholic beverages within their jurisdictions. U.S. industry grievances regarding the LCB system include (1) discriminatory marketing practices (certain provinces provide preferential shelf locations, tastings, and promotional activities only for domestic products); (2) listing practices (only "listed" products may be imported and sold at retail outlets in the province, applications for listing are reportedly limited and are reviewed only on an annual or semiannual basis, and there are far fewer U.S. products listed than French, German, and Italian wines); (3) discriminatory consignment sales (LCBs do not pay for wine until after it has been sold at the retail store, creating a cash flow problem for U.S. producers, and if wine is not sold within a specified period, it must be returned at producers' expense); and (4) discriminatory warehousing and delivery. For example, certain provinces require mandatory storage of imported wine in a bonded warehouse, something not required for domestic products that can be shipped directly to LCB warehouses. Many provincial governments also require that goods be shipped in provincial vehicles, which adds cost to

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[38] Ibid.

[39] Deborah A. Lamb, Vice President, International Issues & Trade, DISCUS, written submission to the Commission, Feb. 16, 2001.

[40] Ibid.

producers that use their own delivery systems.[41] In the United States, the three-tier system that strictly prohibits producers and suppliers, wholesalers, and retailers from operating in the other tiers of the industry has been cited as trade-restricting. Moreover, the U.S. distribution system, with each state regulating the distribution and sales within its jurisdiction, is viewed as limiting trade in alcoholic beverages.

The Wine Institute noted that the Taiwan Tobacco and Wine Monopoly Bureau (TTWMB) is a monopoly importer and domestic producer of alcoholic beverages that sets policies, including taxes on imports, that discriminate against imported products.[42] A number of other nations also continue to operate state monopolies in the alcoholic beverage sector. National and provincial monopolies in Finland, Norway, China, Sweden, Taiwan, and Turkey are also cited by U.S. industry sources as impeding U.S. exports.[43]

Tax Policies

Tax policies in a number of markets can discriminate against U.S. and other imported alcoholic beverages by significantly raising their retail price relative to domestic products in foreign markets. In Mexico, in addition to the NAFTA tariff of 6 percent, a value added tax of 15 percent, an alcohol trade tax, and taxes on strip stamps significantly raise the price of U.S. wine. In certain Asian markets, taxes, many only applied on imported products, substantially raise the cost of U.S. wines. For example, the U.S. industry reports that Chinese tax policy is not transparent, as actual taxes levied sometimes differ from rates published by the Chinese Customs authorities. Taxes on imported alcoholic beverages in Korea are complicated and complex. In addition to tariff duties, Korea imposes sales taxes and educational taxes that can increase the retail price of wine by several hundred percent. Thailand imposes taxes on imported wine, including tariff duties, of over 142 percent, according to the U.S. industry, in order to discourage the importation of luxury goods.[44]

The U.S. industry indicates that foreign internal excise taxes that favor domestically produced alcoholic beverages over imports are limiting U.S. exports. These variable taxes tend to discriminate against U.S. products. For example, in certain Latin American markets, taxes on whiskey are higher than taxes on other distilled spirits. Argentina lowered taxes on all categories of spirits except whiskey. Brazil and the Dominican Republic levy higher taxes on whiskey than on rum, a widely produced domestic spirit in these countries. Colombia, Ecuador, and Uruguay also impose higher taxes on imports than on domestically produced alcoholic beverages.

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[41] Wine Institute, *International Trade Barriers Report, 2001*, prepared by JBC International, May 2001, p. 17.

[42] James B. Clawson, JBC International for the Wine Institute and the California Association of Wine Grape Growers, written submission to the Commission, Feb. 16, 2001, p. 7.

[43] Wine Institute, *International Trade Barriers Report, 2001*, prepared by JBC International, May 2001, p. 3.

[44] James B. Clawson, JBC International for the Wine Institute and the California Association of Wine Grape Growers, written submission to the Commission, Feb. 16, 2001.

The U.S. industry reports that similar discriminatory tax policies are also present in Asian markets. In the Philippines, internal taxes on imports can be as high as 7 to 22 times the amount levied on domestic products. Singapore and Thailand impose lower taxes on the domestic products samsoo, arrack, and pineapple spirits (in Singapore) and on brandy (in Thailand) than on other spirit types. Taxes in Vietnam that are based on the percentage of alcohol effectively discriminate against higher proof imported spirits. Indonesia imposes a 35 percent luxury tax on imports of certain alcoholic beverages. In addition, Turkey maintains a complicated tax system on alcoholic beverages that lacks "transparency and consistency."[45]

Other Policies and Trade Issues

Other EU policies that discriminate against imported wine products include the maintenance of a "positive list" for accepted enological or wine-making practices for imported wine. The EU has not provided any scientific evidence that non-listed wine-making practices pose health or welfare concerns.

In addition, EU countries provide extensive market development support for their wine industries. For example, the Government of France through the Office for Wines and Vines (ONIVINS) provided over $10 million for the international promotion of wine in 1999.[46] Combined, EU member countries' market development funding is many times the funding level of U.S. Government-assisted promotion. The EU also provides export "refunds" to exporters of non-appellation table wine. These wines may be shipped to certain markets in Africa, Eastern Europe, Scandinavia, and Asia. Exporters submit applications through their governments to the EU on specified quantities and prices and receive a premium in these markets above the sales price. In 1998-99, the EU provided ¡ 29.3 million for export subsidies.[47] The U.S. industry states that these shipments are providing the EU with an unfair competitive advantage in certain developing markets.[48]

Other policies that have been noted by the U.S. industry as limiting U.S. exports of distilled spirits include fusel oil standards for distilled spirits in India. Fusel oils are naturally occurring by-products of the distillation process, and there is no scientific evidence, according to the U.S. industry, that they are harmful at the levels present in U.S. whiskey products. Once a leading market for exports of U.S. spirits products, Russia imposed restrictions on imports requiring (1) that imports can total no more than 10 percent of domestic consumption, and (2) with the exception of Cognac and brandy, 60 percent of imports of alcoholic beverages must contain 15 percent or less of alcohol. This effectively closed the Russian market for U.S. whiskey, which is typically 40 percent alcohol. Russia also restricts foreign investment and Russian firms with foreign capital from engaging in activities related to the importation,

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[45] Deborah A. Lamb, Vice President, International Issues & Trade, DISCUS, written submission to the Commission, Feb. 16, 2001.

[46] USDA, FAS, *France: Wine Competition Annual*, Paris, GAIN Report No. FR0103, Dec. 13, 2000, p. 15.

[47] EU notification to the WTO, document G/AG/N/EEC/23 Mar. 9, 2000.

[48] According to an official at the Wine Institute, EU export subsidies displaced U.S. wine exports in some foreign markets in recent years, including China. Moreover, the wine exported under these programs can be low- quality, damaging the reputation for quality of all wine exported to these markets. USITC staff interview, May 16, 2001.

bottling, and distribution of alcoholic beverages containing more than 12 percent alcohol.[49] Mexico maintains a reference price and bonding system that, according to the U.S. industry, contravenes NAFTA, while Romania levies duties based on minimum reference prices for certain distilled spirits imports.[50]

[49] Deborah A. Lamb, Vice President, International Issues & Trade, DISCUS, written submission to the Commission, Feb. 16, 2001.

[50] Ibid.

CHAPTER 13
Pet Food

Introduction

The pet food sector consists mainly of consumer-oriented dog and cat food found under HS number 2309.10. Included under HS 2309.10 are both bagged dry pet foods and canned pet foods. Additional varieties of exotic pet foods, such as bird food, rabbit food, and fish food are grouped under HS 2309.90, which mainly contains a number of bagged and prepared animal feed products for livestock. In the United States, other pet foods are broken out under HS 2309.90.1010, but this classification does not exist in other markets. Thus, in order to take into account trade in other pet foods across major markets, trade figures and tariffs for products found in HS 2309.90 are included, but it should be noted that a majority of these products are outside the scope of this study.

U.S. pet food production and sales have grown steadily over the past several years, due to increases in the U.S. pet population and strong demand for premium and specialty brands of pet food.[1] U.S. product shipments of pet food were valued at $8.6 billion in 1999.[2] In 2000, U.S. exports of pet food represented over 9 percent of U.S. production. U.S. imports of pet food into the United States are relatively small ($126 million in 2000), with most imports manufactured by U.S.-owned affiliates operating in Canada. The global market for dog and cat food (excluding treats), at a retail level, was valued at $25.3 billion in 1998, with 60 percent of the world market outside North America.[3] The United States is the world's largest producer of pet food, owing to its significant resource base for low-cost grains and meat products and technological sophistication of the U.S. pet food industry.

While the North American market is relatively mature, international markets are still underdeveloped and have growth rates that are double those in the United States. This explains in large part why U.S. exports of pet food have risen sharply over the past five years. Total U.S. exports of dog and cat food increased by 45 percent during 1996-2000, from $534 million in 1996 to $775 million in 2000 (table 13-1). Major international markets include Japan, Canada, Mexico, and the EU. While U.S. pet food exports into Canada have grown slowly, U.S. pet food exports into Japan and Mexico increased significantly during 1996-2000. In the case of Japan, demand has been fueled by strong demand for premium and specialty U.S. pet foods. Export growth into Mexico has been aided significantly by NAFTA and increased consumer awareness of U.S. pet food products. By contrast, exports into the

[1] USITC, *Industry & Trade Summary: Animal Feeds*, USITC Publication 3275, Jan. 2000, p. 21.

[2] U.S. Department of Commerce, *Annual Survey of Manufacturers 2000*.

[3] Anthony Irwin, "World trends: The humanization of pets is a key market driver," *Petfood Industry*, Mar. 2000, p. 8.

EU have contracted sharply since 1996. This is partially due to a change in sourcing decisions from the United States towards local procurement in the EU by U.S. pet food manufacturers.

A number of markets, such as Brazil, Argentina, Taiwan, Hungary, and Poland, are viewed as markets with the potential for expanded U.S. exports, due to changes in pet feeding practices from table scraps to prepared pet foods. Sales of domestically produced and imported pet food products have risen markedly in a number of these potential markets. In Eastern Europe, for instance, during 1994-98, there was a 68 percent increase in the value of dog food sales and a 54 percent increase in cat food sales, while over the same period, sales of dog food and cat food rose by 64 percent and 63 percent, respectively, in Latin America.[4] U.S. exports to these countries trended erratically during 1996-2000. U.S. exports to Argentina and Brazil increased from 1996 to 2000, but peaked in both countries in 1997 and have since declined. U.S. exports to Hungary grew erratically during 1996-99, before surging in 2000. By contrast, U.S. exports to Poland have fallen sharply from their peak of nearly $2 million in 1997 to just over $100,000 in 2000. In many cases, the decline in U.S. exports reflects a shift in sourcing decisions from the United States towards local production in the foreign market, due in part to the trade barriers that exist in some of these markets.

Policy Environment in Selected Markets

Unlike farm commodities and other processed products, the pet food sector is generally not the focus of domestic agricultural support policies. Pet food is a composite product made from a variety of grains (corn, wheat, and rice), meat, dairy products, and byproducts of the processed food industry, such as soybean meal and meat and bone meal. While most byproducts have relatively low or no duties in most countries, corn, dairy products, meat, and other grain products are protected in some markets, which is sometimes reflected in the tariff protection placed on pet food. In the EU, the Common Agricultural Policy (CAP) maintains high domestic prices on corn and dairy products. As a result, tariffs on pet food are subject to variable tariffs (discussed below) that vary on the basis of starch and milk content. Protection in the dairy sector in Japan has led to the application of tariffs on dairy-containing pet foods based on their lactose content. A number of Latin American countries belonging to the Andean Pact trade group, in order to protect producers and consumers from fluctuations in international prices, have implemented price bands that adjust the duty on imports of meat, dairy, and grain.[5] Pet food is subject to the price band on corn, regardless of whether the pet food product contains corn as an ingredient. These exceptions aside, however, where tariff protection exists on pet food, it is more a function of markets imposing high tariffs on processed foods in general.

[4] Ibid., p. 10.

[5] USDA, FAS, *Venezuela Adopts Andean Pact Price Bands*, Caracas, GAIN Report No. VE5014, June 1995, p. 1.

Table 13-1
Pet food: U.S. exports to principal markets and to markets with the potential for expanded U.S. exports, 1996-2000

Items	1996	1997	1998	1999	2000	Change, 2000 over 1996
	1,000 dollars					*Percent*
Dog and cat food:[1]						
Japan	97,300	104,108	128,408	144,809	234,472	141
Canada	198,850	197,859	208,259	206,406	223,009	12
Mexico	21,315	36,867	52,885	58,629	111,357	422
EU	131,633	153,710	156,700	104,439	83,105	-37
Argentina[2]	8,953	12,260	9,439	6,729	10,447	17
Taiwan[2]	11,693	11,912	13,679	7,307	8,869	-24
Brazil[2]	4,004	14,673	8,441	6,039	5,615	40
Hungary[2]	646	570	613	446	1,195	85
Poland[2]	1,222	1,938	1,770	639	102	-92
All other	58,827	87,423	100,956	96,295	96,669	64
Total	534,443	621,320	681,150	631,738	774,840	45
Other pet and animal food:[4]						
Canada	103,835	113,993	126,374	124,684	125,474	21
Mexico	43,648	47,106	58,489	58,071	81,784	87
EU	106,211	92,494	66,087	49,409	57,406	-46
Philippines[2]	10,447	10,472	8,243	12,299	16,182	55
Brazil[2]	14,039	16,945	12,470	9,915	12,562	-11
China[2]	5,424	6,630	6,359	5,482	10,373	91
India[2]	574	869	481	416	701	22
All other	253,646	274,123	216,246	205,835	252,331	-1
Total	537,824	562,632	494,749	466,111	556,813	4
Grand total	1,072,267	1,183,952	1,175,899	1,097,849	1,331,653	24

[1] Includes HS number 2309.10.
[2] Denotes a potential market.
[3] Not applicable.
[4] Includes HS number 2309.90, which contains a number of products that are outside the scope of the study.

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

Tariff Barriers

In general, tariff barriers in the pet food sector are generally lower in developed markets (the United States, Canada, the EU, and Japan) than in developing markets, particularly those in Latin America and Eastern Europe. Pet food enters the United States duty-free, while the rate in Canada is 3.5 percent (table P-1). Tariffs on pet foods in the EU and Japan are low or duty-free, with certain exceptions. In Japan, pet foods that contain more that 10 percent lactose by weight are assessed a base tariff of ¥59.50/kg and an additional ¥6/kg for each additional 1 percent of lactose by weight included in the pet food product. For products that do not contain milk products (or with less than 10 percent milk), the tariff is determined by the protein, sugar, and starch levels. Pet foods with less than 5 percent sugar, 20 percent starch, and 35 percent protein enter Japan duty-free; otherwise they face a ¥36/kg tariff.

In the EU, the assessed tariff is based on the composition of milk and starch contained in the product. These can range from i 102/kg (for products with over 30 percent starch, but less than 10 percent milk products) to i 948/kg (for products with no starch or sugar, but containing milk products). Products with less than 10 percent starch and milk enter the EU duty-free, while miscellaneous pet foods have a tariff of 9.6 percent. In order to apply the correct tariffs, companies are required to submit their product for tests to determine the milk and starch levels. The official test used in the case of pet food is the "Polarimetric en iso 10520 Method." However, one company noted that these tests are not accurate and can vary significantly (for samples from the same shipment) depending on the lab conducting the tests.[6] This has delayed shipments into the EU due to disputes between foreign companies and Customs over the duty that should be applied on these products.[7]

Tariffs on pet foods in major potential and developing markets vary significantly. In Asian markets, such as Korea, Taiwan, and the Philippines, duties are under 10 percent on pet foods (table P-2). Elsewhere in Asia, tariffs are higher, though in the case of China, the duties are scheduled to fall from 27 percent in 2000 to 15 percent in 2004. In Latin America, tariffs range between 17 percent in Mercosur countries to 20 percent in Andean Pact countries, such as Colombia. Argentina recently (spring 2001) raised the tariff on pet food to 35 percent (which was above its WTO bound rate), but quickly lowered it back to 20 percent after pressure from the local industry and the U.S. government.[8] Hungary assesses a tariff of 6.4 percent for all varieties of pet food, while Poland applies a tariff of 67 percent. Poland imposes a TRQ on pet food imports, but manages it through an applied tariff administration regime (table P-3). This means that the in-quota rate and over-quota rate are the same and imports may enter freely at the 67 percent rate of duty. There are a number of TRQs in the United States, Canada, and Korea on animal feed products (HS 2309.90) that contain milk, but these products are destined for livestock rather than domesticated pets.

Andean Pact members Ecuador, Colombia, and Venezuela subject pet food to the price band system. Price bands operate through the computation of historical and reference prices. Historical prices set the ceiling and floor prices and are computed from average monthly prices for a reference market (the United States in the case of corn) over a period of 60 months that are converted to a CIF basis using fixed freight and insurance rates. The ceiling price is the historical price plus one-half the standard deviation, while the floor price subtracts one-half the standard deviation from the historical price. The reference price is computed from the price in a reference market (the United States in the case of corn) converted to a CIF price and is adjusted every 15 days. These prices are then placed in a formula[9] to determine the additional duty (or rebate) added to the applied tariff of 20 percent.[10] Generally speaking, the price band system results in high tariffs when international commodity prices are

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[6] USITC staff correspondence from U.S. industry representative, received Apr. 5, 2001.

[7] Ibid.

[8] USITC staff interview with Argentine industry representative, June 7, 2001.

[9] The formula for the additional duty on pet food is: 100*1.2*(Historical Price-Reference Price)/(Reference Price). So, for example, if the historical price was $170/ton and the reference price was $120/ton, the additional duty would be 100*1.2*(170-120)/120 = 50 percent. The effective duty would be the applied rate (20 percent) plus the additional duty, for an actual tariff of 70 percent.

[10] USDA, FAS, *Venezuela Adopts Andean Pact Price Bands*, Caracas, GAIN Report No. VE5014, June 1995, pp. 2-4.

low relative to the historical period.[11] In pet food, they have resulted in tariffs of 46 percent in Ecuador and up to 96 percent in both Colombia and Venezuela.[12] The large gap between the WTO bound tariff (over 100 percent in both Colombia and Venezuela) and applied base tariffs allows the price band system to impose significant actualized tariffs on U.S. pet food exports.

Regional Trade Agreements

Regional trade agreements have had a significant impact on the pet food industry. The United States benefits from duty-free access under NAFTA into the Canadian market. U.S. pet food exports also enjoy a 3 percent tariff (compared to the MFN rate of 10.5 percent) in Mexico as a result of NAFTA (table P-1). However, the United States is disadvantaged, relative to other countries, as a result of other bilateral and regional trade arrangements. Mercosur members, for instance, assess a 17 percent tariff on U.S. exports of pet food, while the intra-Mercosur tariff is zero. Likewise, trade between Andean Pact members is duty-free. The external Mercosur tariff is a significant barrier for U.S. exports to Brazil, when coupled with that country's high taxes on imported products.[13] U.S. industry representatives have noted that because of the trade barriers that currently exist on pet food products, it is difficult to competitively price premium varieties of imported U.S. pet food in the Latin American market. This has forced some companies to consider joint-venture arrangements for producing and distributing premium pet food in the region, despite the fact that the volumes sold in the market do not always justify this type of strategy.[14]

Hungary, Slovakia, and a few Mediterrean-area countries (Albania, Croatia, Bosnia, Macedonia, and Yugoslavia) are the main beneficiaries from preferential trade arrangements with the EU. Slovakia and the aforementioned Mediterrean countries receive duty-free access to the EU for all pet food products under HS 2309.10. Hungary receives a preferential TRQ for pet food products with over 10 percent milk products by weight, with an in-quota rate that ranges between i 99.6/ton to i 189.6/ton, depending on the levels of milk and starch in the product; the over-quota rate is the same as the MFN rate and ranges between i 498/ton to i 948/ton. For products over 30 percent starch and containing less than 10 percent milk, a number of Eastern European countries including Hungary, Poland, and the Baltic States have duty-free access to the EU. U.S. companies and importers operating in the EU commented on the positive impact of zero-for-zero tariff reductions[15] in pet food on trade between the EU and Central and Eastern European countries.[16]

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[11] Note that when international prices are high relative to the reference price, exporters will receive a reduction in the applied tariff, but the effective tariff will not fall below zero percent.

[12] USITC staff correspondence from U.S. industry representative, received Mar. 15, 2001.

[13] USITC staff interviews with U.S. industry representatives, Apr. 3, 2001 and Apr. 9, 2001.

[14] USITC staff interview with U.S. industry representative, Apr. 3, 2001.

[15] Given that there are still tariffs on a number of pet food products from Eastern Europe, it is possible that the zero-for-zero reductions refer to products found under HS 2309.10.51, which applies to pet food with less than 10 percent milk products and over 30 percent starch.

[16] USITC staff interviews with EU industry representatives and importers, May 18, 2001, May 21, 2001, and May 23, 2001.

Non-tariff Barriers and U.S. Industry Concerns

Non-tariff barriers and measures are a much larger problem for the pet food sector than tariffs. Most non-tariff issues concern export certification and registration procedures, sanitary and phytosanitary restrictions, and the impact of high value-added and port taxes on U.S. pet food exports. These are discussed below and summarized in table P-4.

Certification and Registration Requirements

Export certification procedures, particularly with regards to health certificates and product registration, are an important issue in certain markets. Health certificates are often country-specific in terms of the information required, and must accompany every shipment.[17] Some countries require certification for various types of testing (microbiological, dioxin); the country of origin for any animal proteins; and whether the products are free of salmonella, BSE (bovine spongiform encephalopathy, or "mad cow" disease), and food and mouth disease (FMD).[18] In addition, it is often difficult for exporters to obtain official certification in the United States for many of the health and other certificates required for export. In the case of Chile, for example, pet food exports must be certified by the government of the importing country as being both free of BSE and scrapie, which restricts U.S. exports into that market since the U.S. Government does not provide this type of certification.[19] In response, one industry group has developed a third-party BSE-free certification program, on a fee basis, through a certification entity known as Facility Certification Institute.[20] FCI offers two different types of certification. Level 1 certification applies to producers who do not use restricted-use protein products in the manufacture of ruminant-based feed products, while level 2 certification is provided for those using restricted-use protein products in compliance with FDA regulations.[21]

The U.S. industry also notes that in order to register imported pet food products, a number of countries require detailed information on the ingredients contained in pet foods, which the industry claims as proprietary information and not necessary to demonstrate the safety of pet food products.[22] In Argentina, for example, there are requirements for percentage labeling of ingredients that include details on the country of origin for each ingredient; detailed mineral and chemical analyses are also required.[23] Colombia also requires an extensive percentage breakdown of ingredients, while South Africa mandates documentation that supports the nutritional claims made on labels.[24]

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[17] USITC staff interview with U.S. industry representative, June 15, 2001.
[18] USITC staff correspondence from U.S. industry representative, received Apr. 6, 2001.
[19] USITC staff interview with U.S. industry representative, June 4, 2001.
[20] USITC staff interview with U.S. industry representative, May 31, 2001 and USITC staff correspondence from U.S. industry representative, received June 13, 2001.
[21] Facility Certification Institute, Certified Facility Program (information packet).
[22] USITC staff correspondence from U.S. industry representative, received Mar. 15, 2001.
[23] USITC staff interview with U.S. industry representative, Apr. 3, 2001.
[24] Ibid.

Sanitary and Phytosanitary Restrictions

Regulatory issues concerning BSE have made trade in a number of markets, particularly the EU, difficult for U.S. exports of both pet food and pet food ingredients destined for U.S. companies operating in these markets. Regulations concerning the definition of specific risk materials (SRMs) that are banned in pet food have been constantly changing. The industry is particularly concerned about issues related to BSE, including the BSE-free status of exporting countries (with lists that differ by country) and the types of SRMs banned in pet food products.[25] One company noted that it can be difficult to source SRM-free ingredients for its operations in the EU.[26] The biggest impact of these changing regulations has been to prevent the orderly planning of shipments for export.[27]

In an effort to control the spread of BSE, Hungary and other Central European countries have banned the use of ruminant (such as cow or sheep) meal in pet food.[28] Turkey has banned all imports of EU-origin pet food. The incidence of BSE in the EU has also complicated U.S. exports to unrelated third markets. For instance, U.S. pet food exports to Uruguay that contained beef were not allowed into the country, even though the beef was sourced from a country that was BSE-free. This situation required the exporter to purchase lamb meal from New Zealand in order to export this pet food product to this market.[29]

Genetically modified organisms (GMOs) are an emerging issue for the pet food sector in Europe. The lack of public acceptance of GMO ingredients in the EU has forced some U.S. companies to change their sourcing of pet food ingredients, such as corn and soybean meal, away from the United States and toward other markets, such as Brazil.[30] However, most countries have not required GMO labeling for pet food.[31]

Other health and safety issues have been cited by the industry as representing unnecessary, or "psuedo-SPS" barriers that keep imports out on the basis of alleged or perceived health threats. One company had its exports of pet food containing poultry products banned in France for eight months because of fears over health risks from the use of animal products that died in transit to the slaughterhouse. As a result, the company lost half its market share in France, while domestic manufacturers took advantage of the situation to capture a larger share of the market.[32] Australia and New Zealand have threatened to halt U.S. exports of pet food because of fears over infectious bursal disease (IBD) in poultry products used in pet foods.[33] U.S. pet food exports into Chile are restricted due to stricter limits imposed by Chile on the maximum allowed levels of aflatoxin in pet food (10 parts per billion in Chile,

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[25] USITC staff interview with U.S. industry representative, June 15, 2001.
[26] USITC staff interview with U.S. industry representative, Apr. 3, 2001.
[27] USITC staff interview with U.S. industry representative, June 15, 2001.
[28] USITC staff interview with European importer, May 17, 2001.
[29] USITC staff interview with U.S. industry representative, Apr. 9, 2001.
[30] USITC staff interviews with European importer and industry representative, May 17, 2001 and May 23, 2001.
[31] USITC staff correspondence from U.S. industry representative, received May 31, 2001.
[32] USITC staff interviews with U.S. and European industry representatives, Apr. l3, 2001 and May 23, 2001.
[33] USITC staff interview with U.S. industry representative, June 15, 2001.

compared to 20 parts per billion in the United States), despite industry claims that there is no justification for these levels.[34]

Taxes

The pet food industry is concerned about high taxes in a number of markets, particularly in Latin America, which reduce the ability of U.S. manufacturers to competitively price their products. Brazil, for instance, subjects imports to a merchant marine renewal tax, a syndicate fee, a brokerage fee, a warehouse tax, handling charges, administration charges, import license charges, and other port taxes. These taxes total roughly 7 percent of the CIF price and, when combined with local taxes and the 17 percent import tariff, impede the entry of U.S. pet food products.[35] While Argentina applies its value added tax of 21 percent equally on imports and domestic products, it assesses it to the CIF price plus the duty and customs fee.[36] A number of Caribbean countries also apply high taxes, particularly Barbados, where the combination of tariffs and internal taxes amount to almost 88 percent of the CIF value.[37]

Tariff Escalation

Tariff escalation is a difficult issue to analyze with respect to the pet food industry, since pet food is a product manufactured from a number of different inputs. Different types of pet foods will use markedly different inputs. Moreover, for a given variety of pet food, it is possible that the inputs used will vary according to price. Pet food manufacturers, like feed manufacturers, sometimes engage in least-cost analysis, which involves choosing certain ingredients based on the optimal combination of price, nutritive properties, and availability.[38] While the nutritive properties of a pet food product will remain constant, the ingredients used to create this formulation may differ slightly from batch to batch.

In order to examine tariff escalation, three common inputs to pet food production (corn, soybean meal, and meat and bone meal) were chosen to demonstrate the relationship between input tariffs and the final tariff on pet food. The interpretation of tariff escalation is difficult when multiple inputs are used in production. For instance, the tariff on corn could be significantly higher than the tariff on pet food, while the tariff on soybean meal could be much lower. Yet, in aggregate, the incidence of tariff escalation will depend on the relative share of the input used in the production of pet food. Ideally, given data on prices and technological parameters, one could calculate effective rates of protection (ERP) to illustrate the combined effect of input tariffs on the effective protection from the output tariff. However, data limitations only allow the nominal tariff escalation between specific inputs and the final output to be calculated.

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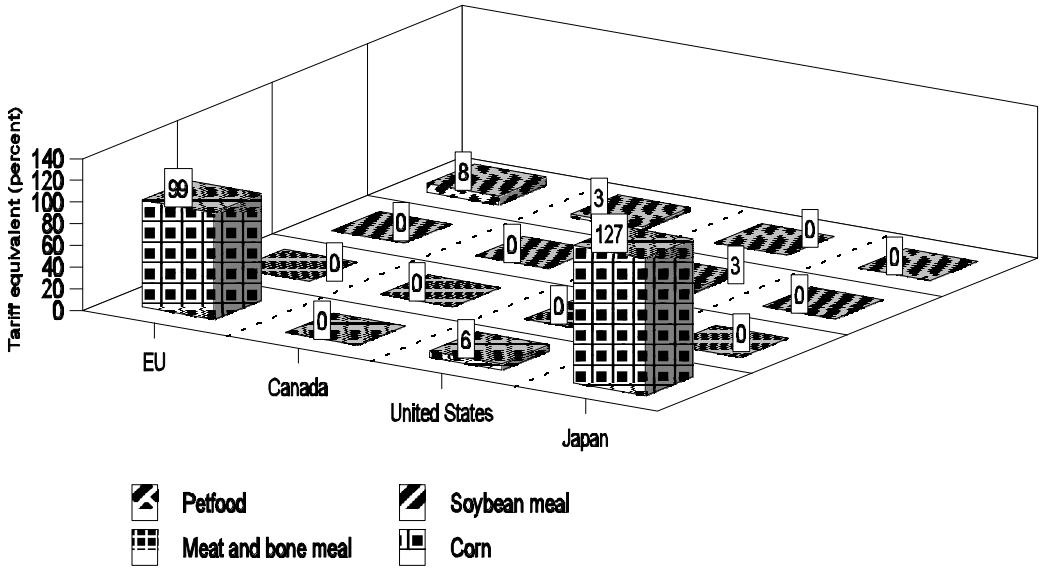
[34] USITC staff correspondence from U.S. industry representative, received Mar. 15, 2001.
[35] USITC staff correspondence from U.S. industry representative, received Mar. 15, 2001.
[36] Ibid.
[37] Ibid.
[38] USITC, *Industry & Trade Summary: Animal Feeds*, p. 21.

Tariff rates were collected for each of the three inputs and pet food for seven markets: the United States, Canada, the EU, Japan, Brazil, Hungary, and Taiwan. In the case of the EU, HS 2309.10.51 was used for the pet food tariff, while in Japan, the tariff line used for pet food is the one where there is no added lactose (HS 2309.10.0931), so that the tariff was free. In a few cases, reference prices were used to convert specific tariffs to ad valorem equivalents. Prices were obtained from the June 2001 USDA *Feed Outlook* using 1999-2000 prices for Yellow #2 corn from the Gulf, soybean meal (44 percent protein, Illinois), and meat and bone meal (Central U.S.). The pet food reference price ($1,158/ton) was the 2000 export unit value of U.S. product to Japan, which was used to capture exports of premium pet food. This export unit value is similar to other export unit values in other major markets, such as the EU.

The results of the tariff escalation exercise are illustrated graphically in figures 13-1 and 13-2. In developed markets, tariff escalation is only evident in Canada, although the tariff on pet food (3.5 percent) is relatively low. In the United States, EU, and Japan, the highest tariffs are on the input products, with significant tariffs on corn in the EU and Japan. In developing markets, there is some evidence of tariff escalation in Taiwan, though the final tariff on pet food (5 percent) is relatively small. Tariff escalation is an issue in Brazil, as pet food has higher tariffs than all of the inputs considered, while in Hungary, the tariff on pet food is much lower than those on meat and bone meal and corn.

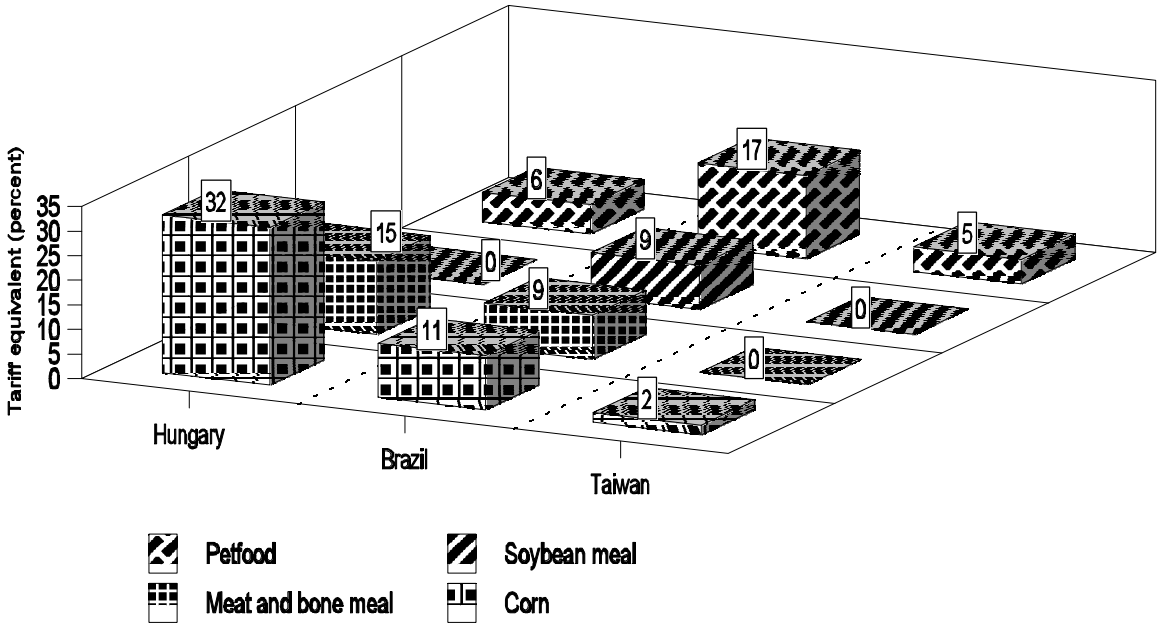
Figure 13-1
Pet food inputs and pet food: Tariff equivalents for the EU, Canada, the United States, and Japan, 2000



Notes.–A number of the tariffs reflected above are free, including tariffs on Canadian corn; meat and bone meal in all four countries; soybean meal in Japan, the EU, and Canada; and pet food in Japan and the United States. The EU imposes TRQ restrictions on imports of corn; the AVE of the over-quota rate is reflected above. The EU imposes an array of in-quota origin-specific tariffs on corn imports, and these in-quota rates are not enumerated here. The Japanese tariff on corn is the maximum of 50 percent or 12 yen per kg; the rate above is the AVE of the maximum rate of 12 yen per kg.

Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

Figure 13-2
Pet food inputs and pet food: Tariff equivalents in Hungary, Brazil, and Taiwan, 2000



Note.–A number of the tariffs reflected above are free, including Taiwan's duties on meat and bone meal and soybean meal, and Hungary's tariffs on soybean meal.

Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

CHAPTER 14
Other Miscellaneous Food and Beverage Products

Introduction

The other miscellaneous food and beverage products sector includes a number of beverages (primarily coffee and tea), spices, condiments, sauces, soups, and other food products not elsewhere specified. Coffee and tea products include raw coffee (not roasted) (HS 0901.11), roasted coffee (HS 0901.21 and HS 0901.22), coffee extracts and essences (soluble or "instant"coffee) (HS 2101.11), soluble (or instant) coffee containing sugar (HS 2101.12), fermented black tea in tea bags and other containers (HS 0902.30), and tea extracts or instant tea containing sugar (HS 2101.20). Spice products include black pepper crushed or ground (HS 0904.12), other pepper crushed or ground including cayenne, paprika, and red pepper (HS 0904.20), other spice mixtures (HS 0910.91), and origanum and other spices (HS 0910.99). Soups, sauces, and condiments include products such as soy sauce (HS 2103.10), mustard (HS 2103.30), various other types of sauces and dressings, such as mayonnaise, salad dressings, and mixed condiments (HS 2103.90), soups (HS 2104.10), and vinegar (HS 2209.00). Other food products is a basket category containing items such as sunflower seeds (HS 1206.00), homogenized food preparations (HS 2104.20), and other edible preparations[1] (HS 2106.90).

U.S. production of coffee and tea is characterized by the value-added processing of imported raw and semi-processed primary products produced in tropical and sub-tropical climates.[2] The United States is the world's leading importer of unroasted coffee and the second-leading global importer of fermented and partly fermented black tea.[3] Likewise, for many spices consumed in the United States, the primary raw products are supplied by imports. Most U.S. production of coffee is destined for the domestic market, with exports accounting for an estimated 3.6 percent of total U.S. production in 2000.[4] The market for soups is relatively mature in the United States, with most growth opportunities existing overseas. An increasing amount of U.S. soup production is exported, with the proportion of exports to domestic production rising modestly from 4.4 percent in 1997 to 5 percent in 1999. In the case of sauces and condiments, a significant portion of U.S. exports represents branded niche products aimed at the high end

[1] Other edible preparations consist of a host of miscellaneous food and beverage products, such as beverage preparations, non-dairy coffee creamers, herbal teas, flavored honey, dietary supplements, and mixed syrups.

[2] Hawaii is the only state that grows coffee commercially, while Puerto Rico also produces coffee. U.S. production of tea is limited to one South Carolina plantation that accounts for a very small fraction of domestic U.S. consumption.

[3] Statistics are for 1999, the latest available data, calculated from USDA, FAS database using statistics from the United Nations Statistical Office.

[4] Calculated using data from the U.S. Department of Commerce, *1997 Economic Census*, and USITC dataweb.

of the retail market.[5] The value of U.S. production of sauces and condiments was $6 billion in 1999, of which 6.7 percent was exported. This ratio of exports to production remained relatively constant during 1997-99.

U.S. exports of coffee and tea products were valued at $284 million in 2000, with over 72 percent of exports composed of roasted and instant coffee. The leading markets for U.S. processed coffee and tea are Canada, Mexico, and the EU. Canada accounted for 66 percent of U.S. exports of coffee and tea products, which were valued at $188 million in 2000 (table 14-1). U.S. exports of certain spice products were valued at $39 million in 2000. Major export markets included the EU ($8.7 million), Canada ($8.4 million), and Mexico ($6.3 million) in 2000.

U.S. exports of soups, sauces, and condiments were valued at $532 million in 2000, an increase of 48 percent from the level in 1996. Growth in this category was fueled by a 266 percent increase in exports to Mexico during 1996-2000, primarily as a result of NAFTA. Other major markets, such as Canada and Japan, are relatively mature and export growth in those has been much more modest. Asian markets, such as Korea, Taiwan, and India, and Latin American markets, such as Brazil and Argentina, are considered markets with the potential for expanded U.S. exports of soups, sauces, and condiments. Exports to these countries fluctuated during 1996-2000.

U.S. exports of other food products, by contrast, have grown much more modestly, increasing by only 9 percent during 1996-2000. U.S. exports were valued at $1.6 billion in 2000. Most U.S. exports consisted of beverage preparations and other edible preparations. Major markets for these products included Canada, the EU, and Japan.

Policy Environment in Selected Markets

In the United States and Canada, tariff policies on miscellaneous foods and beverages are not related to farm support programs, but exist in order to protect domestic processors. As a major world producer of coffee, Mexican trade policy supports coffee growers and processors through the use of high tariffs and non-transparent tariff-rate quotas (TRQs). Trade policies designed to protect domestic sugar industries affect trade in soluble (instant) coffee and tea containing sugar in the United States and the EU (see chapter 4 for discussion of sugar trade policies). There are no domestic policies that influence the tariff levels on soups and condiments. In the case of other food products, however, a number of items in HS 2106.90 are subject to TRQs that are in place on sugar, dairy, wheat, rice, and barley products. The United States subjects certain types of blended syrups to TRQs that are in effect on sugar and dairy products to protect the sugar and dairy sectors. The United States also imposes a TRQ on sugar-containing condiments found in HS 2103.90. As a result of domestic farm policies that insulate the grain and dairy sectors in Japan from international competition, global TRQs for products derived from wheat, rice, barley, and dairy products affect several types of food preparations in HS 2106.90 that are more than 30 percent by weight of these products.

[5] USITC staff interviews with Chilean and Argentine importers, June 4, 2001, June 7, 2001, and June 8, 2001.

Table 14-1
Other miscellaneous food and beverage products: U.S. exports to principal markets and to markets with the potential for expanded U.S. exports, 1996-2000

Items	1996	1997	1998	1999	2000	Change 2000 over 1996
	1,000 dollars					Percent
Coffee and tea:[1]						
Canada	125,000	127,344	174,231	173,652	188,218	51
Japan	15,461	12,067	13,251	14,099	15,566	1
Mexico	3,174	3,639	3,122	10,359	13,804	335
EU	4,154	15,320	13,590	12,790	11,918	187
Korea[2]	13,342	15,917	5,910	8,370	11,104	-17
China[2]	5,014	967	907	676	259	-95
All other	55,686	63,884	38,748	46,542	42,965	-23
Total	221,831	239,138	249,759	266,488	283,834	28
Spices:[3]						
EU	8,279	9,359	13,053	11,707	8,730	5
Canada	9,414	9,924	9,439	8,652	8,448	-10
Japan	2,865	2,671	1,865	1,574	1,814	-37
Mexico	1,453	2,119	3,681	4,717	6,269	331
Brazil[2]	710	280	787	2,349	381	-46
China[2]	90	118	161	437	615	583
All other	10,097	11,292	12,918	14,146	12,316	22
Total	32,908	35,763	41,904	43,582	38,573	17
Soups, sauces, and condiments:[4]						
Mexico	48,213	74,683	105,570	138,581	176,667	266
Canada	109,833	111,366	114,889	122,841	129,433	18
Japan	35,950	37,142	32,638	32,569	35,212	-2
Korea[2]	10,867	7,895	3,486	9,911	14,149	30
Taiwan[2]	9,337	14,641	11,730	6,677	7,446	-20
India[2]	109	548	327	377	659	505
All other	145,774	174,231	145,682	160,377	168,656	16
Total	360,083	420,506	414,322	471,333	532,222	48
Other food products:[5]						
Canada	246,945	291,989	320,763	325,970	326,126	32
EU	199,590	204,883	239,052	229,846	235,126	18
Japan	147,314	193,677	192,149	188,932	151,721	3
Korea[2]	68,255	48,905	21,027	48,061	59,268	-13
China[2]	5,943	11,866	16,454	14,628	38,342	545
All other	818,040	836,189	754,882	846,780	806,726	-1
Total	1,486,087	1,587,509	1,544,327	1,654,217	1,617,309	9
Grand total	2,100,909	2,282,916	2,250,312	2,435,620	2,471,938	18

[1] Includes HS numbers 0901.11, 0901.21, 0901.22, 0902.30, 2101.11, 2101.12, and 2101.20.
[2] Denotes a potential market.
[3] Includes HS numbers 0904.12, 0904.20, 0910.91, and 0910.99.
[4] Includes HS numbers 2103.10, 2103.30, 2103.90, 2104.10, and 2209.00.
[5] Includes HS numbers 1206.00, 2104.20, and 2106.90.

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

Tariff Barriers

Coffee, Tea, and Spices

Tariff rates on coffee and tea products are applied on an ad valorem basis, while some types of spices are subject to simple specific rate duties. Generally, tariffs for coffee, tea, and spice products are correlated with the level of processing. Raw and semi-processed products have relatively lower tariffs than processed products. Tariff rates are also generally lower, for all levels of processing, in developed countries. Sugar-containing products (instant coffee and tea) generally have the highest duties because of the special tariff treatment on sugar-containing products.

For unprocessed coffee, tariffs among the Quad countries (the United States, Japan, Canada, and the EU) are free (table Q-1). Tariffs on semi-processed black tea (fermented in bags) are also duty-free, with the exception of Japan where tariffs range from 12 percent to 20 percent. U.S. exports of unprocessed coffee enter Mexico duty-free, while Mexico's MFN rates of 23 percent provide protection for domestic growers. In other markets, tariffs on unprocessed coffee are 2 percent in Korea, 4.5 percent in Taiwan, 15 percent in India, and 20 percent in China (table Q-2).

Tariffs on roasted coffee are free in the United States and Canada, while the EU and Japan impose duties of 7.5 percent and 12 percent, respectively (table Q-1). Mexico applies an MFN rate of 72 percent, though the tariff for U.S. exports is just 6 percent (table Q-2). However, NAFTA's restrictive rules of origin limit exports of most U.S. processed coffee. In order to receive NAFTA tariff preferences, U.S. exports of processed coffee must use coffee that mainly originated from a NAFTA partner. U.S. exports of roasted coffees must be 93 percent or more NAFTA-origin beans, while soluble coffee exports must contain at least 60 percent NAFTA-origin beans in order to receive NAFTA tariff preferences.[6] Mexico also has a small TRQ on roasted coffee that gives preferential access to Costa Rica and Guatemala. The administration of the Mexican TRQs has been questioned by the U.S. coffee industry as being restrictive.[7] Moreover, Mexico imposes a special safeguard quota on processed coffee products. Imports into Mexico that are above the safeguard level are assessed an additional 20 percent special safeguard duty.[8] The tariff rate in China for processed coffee (35 percent) is higher than that on unprocessed coffee (20 percent).

Instant coffee with sugar generally has the highest tariff rate because it is mostly composed of sugar, with the tariff levied on the basis of the sugar content rather than the coffee content (see chapter 4). The United States imposes a TRQ on sugar-containing products, while the EU levies a compound tariff, with the specific component based on the sugar content of the product. In Canada, sugar-containing coffee products enter free of duty, while tariffs in Japan

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[6] Robert F. Nelson, President and Chief Executive Officer, National Coffee Association of the USA Inc. (NCA), written submission to the Commission, Feb. 15, 2001.

[7] Ibid.

[8] The safeguard duty is applied to all shipments of soluble coffee entering Mexico under NAFTA that exceed 238.81 tons. USDA, FAS, *Mexico's NAFTA Tariff Schedule for 2000*, Mexico City, GAIN Report No. MX0044, Mar. 31, 2000.

range from 8.8 percent to 29.8 percent. Most other markets do not have special tariff barriers on instant coffee that are designed to protect domestic sugar industries. For soluble or instant coffee that does not contain sugar, tariffs are set at free in the United States and Canada, while the EU (9 percent) and Japan (median rate of 15 percent) impose higher tariffs (table Q-1). In other leading and potential markets, tariffs on instant coffee are higher than those on roasted products, including Mexico (MFN rate 141 percent, though the NAFTA rate is free for eligible U.S. instant coffee), China (50 percent), India (35 percent), and Taiwan (10 percent).

Black tea enters the Quad countries, except Japan, duty-free, while instant tea containing sugar is subject to a tariff similar to that on instant coffee containing sugar (table Q-1). Mexico levies a lower tariff (23 percent) on instant tea with sugar. Tariff rates in most other markets for sugar-containing instant tea are generally identical to those on instant coffee containing sugar (table Q-2).

The Quad countries have relatively low ad valorem or specific tariffs on spices (table Q-1). Other markets maintain relatively higher ad valorem tariffs that do not vary substantially by spice product (table Q-2).

Soups, Sauces, and Condiments

Tariffs on soups, sauces, and condiments in the Quad countries, are typically 10 percent. Certain sauces in Japan have a tariff of almost 13 percent, while soups have a duty of 11.5 percent in the EU (table Q-1). Tariffs on sauces, soups, and condiments in emerging markets are somewhat higher than those in developed countries. Tariffs on soups, sauces, and condiments are around 20 percent in Taiwan, with some products, such as miso, having duties as high as 42 percent (table Q-2). Duties in China range from 30 percent to 60 percent. While tariffs on sauces are relatively low in Korea (8 percent), tariffs on soups approach 30 percent. In Latin America, tariffs are roughly 20 percent. High tariffs in emerging markets in Latin America and Asia were cited by one company as the main market barrier for its soup products.[9]

Other Food Products

Tariffs on other food products vary significantly by market. Homogenized products have tariffs ranging from 11 percent to 14 percent in the EU, Canada, and Japan (table Q-1). Other edible preparations include blended honey, blended syrup, alcoholic preparations, non-dairy coffee creamers, beverage mixtures, and other miscellaneous food items. In the United States, the EU, and Japan, products that contain sugar or dairy components are subject to TRQs, with high over-quota duties applied. In the EU, additional duties are added to some edible preparations based on their starch, dairy, or sugar content. Other tariffs are based on the percentage of alcohol content. Japan applies a number of complex tariffs on certain types of

[9] Bertram C. Willis, Group Director – Government and Community Relations, Campbell Soup Company, written submission to the Commission for Inv. No. 332-396, *Economic Trends and Barriers to Trade in Products Covered by the WTO Agreement on Agriculture*, Mar. 31, 1999.

sugar syrups and compound alcoholic beverage preparations. These are expressed as compound rates, where the applied tariff is the maximum of an ad valorem rate ranging from 29.8 percent to 52.5 percent and a specific rate ranging from ¥23/kg to ¥49.7/kg. Other tariffs on edible preparations in Japan range from free to nearly 30 percent. Tariffs on other food products in developing countries are significant (table Q-2). In India, there is a 170 percent duty placed on alcoholic preparations. Taiwan and Korea have a number of food products with tariffs over 30 percent.

As noted earlier, TRQs are in effect for products under HS 2106.90 that contain sugar or dairy in the United States, Japan, and Canada (table Q-3). Japan places edible preparations with more than 30 percent by weight of wheat, barley, dairy, or rice under TRQs. The United States also maintains a TRQ on mixed condiments that contain sugar. Korea has a global TRQ on all products derived from ginseng. Two products classified in HS 2106.90 (red ginseng tea and other red ginseng products) are part of this TRQ. In-quota imports of these ginseng products have a tariff of 20 percent, while any imports over the quota quantity of 46.7 tons[10] receive an extremely high over-quota tariff of 787.8 percent.

Regional Trade Agreements

Regional trade agreements are not major determinants of global trade flows for coffee, tea, or spice products, as most consumption and production of processed coffee, tea, and spices occur locally. With respect to sauces, soups, and condiments, preferential rates have some impact on trade in Latin America, where zero duties between Mercosur partners disadvantage U.S. exporters that have to contend with tariffs ranging between 19 percent and 21 percent. These tariffs are much more of an issue for lower value products, since many high-value premium imported products are relatively insensitive to price and receive less competition from local products. Preferential tariffs also affect certain types of edible preparations where the United States must compete with local or regional production.

The EU maintains numerous tariff preferences for coffee, tea, and spice products. For unprocessed coffee, preferential rates given to Eastern European and other European countries, such as Switzerland and Iceland, range from free to 1.8 percent, while duties are free for most Mediterranean- area countries, former colonies, overseas colonies and territories, and GSP countries. For instant coffee and tea products, the preferential tariffs for Eastern European countries are either free or only apply the additional agricultural component (on the basis of the sugar content). Mexico receives duty-free access to the EU for instant coffee, while South Africa (3.7 percent) and Bulgaria (3.2 percent) are also granted preferential access. Least developing countries and Central and South American countries, with the exception of Chile, Brazil, and Argentina, receive duty-free access. In the case of soups and condiments, a number of Eastern European countries, such as the Czech Republic, Poland, Romania, Slovakia, and Bulgaria, receive preferential tariffs that are over 50 percent less than the MFN tariff, while Hungary receives a preferential TRQ. Most countries that receive EU tariff concessions under various regional agreements, such as certain Mediterrean-area countries, former colonies and overseas dependencies, and most countries in Central and

[10] This quantity applies to all ginseng products, including those not found in HS 2106.90.

South America (with the exception of Chile, Argentina, and Brazil), have duty-free access to the EU. Tariff preferences for other edible preparations vary by the type of product. While most types of edible preparations receive preferential rates similar to those for soups and condiments, only least developing countries receive tariff preferences on certain types of blended syrups.

The United States provides duty-free access for most non-sugar-containing products covered in this sector to Canada and Mexico, countries eligible under CBERA and the Andean Trade Preference Act, and for Israeli products pursuant to the United States-Israel Free Trade Area. Japan extends two levels of preferential duties on most coffee, tea, and spice products. For coffee and tea products, preferential tariff rates range from free to 15 percent, while eligible least developed nations receive duty-free treatment. For most spice products covered in this sector, Japan extends duty-free access to preferential and least developed countries (table Q-1). Japan also gives preferential tariff rates on soy sauce, miscellaneous sauces, homogenized preparations, and a few varieties of beverage preparations. Least developed countries receive duty-free access to Japan, while countries with preferential access generally receive a reduction in the MFN rate of between 15 percent to 40 percent.

Non-tariff Barriers and U.S. Industry Concerns

Non-tariff barriers and industry concerns that are specific to the miscellaneous foods and beverages sector and affect U.S. exports of these products are discussed below and are summarized in table Q-4. Given the diversity of this sector, however, there are also a number of other non-tariff barriers affecting this sector that are common to many other types of processed food products. These are discussed in greater detail in chapter 2.

Labeling, Registration, and Customs Procedures

Difficulties with the labeling and registration of condiments have been mentioned as a problem by importers in a number of Latin American markets. An importer in Chile noted some difficulties with the import of U.S. mustard products due to the type of information required on the label in Chile. The U.S. label on mustard allows the manufacturer to generically denote the spices used in the manufacture of mustard as “spices” on the label, since the exact recipe of spices is considered proprietary information. In Chile, however, each individual spice must be listed in declining order with all other ingredients. There is concern that this type of proprietary information could be copied and given to a rival domestic company.[11] Trade in this company’s mustard has ceased as a result of this dispute.[12]

[11] USITC staff interview with Chilean importer, June 4, 2001.
[12] Ibid.

Another issue concerns the registration of certain condiments in the Mercosur region. In some cases, despite the existence of common sanitary requirements in the Mercosur agreement, certain products that are banned in one market are sometimes allowed in another. One Argentine importer remarked on the difficulties with the import of mustard and mint sauce into Argentina due to the inclusion of an unauthorized color in one product and an unauthorized preservative in the other. However, these products are sold in other Mercosur countries such as Brazil and Uruguay with no problems.[13]

A U.S. exporter of sunflower seeds commented on the certification procedures required to export product samples to Mexico. The required documentation included phytosanitary certificates, a certificate of free sale (for roasted products), a certificate of processed plant parts (for roasted products), a document indicating the percentage of sugar for honey roasted products, and a certificate attesting that the product is fit for human consumption.[14] However, processed products cannot have a phytosanitary certificate issued by the Minnesota State Department of Agriculture.[15] Additional certificates are required by the importer as well.

In some markets, U.S. exporters of flavorings have had difficulties obtaining the proper tariff classification for their products. One U.S. group noted that certain types of flavorings properly classified under HS 3302.10 (mixtures of odoriferous substances and mixtures, of a kind used in the food and drink industries) have been erroneously classified under HS 2106.90 in some markets, which often results in these products receiving a higher tariff rate.[16]

Tariff Escalation

Tariff escalation has been cited by the U.S. coffee industry as an issue that is prevalent in many export markets.[17] The prevalence of tariff escalation in certain markets for coffee products is illustrated in figure 14-1. The processing chain for coffee is composed of four value-added processing levels: (1) raw coffee beans, (2) roasted coffee, (3) soluble or instant coffee, and (4) instant coffee with sugar. Tariff escalation for these products was evident in all markets examined.[18] For raw coffee beans, tariffs range from duty-free in the U.S., EU, and Japanese markets to relatively low tariffs in Korea (2 percent) and Taiwan (4.5 percent). Tariff protection increases with each value-added processing step for most markets. Tariffs on roasted coffee in the target markets ranged from duty-free in the United States to 35 percent in China. Duties on instant coffee are even higher (10 percent in the United

[13] USITC staff interview with Argentine importer, June 8, 2001.

[14] Prairie A. Topp, International Sales, Dahlgren & Company, Inc., written submission to the Commission, Jan. 22, 2001.

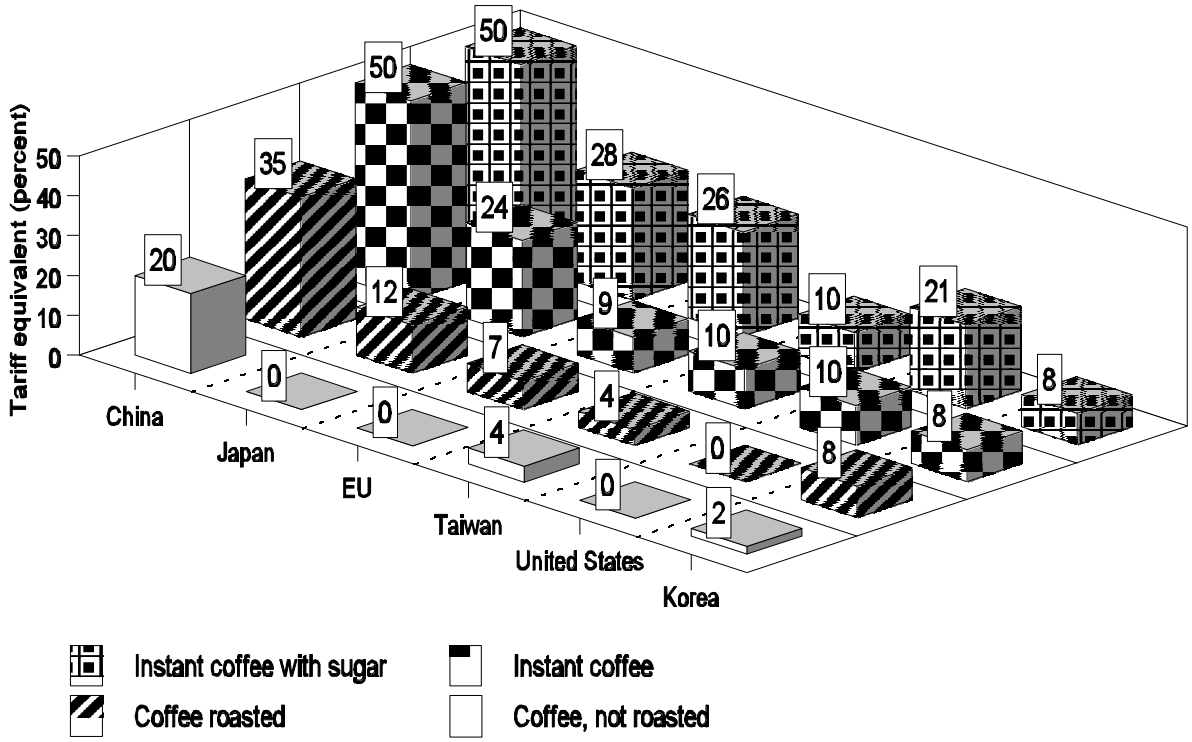
[15] Ibid.

[16] Glenn Roberts, Executive Director, Flavor and Extract Manufacturers Association of the United States, written submission to the Commission, Feb. 16, 2001.

[17] Robert F. Nelson, President and Chief Executive Officer, NCA, written submission to the Commission, Feb. 15, 2001.

[18] None of the markets examined is a significant producer of coffee beans.

Figure 14-1
Coffee products: Tariff equivalents for selected markets, 2000



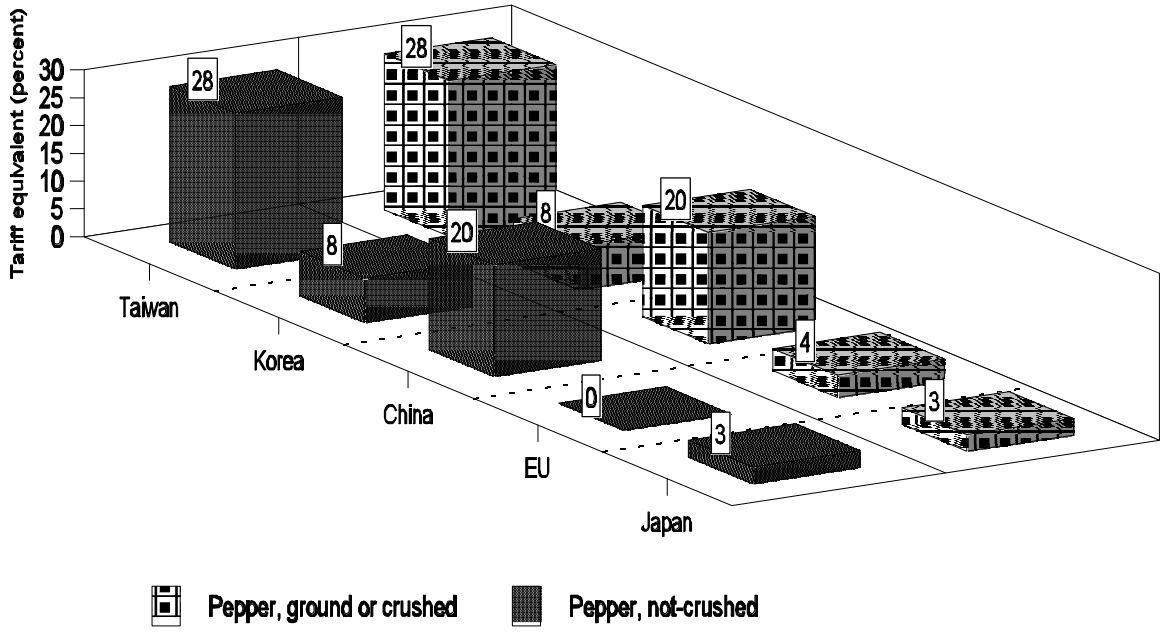
Notes.–The United States places TRQ restrictions on imports of instant coffee with sugar. The over-quota rate for these products is reflected above. The U.S. in-quota tariff on imports of instant coffee with sugar is 10 percent.

Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund.

States to 50 percent in China). Tariff protection is highest for coffee containing sugar in markets such as Japan (28 percent) and for countries that maintain domestic sugar programs such as the United States (21 percent) and the EU (26 percent). Tariffs on instant coffee in China (50 percent) and Taiwan (10 percent) do not increase with the addition of sugar.

Using pepper as a representative spice commodity, tariff escalation was examined for a number of markets (figure 14-2). The value chain is composed of two levels of processing: pepper (not ground) and pepper ground and crushed. In this instance, tariff escalation is not readily present, as tariff rates on both products are the same in most markets examined.

Figure 14-2
Pepper products: Tariff equivalents for selected markets, 2000



Notes.—U.S. tariffs on pepper products are free. The EU tariff on uncrushed pepper is free. In Taiwan, the tariff on uncrushed pepper is represented as the maximum of 28 percent or NT$15.4/kg. Given the reference price of U.S. $4.80 per kg and rf exchange rate of NT$31.325 per U.S. dollar, the tariff rate of NT$15.40 per kg translates into an ad valorem equivalent of 10.2 percent, such that the alternative tariff of 28 percent was used.

Sources: Tariff equivalents were computed from the 2000 tariff schedules of the countries listed above, using reference prices (where applicable) for the subject products that were estimated by USITC staff. Exchange rates used to convert certain foreign duties to U.S. dollars were calculated from the year 2000 "rf" exchange rates published by the International Monetary Fund. The NT$/US dollar exchange rate for 2000 was obtained by USITC staff at *http://www.cbc.gov.tw/economic/Estatistics/fs/fs.htm*, retrieved Mar. 5, 2001.

CHAPTER 15
An Analysis of the Relationship Between Foreign Direct Investment and Trade in Processed Foods and Beverages

Introduction and Trends in Foreign Direct Investment

The relationship between trade and foreign direct investment (FDI) is an important issue when trying to understand the impact of trade barriers on processed food products. Unlike commodity agriculture, where foreign market penetration occurs almost exclusively through trade, processed food manufacturers have the option to either trade processed foods and beverages on international markets or to produce directly in a foreign market. As a result, it is more difficult to gauge the impact of trade liberalization on the processed food industry. If foreign investment levels are significantly higher than trade flows, for instance, it could imply that trade reforms will have little impact on the sector. On the other hand, trade barriers may force companies to produce and invest in areas that are not necessarily the most cost-efficient, and thus trade liberalization would promote efficiencies and synergies in production.

FDI is defined as ownership by a parent firm in one country of a subsidiary firm, or affiliate, in another country.[1] Ownership of as little as 10 percent of an affiliate qualifies as FDI in U.S. Government statistics, although most U.S. affiliates in food processing are majority-owned.[2] FDI in food and kindred products[3] by U.S.-based firms climbed steadily from $24.9 billion in 1994 to $36.1 billion in 1999, the latest available year (figure 15-1). The largest link created by outward FDI is with Europe, which accounted for 48 percent of the total stock of U.S. FDI in this industry in 1999. The largest European destinations are the United Kingdom, France, and the Netherlands, which together accounted for $11.4 billion, or about one-third of the total. Mexico edged past Canada in 1999 as the second-largest destination for U.S. FDI, accounting for $5.3 billion, or 15 percent of total U.S. food industry FDI; this was twice the level of 1994. Brazil is another important Latin American country, with $2.1 billion in FDI, or 6 percent of the U.S. total. Holdings in Canada grew from $4.0 billion in 1994 to about $5 billion in 1999, or 14 percent of total U.S. FDI. Asia and the Pacific (primarily Australia and Japan, each with 2 percent in 1999) account for most of the remaining FDI by U.S. food companies.

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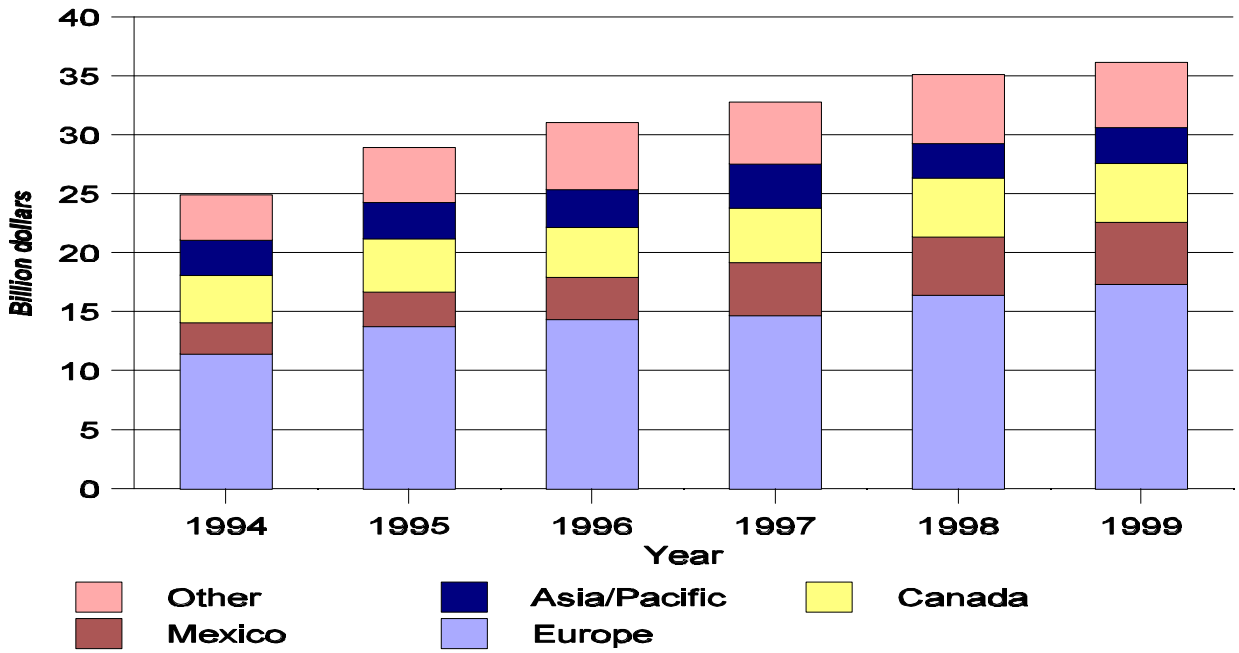
[1] In the following, the term "U.S. affiliate" refers to a foreign subsidiary of a U.S. parent.

[2] Christine Bolling, Steve Neff, and Charles Handy, *U.S. Foreign Direct Investment in the Western Hemisphere Processed Food Industry*, AER No. 760, (Washington, DC: USDA, ERS, Mar. 1998), p. vi.

[3] Food and kindred products is a designation used by the U.S. Department of Commerce in its FDI data and may include some products outside the scope of this study.

Figure 15-1
U.S. FDI stocks in food and kindred products by region of foreign affiliate (historical cost basis)



Source: Bureau of Economic Analysis, U.S. Department of Commerce.

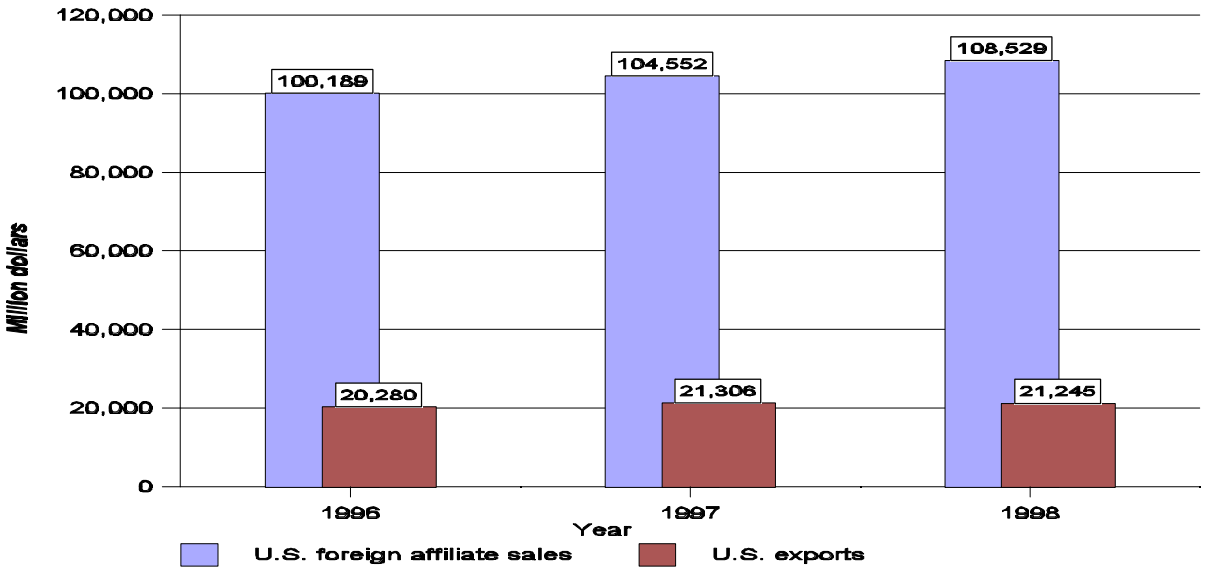
In 1998, a total of 664 U.S.-owned affiliates generated food product sales of $108.5 billion and produced $6.4 billion in net income. This is over 8 percent higher than U.S. affiliate sales just two years earlier, which were valued at $100.2 billion. The beverage and grain mill sectors were the largest components of the U.S.-owned segment of the foreign food and kindred products industry, with total assets of $36.8 billion in 1998, or 38 percent of the industry total.

By at least one measure, outbound FDI is more important than trade to the U.S. processed foods industry; the value of U.S. affiliate sales abroad is several times larger than the value of U.S. exports.[4] This proportion varies widely by market. Bolling, Neff, and Handy (1998) report that, based on 1994 data, U.S. affiliate sales were markedly higher than U.S. exports to Brazil and Argentina. In the case of Brazil, U.S. affiliate sales were 12 times larger than U.S. exports, while in Argentina, U.S. affiliate sales were 36 times larger than exports. By contrast, U.S. affiliate sales were only 2.5 times larger and 3 times larger in Mexico and Canada, respectively.[5] In figure 15-2, foreign affiliate sales of food and kindred products are plotted against total U.S. processed food and beverage exports; the figure highlights that

[4] Colin A. Carter and Alper Yilmaz, "Inter-Industry Trade and Foreign Direct Investment in Processed Foods as Alternatives to Trade Theory," In D.H. Pick et al., eds., *Global Markets in Processed Foods* (Boulder, CO: Westview, 1998).

[5] C. Bolling, S. Neff, and C. Handy, *U.S. Foreign Direct Investment in the Western Hemisphere Processed Food Industry*, AER No. 760, (Washington, DC: USDA, ERS, Mar. 1998).

Figure 15-2
U.S. foreign affiliate sales and U.S. exports of processed food and beverage products, 1996-98



Source: U.S. Department of Commerce. U.S. foreign affiliate sales are of food and kindred products, as reported by the Bureau of Economic Analysis. U.S. exports are the sum of all HS numbers for products included in the study. There are differences in the product mix in each group. In particular, food and kindred products includes seafood products that are not covered in the study.

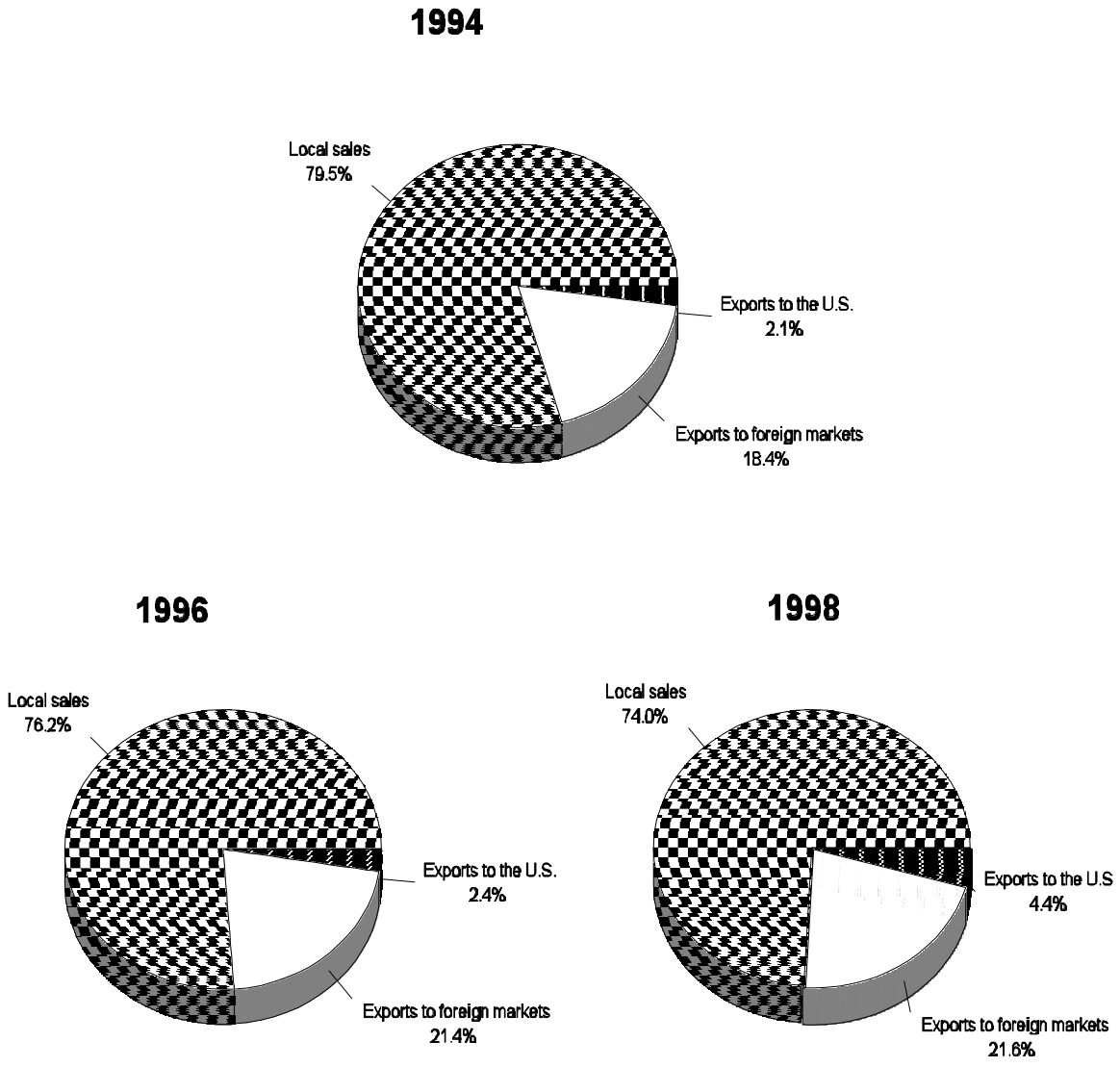
affiliate sales are more than five times the level of U.S. exports and are growing at a much faster rate than the growth in export sales.

Most U.S.-owned foreign affiliates target their sales towards the domestic market in which they are operating. For instance, one U.S. food company operating in Thailand produces primarily for the Thai market and must import finished products to complement its domestically based production.[6] However, over the past several years, U.S. affiliates have become increasingly trade oriented. In 1994, close to 80 percent of affiliate sales were destined for the local food market, with 18 percent of sales exported to foreign markets and just 2 percent exported to the U.S. (figure 15-3). By 1998, however, U.S.-owned foreign affiliate sales to local markets had fallen to 74 percent, while exports to foreign markets had risen to 22 percent and exports to the U.S. had increased to 4 percent. This might be related to the growth in FDI in Mexico and Canada during this time period (in terms of the growth of exports to the U.S.) and lower trade barriers as a result of the Uruguay Round (in terms of the growth of overall exports).

Figure 15-4 shows the level, or stock, of FDI in the U.S. food and kindred products industry. In 1995, FDI jumped to $27 billion but fell in 1998 (the latest year available) to $22 billion. By far, the largest source of FDI in the United States is Europe, chiefly the United Kingdom, France, the Netherlands, and Switzerland, which together accounted for $14 billion, or about two-thirds of the total in 1998. Europe as a whole accounts for about 70 percent of FDI stocks in this industry. Canada is the second-largest source (behind the UK) of FDI in the

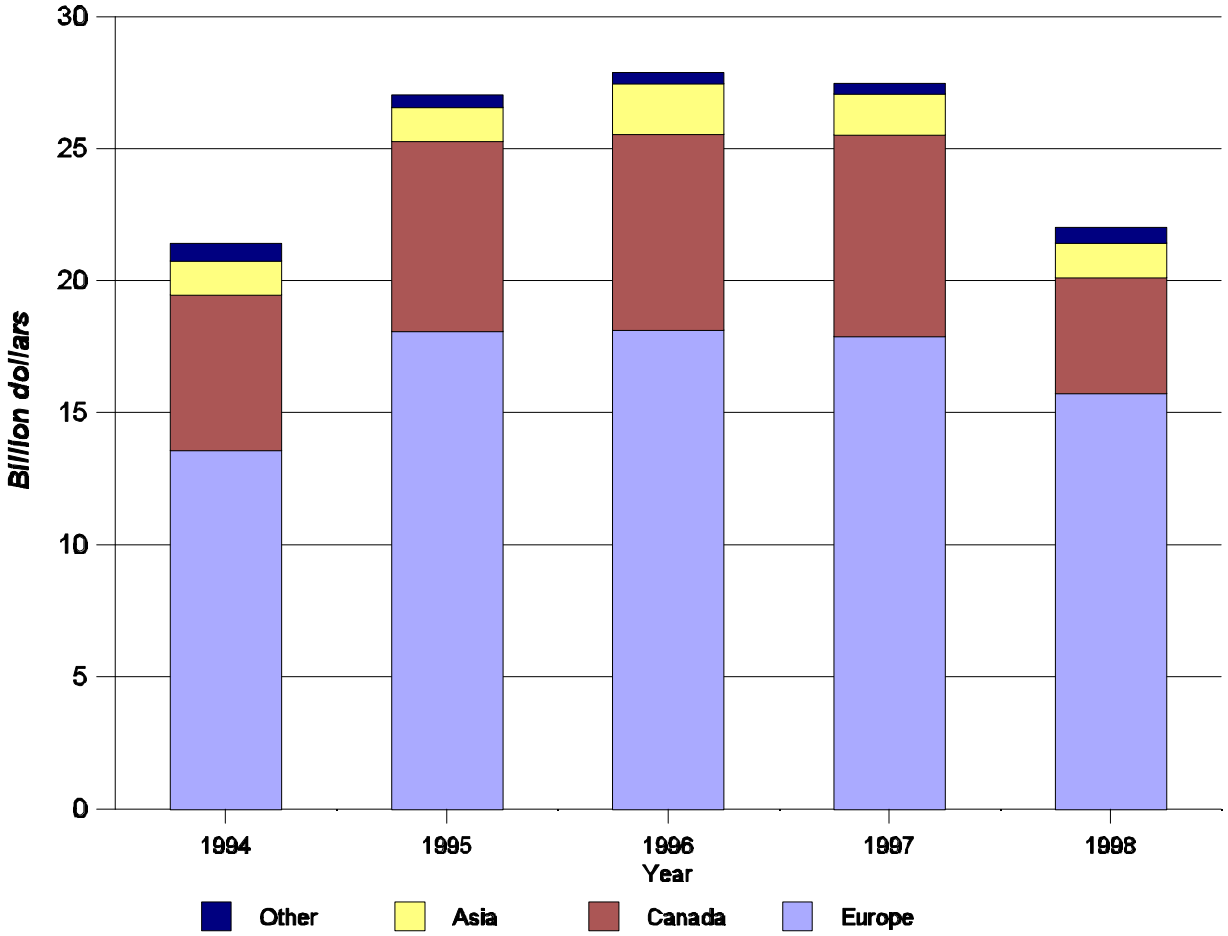
[6] USITC staff interview with Thai industry representative, Apr. 2, 2001.

Figure 15-3
Destination of sales of food and kindred products by U.S.-owned foreign affiliates, selected years



Source: Bureau of Economic Analysis, U.S. Department of Commerce.

Figure 15-4
Foreign FDI stocks in U.S. food and kindred products by region of ownership (historical cost basis)



Source: Bureau of Economic Analysis, U.S. Department of Commerce.

U.S. food and kindred products industry. Canadian holdings averaged around $7.4 billion in recent years, but fell to $4.4 billion in 1998, or about 20 percent of total FDI. Asia (primarily Japan) accounts for most of the rest. Japanese FDI stocks in U.S. food and kindred products have ranged between $750 million and $1.5 billion in recent years, and totaled $1.2 billion, or 5 percent of the foreign total, in 1998.

Including tobacco,[7] a total of 284 affiliates in the United States generated food product sales of $65 billion in 1998 and produced $1.6 billion in net income. The bakery sector stands out as the largest component of the foreign-owned segment of the U.S. food and kindred products industry. Total assets of foreign-owned bakery affiliates totaled $19.3 billion in 1998, or 27 percent of the industry total. Sales in this sector reached almost $13 billion (20 percent of the total).

The Relationship Between FDI and Exports of Processed Foods

The prevalence and size of FDI in the processed food industry suggest a number of issues that need to be considered in order to examine the effects of trade barriers on U.S. exports and investment. To understand these effects, information is first presented detailing work from the economics literature on this relationship. Additional information is then provided on the strategies firms employ in their international operations. This material is finally synthesized and combined with anecdotal evidence from Commission staff fieldwork to generate some conclusions about the effect of trade barriers on U.S. exports and investment.[8]

Theoretical Literature

One question is whether FDI supplants or promotes exports. The evidence, in the literature and empirically, is not clear. A number of theoretical studies have been advanced to study this relationship. The traditional view held that FDI and exports were substitutes. Mundell (1957) first showed this relationship held by using a modified Heckscher-Ohlin factor endowment model with free-moving capital and labor as a substitute for free trade. Bringing together the theories of Hymer (1976), Vernon (1966), Buckley and Casson (1976), Caves (1971)[9] and

[7] Tobacco is included with beverages because reporting data separately would disclose individual firms' proprietary business information.

[8] For more detailed information on this topic, see Dennis R. Henderson, Charles R. Handy, and Steven A. Neff, *Globalization of the Processed Food Market*, AER No. 742, (Washington, DC: USDA, ERS, 1996).

[9] S.H. Hymer, *The International Operation of National Firms: A Study of Direct Foreign Investment* (Cambridge, MA: The MIT Press, 1976); R. Vernon, "International Investment and International Trade in the Product Life Cycle," *Quarterly Journal of Economics* Vol. 90 (1966) pp. 190-207; J.P. Buckley and M. Casson, *The Future of Multinational Enterprise* (New York: Holmes and Meier Publishers Inc., 1976); and R.E. Caves, "International Corporations: The Industrial Economics of Foreign Investment," *Economica* Vol. 38 (1971) pp. 1-27.

others, Dunning (1977) further advanced the OLI (Ownership-Location-Internationalization) paradigm. In this model, the author envisioned domestic firms generally as having an inherent advantage relative to FDI entrants, since domestic firms have a more intimate knowledge of the market language and customs than a potential foreign entrant. For home firms to compete in host markets, they must have significant advantages: namely, *ownership* advantages (firm-specific advantages), *location* considerations (transportation costs and import restrictions), and *internationalization* gains (intangibles that make keeping the knowledge "in house" more profitable than selling). All three must hold for a foreign firm to choose FDI over exporting in order to access a particular market.[10]

The other major theoretical framework holds that exports and FDI are complements. This framework grew out of frustrations with the traditional trade theory and its inability to explain intra-industry bilateral trade and the reasons countries with similar factor endowments engaged in the most trade.[11] A complementary relationship between trade and investment could arise from two factors. First, when a product is produced in a foreign market, demand is created for both foreign or home-country products, due to marketing, distribution, or a firm's reputation. In this case, FDI could increase host country demand and hence worldwide demand, and will thus lead to export growth from the home country into the host country. The second possibility involves vertical relationships between intermediate and final good suppliers. In this case, the establishment of a production facility in a foreign country could lead to greater demand for intermediate inputs from the home country in the form of home country exports.[12]

There is very little empirical work on the relationship between FDI and trade in processed foods, although recent papers tend to suggest a complementary relationship between exports and FDI.[13] Using panel data over 1984-94, Somwaru and Bolling (1999) demonstrate that the relationship between FDI and exports in processed foods depends on a country's development stage and similarity of economic development between host and home country, with a

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[10] H.J. Dunning, "Trade, location of economic activity and the multinational enterprise (MNE): A search for an eclectic approach," in B. Ohlin, P.O. Hessleborn and P.M. Wijkman, (eds.) *The International Allocation of Economic Activity* (London: MacMillan, 1977).

[11] For literature reviews on new trade theory, see Andrea Maneschi, "How New is the 'New Trade Theory' of the Past Two Decades?" Vanderbilt University Department of Economics Working paper No. 00-W27, July 2000, found at *http://www.vanderbuilt.edu/econ*, retrieved June 20, 2001; Asad Alan, "The New Trade Theory and its Relevance to Trade Policies of Developing Countries," *The World Economy* Vol. 18, no. 3, (May 1995), pp. 367-385; and James Markusen, "The Boundries of Multinational Enterprises and Theory of International Trade," *Journal of Economic Perspectives* Vol. 9, no. 2 (Spring 1995), pp. 169-189.

[12] Steve McCorriston, "Recent Developments on the Links between FDI and Trade," University of Exeter Discussion Paper in Economics 00/05 (July 2000), p. 11.

[13] Other authors have begun preliminary work in this area. Carter and Yilmaz (1999) are examining firm-level data in Turkey over 1980-99 to understand whether FDI and MNC export sales to the host country are substitutes or complements; results are pending (Colin A. Carter and Alper Yilmaz, "FDI and Trade - Substitutes and Complements? An Application to the Processed Foods Industry," presented at the American Agricultural Economics Association Annual Meeting, Aug. 8-11, 1999, Nashville TN). Another example using the GTAP model is Marinos Tsigas "How Would Food in Agricultural Markets be Affected by Liberalizing Trade in Processed Foods?" USITC Economics Working Paper No. 2001-08-A, Aug. 2001.

complementary relationship shown between U.S. exports and FDI in developing countries.[14] Using firm-level data, Overend, Connor, and Salin (1995) find different relationships between FDI and exports depending on the firm.[15] Marchant, Sanghainan, and Vickner (2000) analyze the relationship between U.S. exports of, and FDI in, processed foods to China using a simultaneous equation econometric model and annual data over 1982-97 for 13 processed foods categories. The authors found that FDI and export sales are strong complements, with a one percent increase in U.S. FDI into China leading to an almost one percent (0.95) increase in U.S. processed foods exports to China. Specifically, this implies that an MNC entering the Chinese processed food market might simultaneously increase both host-country FDI and exports into China.[16] Unlike other studies that look at the relationship between exports and investment, Gopinath, Pick, and Vasavada (1999) use data on foreign sales rather than FDI. Using a data set for 10 developed markets during the period 1982-94, they find that foreign sales and exports in the processed food industry are substitutes.[17]

It is likely, given the range of results from the economic literature on the substitutability or complementarity of FDI and exports, that the true relationship is highly product specific.[18] This result was found, for instance, by Abbott and Solana-Rosillo (1996), who observed that foreign marketing strategies for wine varied by country.[19] Evidence from Commission staff fieldwork suggests that the relationship between exports and investment varies by company. One Australian-based cookie manufacturer, for instance, has affiliate plants in Southeast Asia that produce lower end products in smaller package sizes to cater to local tastes. Exports into those markets from Australia are typically higher end, high-value products.[20] A U.S. breakfast cereal producer maintains a number of affiliates throughout the world, including several in the Asia-Pacific region. Each of these affiliates generally produces for the local market. However, certain product lines, particularly new products from the United States, are exported to those affiliate markets.[21] In some cases, FDI has supplanted U.S. exports. One U.S. fruit canning company moved its operations to Thailand to take advantage of lower input costs and to use

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[14] Agapi Somwaru and Christine Bolling, "U.S. Foreign Direct Investment and Trade: Substitutes or Complements," presented at the American Agricultural Economics Association Annual Meeting, Aug. 8-11, 1999; Nashville TN, mimeo.

[15] C. Overend, J. Connor, and V. Salin, "Foreign Direct Investment and U.S. Exports of U.S. Processed Foods: Complements or Substitutes?" NCR-182 Conference, Foreign Direct Investment and Processed Food Trade, Arlington, VA, Mar. 9-10, 1995.

[16] Mary A. Marchant, Sayed H. Sanghainan, and Steven S. Vickner, "Trade and Foreign Direct Investment Management Strategies for U.S. Processed Foods in China," *International Food and Agribusiness Management Review* Vol. 2, no. 2 (2000), pp. 131-143.

[17] Munisamy Gopinath, Daniel Pick, and Utpal Vasavada, "The Economics of FDI and Trade with an Application to the U.S. Food Processing Industry," *American Journal of Agricultural Economics* Vol. 81, (May 1999) pp. 442-452.

[18] H. Christine Bolling, "U.S. Foreign Direct Investment in the Global Processed Food Industries," in *Regional Trade Agreements and U.S. Agriculture*, Mary E. Burfisher and Elizabeth A. Jones, eds., AER No. 771, (Washington, DC: USDA, ERS, Nov. 1998).

[19] Philip C. Abbott and Juan B. Solana-Rosillo "International Firms in the Manufacture and Distribution of Processed Foods," In D. Pick, J. Kinsey, D. Henderson, and I. Sheldon, eds., *Global Markets for Processed Foods: Theoretical and Practical Issues* (Boulder, CO: Westview Press, 1997).

[20] USITC staff interview with Australian industry representative, Mar. 19, 2001.

[21] USITC staff interview with Australian industry representative, Mar. 20, 2001.

Thailand as an export platform.[22] A couple of importers of U.S. products in the EU also noted that U.S. exports that are successful in the EU are eventually produced locally in the EU.

Firm Strategies for Penetrating Foreign Markets

The existing literature and research gathered from Commission staff fieldwork suggest a number of factors that influence a firm's decision to operate in international markets. Vaughn, Malanoski, West, and Handy (1994) surveyed a number of food companies to better understand their motivations for entering foreign markets. They found the main reason that surveyed companies engaged in overseas sales was slow growth in the U.S. market, caused by low population growth, market maturity, and having a relatively high share of the domestic market.[23] Similar reasons were provided by companies interviewed in Hagen (1997).[24] Officials at a U.S. pet food company interviewed by Commission staff noted that its best growth opportunities existed overseas, with growth rates double those in the United States.[25] Sterns, Peterson, and Schweikhardt (1997), in a survey of small- and medium-sized firms in Michigan, posited three factors that influence the decision of companies to export; these were confirmed empirically through the use of a maximum likelihood logistic regression model. First, demand must exist in the foreign market.[26] Second, companies must believe that they have a comparative advantage in the production of their product in the United States.[27] Third, companies must feel that they are competitive in the foreign market in which they want to operate. Brainard (1997) finds that FDI is more likely to occur in countries with similar factor endowments.[28]

Once a decision has been made to enter overseas markets, the next issue to be considered by a company revolves around whether to export to that market or sell locally through licensing arrangements, joint-ventures, or greenfield capital investment. According to Vaughn, Malanoski, West, and Handy (1994), companies choose local production over exporting for a variety of reasons. First, local production ensures the maintenance of brand quality and reputation and allows for local variations of food products to meet local tastes. A desire to have greater control of operations in foreign markets is also a factor. Companies also cited higher costs associated with exports in certain sectors and markets. An important conclusion

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[22] USITC staff interview with Thai industry representative, Apr. 3, 2001.

[23] Odette Vaughan, Margaret Malanoski, Don West, and Charles Handy, "Firm Strategies for Accessing Foreign Markets and The Role of Government Policy," Agriculture Canada, Policy Branch, Agri-food Policy Directorate, Working Paper 5/94, Dec. 1994, p. 5.

[24] James M. Hagen, "Food Processing Firms and Foreign Production Incentives," Working Paper 97-02, The Retail Food Industry Center, University of Minnesota, July 1997.

[25] USITC staff interview with U.S. industry representative, Apr. 3, 2001.

[26] James A. Sterns, H. Christopher Peterson, and David B. Schweikhardt, "The Globalization of Smaller Agri-Food Firms: Concepts, Findings, and Prescriptive Recommendations," Staff Paper 97-22, Department of Agricultural Economics, Michigan State University, (June 1997), p. 8.

[27] Ibid., p. 5.

[28] S. Lael Brainard, "An Empirical Assessment of the Proximity-Concentration Trade-off between Multinational Sales and Trade," *American Economic Review*, Vol. 87, no. 4, 1997, pp. 540-544.

of their research suggests that exports are part of a continuum, often representing an entry point for companies in a new market, after which companies will eventually seek to transfer some production into the foreign market through licensing arrangements, joint-ventures, and eventually majority ownership of manufacturing plants overseas.[29] One company interviewed by Commission staff noted that its progress along this continuum depended strongly on the volume of sales to that market. Large markets in particular are attractive ones in which to place investment. [30]

Role of Trade Barriers on the Decision to Export or Produce Locally

The economics literature has noted that tariff protection can influence a home firm's decision whether to set up host-country production. Blonigen and Feenstra (1996) show how the threat of protection had a significant impact on FDI expenditures, specifically for Japanese FDI in the United States during the 1980s.[31] When tariff escalation is present in a foreign market, high tariffs on processed products may encourage or facilitate FDI in that market. Indeed, one company interviewed noted that a couple of its affiliates in Asia were established for that reason.[32] A few empirical studies have examined this phenomenon. Rae and Josling (2000) note that high tariffs in developed country markets (as a result of tariff escalation) discourage imports of processed products from developing countries.[33] Gopinath, Pick, and Vasavada (1999) observed that the level of foreign sales is directly related to protection in the host country, implying that tariff protection can play a role in a firm's investment decision.[34] Padilla and Richards (1999) suggest that a country's trade policy may affect FDI in two ways.

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[29] Vaughn et al. *Firm Strateiges for Accessing Foreign Markets*, p. 5.

[30] USITC staff interview with U.S. industry representative, Apr. 3, 2001.

[31] Bruce A. Blonigen and Robert C. Feenstra, "Protectionist Threats and Foreign Direct Investments," NBER Working paper 5475 (Mar. 1996).

[32] USITC staff interview with Australian industry representative, Mar. 20, 2001.

[33] Allan N. Rae and Timothy Josling, "International Trade in Processed Foods: Protection and Trade Reform," presented at the New Zealand Association of Economists Conference, Wellington (July 2000), p. 9. An issue not raised by the authors in their study is that tariff escalation is also prevalent in developing countries (as noted in chapters 3 through 14 of this report). By not exposing their processing sector to international competition, one could argue that even in the absence of tariff escalation in developed markets, imports of processed foods originating from developing countries would not necessarily increase. It should also be noted that most developing countries receive GSP or some other form of preferential tariff treatment, such that the issue of tariff escalation in developed markets is not always relevant, except in those commodities (such as sugar) in which some developing countries have a comparative advantage in production but cannot access highly protected developed country markets. However, where tariff escalation in developed countries could disadvantage developing countries is in the provision of FDI. High tariffs (or the perception of high tariffs) on the processing sector in developed countries will keep capital in those markets. As a result, the capital needed to improve the efficiency of the processing sectors of many developing countries will be unavailable.

[34] Munisamy Gopinath, Daniel Pick, and Utpal Vasavada, "The Economics of FDI and Trade with an Application to the U.S. Food Processing Industry," *American Journal of Agricultural Economics* Vol. 81 (May 1999), pp. 442-452.

First, high tariff barriers may encourage tariff-jumping FDI. Second, tariff liberalization would tend to encourage FDI due to market incentives or possible increased efficiencies.[35]

Research gathered from Commission staff fieldwork suggests that trade barriers, while an important factor, were not necessarily the primary motivation for FDI in protected markets. There were instances where trade barriers were a direct motivation for investment. One breakfast cereal producer reported that the location of one of its Asian affiliates was due in part to the fact that one market had the highest tariffs of the markets being considered.[36] In most cases, though, FDI was a component of an overall business strategy, in which the size of the market and the potential for cost savings by producing locally were cited as more important than tariff barriers. One EU trade association emphasized that investment is driven by market potential and the expectation of profits.[37] A retailer in the EU remarked that the two drivers for investment are the uniformity of the market and the buying power of the local population. Tariff barriers are a secondary consideration.[38] Another importer in the EU commented that the switch from export to local production of a cookie product reduced the retail price by 15 percent.[39] Such cost savings were also a factor in a pet food manufacturer's decision to locate production in the EU.[40]

Trade barriers could influence trade and investment decisions for processed food and beverage producers by conceivably causing firms to take the higher risk strategy of entering a partnership with a foreign company prior to gauging the true market potential for a product.[41] In other words, trade barriers may expedite the timetable for entry into a foreign market through FDI. A pet food company interviewed noted that high tariff barriers were a primary motivation for their joint-venture arrangement in Latin America. This company remarked that while this market did not have the sales volume to make investment a profitable endeavor at this time, because of the high tariff barriers, it viewed this decision as necessary in order to be competitive with other companies (U.S.-owned and local) in that market.[42] Another importer in the EU mentioned that tariffs encourage licensed production of a foreign product, with strong demand for such a product likely to result in eventual production in that foreign market.[43] Highly protected world markets in dairy have led the New Zealand Dairy Board to penetrate foreign markets through the provision of capital and ownership of dairy companies in numerous markets (see box 15-1).[44]

These complex relationships make it difficult to gauge the overall effect of further trade liberalization on the processed food and beverage sectors. One group has argued that increased trade liberalization on processed foods will in fact reduce the amount of foreign investment by food companies in favor of trade. They maintain that technological

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[35] Luis Padilla and Timothy J. Richards, "Locational Determinants of U.S. Foreign Direct Investments in Food and Kindred Products in Latin America," presented at AAEA Annual Meetings, Nashville TN (1999) mimeo, p. 4.

[36] USITC staff interview with Australian industry representative, Mar. 20, 2001.

[37] USITC staff interview with German industry association, May 14, 2001.

[38] USITC staff interview with German retailer, May 16, 2001.

[39] USITC staff interview with British importer, May 21, 2001.

[40] USITC staff interview with U.S. industry representative, Apr. 3, 2001.

[41] Vaughn et al. *Firm Strategies for Accessing Foreign Markets*, pp. 13-14 and 19.

[42] USITC staff interview with U.S. industry representative, Apr. 3, 2001.

[43] USITC staff interview with European importer, May 21, 2001.

[44] USITC staff interview with Australian industry representative, Mar. 23, 2001.

improvements in logistics, e-commerce, and distribution, combined with more harmonized consumer demands for convenience and lifestyle foods, will force companies to rationalize the production and distribution system to lower costs, thus relying more on the global sourcing of products from areas that are the most efficient in production.[45] Vaughn, Malanoski, West, and Handy (1994) argue that while trade liberalization (for instance, NAFTA) helps to promote a more regional approach to penetrating foreign markets, increased trade liberalization would lead to an increase in both exports and foreign production.[46]

[45] USITC staff interview with Australian industry association, Mar. 27, 2001.

[46] Vaughn et al., *Firm Strateiges for Accessing Foreign Markets*, p. 19.

Box 15-1: Foreign Investment by the New Zealand Dairy Board

Tariff and nontariff barriers are effective in limiting trade in dairy products throughout the world, resulting in lost sales and profits for several of the large multinational dairy companies. In response, some companies have invested capital and technical expertise in restricted markets and have either set up their own production and marketing facilities, or, more frequently, entered into joint venture arrangements with local dairy companies. Thus, foreign investment has enabled such companies to "by-pass" restrictive import regimes. Perhaps the best example of this is the New Zealand Dairy Board.

The New Zealand Dairy Board (NZDB) (soon the be the Global Dairy Company) is the sole entity responsible for exporting New Zealand's dairy products. During fiscal year 1999, total export sales by the NZDB reached about $3.3 billion, and accounted for more than 30 percent of total world dairy exports (on a milk equivalent basis). The NZDB is the largest dairy exporting company in the world. It has a staff of almost 10,000 people, working in more than 120 countries through close to 100 subsidiaries.

Recently, the NZDB announced a strategy to quadruple sales in 10 years. The strategy has two components: (1) to produce value-added products processed from New Zealand milk; and (2) to undertake foreign investment involving the manufacture and marketing of products from milk produced in other countries using the NZDB's technology, skill, and expertise. According to NZDB officials, the impetus for this new strategy was the external business environment, such as the long-run decline in international dairy prices, tough competition from other global dairy companies, and the globalization of supermarket chains. Another reason given for the new emphasis on foreign investment was the slow progress made on reducing trade barriers to New Zealand products. Graham Fraser, Former NZDB Chairman, speaking at Dairy Expo, January 26, 2000, said, "to be successful in the global consumer business we are going to have to view it as more than simply an outlet for your milk. This means using local milk where shelf life restrictions rule out N.Z. product. It also means being prepared to do business in countries to which we are unable to take your milk because of tariff barriers."

Already the NZDB has established marketing infrastructure in overseas markets using milk produced in other countries for making products that have the NZDB brand. This is being done through direct investment in foreign dairy companies. For instance, Milk Products Holdings (Latin America), a subsidiary of the NZDB, agreed in mid-2000 to buy 51 percent of the Brazilian dairy firm, S.A. Fabrica de Produtos Alimenticios Vigor. This firm produces fluid milk, cheese, butter, margarine, and dairy blends and has a strong foothold in Sao Paulo. The NZDB already has joint ventures in Chile (Soprole) and Venezuela (Cadipro and Inlaca). In the United States, the NZDB joined Dairy Farmers of America (the world's third-largest dairy company) to form Dairyconcepts, a joint venture to manufacture and market cheese, using local milk and the Board's technology and expertise. In addition, according to Warren Larsen, NZDB Chief Executive, the NZDB is currently conducting negotiations with two European firms for cross-border mergers.

Sources: NZDB Annual Report, 1999; USITC staff interview with Australian industry representative, Mar. 23, 2001; W.D. Dobson, "Policy and Management Lessons for Dairy Exporters and Investors in Foreign Dairy-Food Businesses—What Did We Learn in the Past Decade," paper presented at the International Agricultural Trade Research Consortium Symposium, Auckland, New Zealand, Jan. 19, 2001; USDA, FAS, *New Zealand Dairy and Products Annual 2000*, Wellington, GAIN Report No. NZ0052, Oct. 2000; USDA, FAS, *Dairy and Products New Zealand Dairy Board Joint Ventures to Boost U.S. Turnover, 2000*, Wellington, GAIN Report No. NZ0028, May 2000; Warren Larsen, speaking at Agra Europe's 20th Outlook conference, London, Mar. 2001; "NZDB takes control of Brazilian company," *Foodnews* Sept. 15, 2001.

United States International Trade Commission

Processed Foods and Beverages:

A Description of Tariff and Non-tariff Barriers for Major Products and Their Impact on Trade

Volume 2: Appendices A-R

Report on Investigation No. 332-421 under section 332(g) of the Tariff Act of 1930

USITC Publication 3455
October 2001

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Volume 2: Appendices A-R

Report on Investigation No. 332-421 under section 332(g) of the Tariff Act of 1930

Publication 3455 **October 2001**

APPENDIX A
REQUEST LETTER FROM THE COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS
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COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6348

October 30, 2000

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The Honorable Stephen Koplan
Chairman
U.S. International Trade Commission
500 E Street SW
Washington, D.C. 20436

DOCKET

Dear Chairman Koplan:

I am writing to request that the United States International Trade Commission conduct an investigation and report under section 332(g) of the Tariff Act of 1930 (19 U.S.C. Section 1332(g)) on tariff and non-tariff barriers that impact trade in the processed food and beverage sectors. This request is necessary to expand the economic analysis available on the largest and fastest growing sector within agricultural trade.

Processed food and beverage trade is increasing twice as fast as trade in primary commodities and is expected to account for nearly 75 percent of global agrifood trade by next year. In FY 1999, the value of U.S. exports of consumer-oriented products exceeded those of bulk agricultural products, making up over 40% of U.S. agricultural exports. In future years, we expect that the balance will continue to shift in favor of processed products.

The processed food and beverage industry also provides a key export gateway for our farmers and ranchers. Yet, the sector faces significant tariff and non-tariff barriers, such as disproportionately high tariffs, tariff escalation (higher tariffs for processed foods than commodities), quotas, export subsidies, and unfair sanitary and phytosanitary standards that continue to impede exports. We must address the trade problems faced by this sector if it is to continue to play a vital role in our agricultural marketing system.

As relevant government agencies have historically been oriented towards the export of bulk commodities, studies that empirically quantify the aforementioned barriers and their impact on trade flows are limited. Consequently, proposals to address the particular

barriers in the sector are potentially hampered by insufficient analysis detailing their overall effect on trade and investment flows in the sector.

We therefore request an investigation and report that would address the following issues:

- A description of the tariff and non-tariff barriers affecting trade in the processed food and beverage sectors in major and potential markets, including complex tariffs, tariff-rate quotas, regional trade agreements, licensing arrangements, certification and registration requirements, and variable levies;

- An evaluation of the prevalence of tariff escalation for processed food and beverage products;

- An analysis of the impact of tariff and non-tariff barriers on trade and investment in the processed food and beverage sectors.

For purposes of your investigation, major products in the following processed food and beverage sectors are of interest to the Committee: dairy products; sugars and sugar containing products; vegetable oils; meats; eggs and egg products; flours and other intermediate goods; grain-based foods; fruits and vegetables; edible nuts and nut products; alcoholic beverages; pet food; and other miscellaneous food and beverage products. The Commission should provide its completed report no later than October 1, 2001.

Sincerely,

Bill Archer
Chairman

APPENDIX B
FEDERAL REGISTER NOTICE

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

(Investigation No. 332-421)

Processed Foods and Beverages: A Description of Tariff and Non-tariff Barriers for Major Products and their Impact on Trade

AGENCY: United States International Trade Commission

ACTION: Institution of investigation and scheduling of public hearing

EFFECTIVE DATE: November 17, 2000

FOR FURTHER INFORMATION CONTACT: For general information, Karl Rich (202-205-3317), Vince Honnold (202-205-3314), or Cathy Jabara (202-205-3309), Agriculture and Forest Products Division, Office of Industries, or for information on legal aspects, William Gearhart (202-205-3091), Office of the General Counsel, U.S. International Trade Commission. Hearing impaired persons can obtain information on this study by contacting the Commission's TDD terminal on (202) 205-1810. General information concerning the Commission may also be obtained by accessing its internet server (http://www.usitc.gov).

BACKGROUND: In response to a letter received on October 31, 2000, from the Committee on Ways and Means, U.S. House of Representatives, the Commission instituted an investigation for the purpose of preparing a report that will describe the trade barriers affecting major products in the processed food and beverage sectors in major and potential markets and analyze the impact of these barriers on trade.

As requested, the Commission's report will include the following:

(1) A description of the tariff and non-tariff barriers affecting trade in the processed food and beverage sectors in major and potential markets, including complex tariffs, tariff-rate quotas, regional trade agreements, licensing arrangements, certification and registration requirements, and variable levies;
(2) An evaluation of the prevalence of tariff escalation for processed food and beverage products; and
(3) An analysis of the impact of tariff and non-tariff barriers on trade and investment in the processed food and beverage sectors.

The report will cover major products in the following processed food and beverage sectors identified by the Committee: dairy products; sugars and sugar-containing products; vegetable oils; meats; eggs and egg products; flours and other intermediate goods; grain-based foods; fruits and vegetables; edible nuts and nut products; alcoholic beverages; pet food; and other miscellaneous food and beverage products.

PRELIMINARY WRITTEN COMMENTS: In order to assist the Commission in identifying the barriers and/or issues affecting the above sectors, the Commission requests that interested parties provide preliminary written comments on such barriers and/or issues by February 16, 2001. All preliminary written comments should be addressed to the Secretary, United States International Trade Commission, 500 E Street, SW, Washington, DC 20436. Interested parties are also encouraged to provide further information at the public hearing and in prehearing and posthearing briefs/statements.

PUBLIC HEARING: A public hearing in connection with the investigation will be held at the U.S. International Trade Commission Building, 500 E Street, SW, Washington, DC, beginning at 9:30 a.m. on May 22, 2001. All persons will have the right to appear, by counsel or in person, to present information and be heard. Requests to appear at the public hearing should be filed with the Secretary, United States International Trade Commission, 500 E Street, SW, Washington, DC 20436, no later than 5:15 p.m., May 8, 2001. Any prehearing briefs (original and 14 copies) should be filed not later than 5:15 p.m., May 10, 2001; the deadline for filing posthearing briefs or statements is 5:15 p.m., June 6, 2001. In the event that, as of the close of business, May 8, 2001, no witnesses are scheduled to appear at the hearing, the hearing will be canceled. Any person interested in attending the hearing as an observer or non-participant may call the Secretary to the Commission (202-205-1806) after May 8, 2001 to determine whether the hearing will be held.

WRITTEN SUBMISSIONS: In lieu of, or in addition to, participating in the hearing, interested persons are invited to submit written statements concerning the matters to be addressed by the Commission in its report on this investigation. Commercial or financial information which a submitter desires the Commission to treat as confidential must be provided on separate sheets of paper, each clearly marked "Confidential Business Information" at the top. All submissions requesting confidential treatment must conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 C.F.R. 201.6). All written submissions, except for confidential business information, will be made available in the Office of the Secretary of the Commission for inspection by interested persons. To be assured of consideration by the Commission, written statements relating to the Commission's report should be submitted to the Commission in accordance with section 201.8 of the Commission's rules at the earliest practical date and should be received no later than the close of business on June 6, 2001. All submissions should be addressed to the Secretary, United States International Trade Commission, 500 E Street SW, Washington, DC 20436. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means.

Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000.

By order of the Commission.

Donna R. Koehnke

Donna R. Koehnke
Secretary

Issued: November 20, 2000

APPENDIX C
HEARING PARTICIPANTS

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject: Processed Foods and Beverages: A Description of Tariff and Non-Tariff Barriers for Major Products and Their Impact on Trade

Inv. No.: 332-421

Date and Time: May 22, 2001 - 9:30 a.m.

Sessions were held in connection with the investigation in the Main Hearing Room, 500 E Street, S.W., Washington, D.C.

Organization and Witness

Grocery Manufacturers of America, Washington, D.C.

Sarah A. Fogarty, Director, International Trade

National Food Processors Association, Washington, D.C.

Peggy S. Rochette, Senior Director of International Policy

Dole Food Company, Incorporated, Westlake Village, California

Patrick A. Nielson, Vice President, International Legal and Regulatory Affairs

American Meat Institute, Arlington, Virginia

Leonard W. Condon, Vice President for International Trade

International Dairy Foods Association, Washington, D.C.

Janet A. Nuzum, Vice President and General Counsel

United Egg Producers, Washington, D.C.

Ken Klippen, Vice President, Executive Director of Government Relations

Julian Madeley, Assistant to Executive Director of Government Relations

-END-

APPENDIX D
GLOSSARY OF TERMS USED

Ad valorem tariff

An ad valorem tariff is a tariff that is applied as a certain percentage of the dutiable value of a product. It is either calculated on a FOB basis (i.e. the value at the port of export, as in the United States) or on a CIF basis (the dutiable value including transportation and insurance, as in the European Union and Japan).

Specific tariff

A specific tariff is a tariff that is applied as a fixed value per unit quantity.

Compound tariff

A compound tariff is a tariff that has an ad valorem and a specific component.

Other tariffs

Other tariffs refer to tariff forms that do not adhere to the previous three tariff types. They are sometimes represented as an ad valorem rate "but not less than" a specific rate. They are also sometimes represented as the greater of two different types of tariffs.

Country abbreviations

AR: Argentina
AU: Australia
BG: Bulgaria
BO: Bolivia
BR: Brazil
CA: Canada
CL: Chile
CR: Costa Rica
CZ: Czech Republic
EU: European Union
HU: Hungary
IL: Israel
JO: Jordan
MX: Mexico
NZ: New Zealand
PL: Poland
PY: Paraguay
RO: Romania
SK: Slovakia
SV: Slovenia
TR: Turkey
US: United States
UY: Uruguay
ZA: South Africa

Regional agreement abbreviations

NAFTA: Preferential tariff rates that apply to all members of North America Free Trade Agreement (United States, Canada, and Mexico).

A (or A* or A+): Preferential tariff rates given by the United States for countries eligible under the General Schedule of Preferences (GSP). "A" denotes that all countries receiving GSP treatment, listed in General Note 4(a) of the Harmonized Tariff Schedule of the United States (HTSUS), are eligible for tariff preferences. "A*" denotes that a few GSP countries are not eligible for tariff preferences; these exceptions are listed in General Note 4(d) of the HTSUS. "A+" denotes that only least developed countries, listed in General Note 4(b) of the HTSUS, are eligible for tariff preferences.

E: Preferential tariff rates given by the United States to designated countries under the Caribbean Basin Economic Recovery Act (Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Montserrat, Netherlands Antilles, Nicaragua, Panama, St. Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago, and British Virgin Islands).

J: Preferential tariff rates given by the United States to designated countries under the Andean Trade Preference Act (Bolivia, Colombia, Ecuador, Peru).

CCC: Preferential tariff rates given by Canada to Commonwealth Caribbean countries, such as Anguilla, Antigua and Barbuda, Bahamas, Bermuda, Barbados, Belize, British Virgin Islands, Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Monsterrat, St. Kitts-Nevis, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago, and the Turks and Caicos Islands.

EUPREF: Preferential tariff rates given by the EU to the following countries: Bulgaria, Switzerland, Czech Republic, Estonia, Hungary, Iceland, Liechtenstein, Lithuania, Latvia, Mexico, Norway, Poland, Romania, Slovak Republic, and South Africa.

MED: Preferential tariff rates given by the EU to the following countries: Albania, Bosnia-Herzegovina, Cyprus, Algeria, Egypt, Croatia, Israel, Jordan, Lebanon, Morocco, Macedonia, Malta, Palestinian Territories, Slovenia, Syria, Tunisia, Turkey, Kosovo, and Yugoslav Federative Republic (Serbia and Montenegro).

ACP: Preferential tariff rates given by the EU to selected African, Carribean, and Pacific countries on account of being former colonies and members of the Lome convention.

OCT: Preferential tariff rates given by the EU to overseas colonies and territories, such as Anguilla, Netherlands Antilles, Aruba, Falkland Islands, Cayman Islands, Monserrat, New Caledonia, French Polynesia, and the British Virgin Islands.

GSP: The EU gives GSP treatment to 122 developing countries, with different types of tariff treatment provided depending on the level of development. **GSPE** countries are designated Central and Latin American countries, such as Costa Rica, Guatemala, Honduras, Nicaragua, Panama, El Salvador, Bolivia, Colombia, Ecuador, Peru, and Venezuela, that receive

differential GSP treatment from the EU. **GSPL** countries are least-developed countries that generally receive duty-free access for all but the most sensitive commodities. Canada also provides GSP treatment to developing countries (also denoted GSP), though the list of countries given such treatment may differ from the EU. Canada also provides tariff preferences to least-developed countries, denoted by **LDC**.

JPREF: Preferential tariffs given by Japan to designated countries under Article 8-2 of the Temporary Tariff Measures Law. Major countries receiving preference include China, Viet Nam, Malaysia, Philippines, Indonesia, India, Pakistan, Sri Lanka, Poland, Hungary, Romania, Bulgaria, Turkey, Czech Republic, Slovakia, Mexico, Colombia, Venezuela, Brazil, Chile, Argentina, and South Africa. Most Eastern European, Central American, South American, and African countries also receive these types of preferential tariffs. Other countries receive preferential tariffs as least developing countries (see JLDC). Until 2000, Korea, Taiwan, Hong Kong, and Singapore received preferential tariff access.

JLDC: Preferential tariffs given by Japan to designated countries under Article 8-2 of the Temporary Tariff Measures Law. Countries covered include Cambodia, Laos, Myanmar, Bangladesh, Afghanistan, Nepal, Yemen, Haiti, Guinea, Sierra Leone, Togo, Benin, Mali, Niger, Rwanda, Angola, Ethiopia, Uganda, Tanzania, Mozambique, and Madagascar. A number of smaller Asian, African, and Pacific Island countries are also included.

Mercosur: Preferential tariff rates apply to all Mercosur members (Brazil, Argentina, Paraguay, Uruguay).

ANDEAN: Preferential tariff rates apply to all members of the Andean Pact region.

Tariff nomenclature abbreviations

EA: agricultural component added by the EU for certain products on the basis of the percentage by weight of milk fat, milk protein, sucrose/isoglucose, and starch/glucose. From July 1, 2000, the agricultural component ranged from **i** 0/100 kg - **i** 275.82/100 kg.

AD S/Z: additional duty on sugar added by the EU for certain products on the basis of the percentage by weight of milk fat, milk protein, sucrose/isoglucose, and starch/glucose. From July 1, 2000, the additional duty on sugar ranged from **i** 0/100 kg - **i** 38.99/100 kg.

AD F/M: additional duty on flour added by the EU for certain products on the basis of the percentage by weight of milk fat, milk protein, sucrose/isoglucose, and starch/glucose. From July 1, 2000, the additional duty on flour ranged from **i** 0/100 kg - **i** 19.09/100 kg.

MIN: Abbreviation used by the EU to denote that the applicable tariff is the larger of the two tariff rates provided.

MAX: Abbreviation used by the EU to denote that the applicable tariff is the smaller of the two tariff rates provided.

DCC: additional duty added by Poland for certain products, which is valued at **i** 0.0049 per each 10 grams or per each 1 percent of sugar contained in 1 kilogram of product.

bnlt: but not less than.

IQTR: in-quota tariff rate.

OQTR: over-quota tariff rate.

Unit and currency abbreviations

l : liter
h l : hectoliter
t: metric ton
kg: kilogram
i : Euro
¥: Japanese Yen
w: Korean Won
SFr.: Swiss Francs
IS: New Israeli Sheikls
A$: Australian Dollar
C$: Canadian Dollar
C¢: Canadian Cents
NT$: New Taiwan Dollar
$: U.S. Dollars
Rs: Indian Rupees
RM: Malaysian Ringgit

How to read the tariff table (Appendices F through Q, tables 1 and 2)

In appendixes F-Q, tariff rates are provided for the Quad group (table 1 in each appendix) and for major developing and other potential markets (table 2 in each appendix). For the Quad group, tariffs are indicated by type (ad valorem, specific, or compound), with the number of tariff lines for each type of tariff provided as well. For major developing and other potential markets, final bound rates (2000 for developed countries, 2004 for developing countries) are provided. Certain types of abbreviations are used by the EU and Poland in their tariff schedules and are defined above. In both sets of tables, selected preferential tariffs are given, using the country and trade agreement group abbreviations included in this appendix; note that some preferential tariffs may not be listed in the tables and that the list of preferential tariffs is not an exclusive one. Additional abbreviations are also used. The abbreviation “sel.” next to a group means that only selected countries under a regional or preferential trade agreement receive the preferential rate. The abbreviation “pt.” means that the listed country and/or group receives preferential treatment for only a subset of the tariff lines under a six-digit subheading. The abbreviation “ex.” means that the countries listed are excepted from the specified tariff preference.

APPENDIX E
REVIEW OF SELECTED ECONOMIC LITERATURE ON PROCESSED FOODS AND BEVERAGES

In this section, a number of articles from the economics literature are discussed that examine the effects of trade liberalization on processed food products. In general, there has not been a great deal of research on this topic. The studies provided below should not be considered as exhaustive, but rather illustrative of the types of techniques that have been employed to study these issues. Further research may wish to incorporate one of these methods to study different sectors or to develop alternative models which highlight the trade-offs between trade reform and investment decisions.

Lanclos, Hertel, and Devados (1996) examine the effects on the U.S. food and beverage industries from the removal of tariffs on intermediate farm and food products and on processed products.[1] Using a partial equilibrium model, the authors consider industry structures based on monopolistic competition and Cournot oligopoly; the latter was considered given the concentration that exists in certain food sectors. *Prima facie,* it is unclear whether the positive effects from eliminating tariffs on intermediate inputs and commodities, which would increase the cost competitiveness of U.S. food manufacturers relative to the rest of the world, would outweigh the negative effects resulting from the elimination of output tariffs, which would expose U.S. manufacturers to increased foreign competition. Under the assumption of monopolistic competition, the simulations revealed that when agricultural tariffs are removed, there is an increase in output in all but three sectors -- canned fruits and vegetables, wine, and malt beverages. When the assumption of Cournot oligopoly is made, the authors find that the output increases for all 10 processed products considered.[2] The implication from both simulations is that liberalizing all upstream and downstream agricultural products will have a positive effect on the processed food and beverage sectors, stemming from cost efficiencies that are driven by the removal of commodity tariffs and overwhelm any negative effects resulting from greater foreign competition.

Hartman, Sheldon, and Tweeten (1999)[3] developed two types of partial equilibrium models (a perfect competition model and an agglomeration location model) to study the effects of eliminating tariffs on U.S. tomato paste and orange juice. In the case of tomato paste, policy simulations were conducted with both models to observe the effects on U.S. imports from Argentina, Brazil, and Chile as a result of the elimination of the U.S. tariff on tomato paste. The agglomeration model predicts the location of industrial production under free trade under the assumptions of imperfect competition, increasing returns to scale, and product differentiation.[4] Production costs were first compared between the United States and Latin American countries. The United States is cost-efficient relative to Argentina and Brazil, while Chile has slightly lower production costs than the United States. However, the authors note that transportation costs to the United States would negate any cost advantage Chile would have exporting tomato paste to the United States. Parameters were then obtained for the

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[1] D. Kent Lanclos, Thomas W. Hertel, and Stephen Devadoss, "Assessing the effects of tariff reform on U.S. food manufacturing industries: the role of imperfect competition and intermediate inputs," *Agricultural Economics* vol. 14 (1996).

[2] The number of products considered in the Cournot oligopoly simulation is lower than in the monopolistic competition simulation because the product set in the Cournot simulations was limited to industries that were assumed to have a four-firm concentration ratio of over 50 percent and an industry markup of greater than 30 percent.

[3] Darcy Hartman, Ian Sheldon, and Luther Tweeten, "Location of Vertically Linked Industries Under Free Trade: Case Studies of Orange Juice and Tomato Paste in the Western Hemisphere," IATRC Working Paper 99-10, October 1999.

[4] Hartman, Sheldon, and Tweeten, "Location of Vertically Linked Industries," p. 4.

agglomeration model and results from two different scenarios provided.[5] In the first scenario, the authors compare the U.S. and Chilean industries under free trade in the United States. This scenario shows that tariff liberalization would reduce the number of firms in Chile. In the second scenario, the U.S. industry is compared with the industries in all three countries, using the production capacity of all three countries but assuming that Brazil and Argentina operate at the same level of productivity as Chile. The model again shows that the industry in Latin America would decline relative to the number of firms in the United States. By contrast, the competitive model reveals that the elimination of the U.S. tariff on tomato paste would significantly increase long-run U.S. tomato paste imports from Argentina, Brazil, and Chile (from 5,343 tons to 76,879 tons). However, U.S. production would only fall by 1 percent, while the U.S. tomato paste price would fall by just 2 percent. Both short-run and long-run gains in U.S. consumer income are marginally higher than losses to U.S. processors, while Latin American processors gain markedly more than consumers in those markets. Overall, total income rises by $4 million in all four countries under free trade.

The orange juice simulations compare the industries of the United States and Brazil under a scenario where U.S. tariffs on orange juice concentrate are eliminated. In the agglomeration model, it is noted that Brazil holds a significant cost advantage over the United States in the production of orange juice. Nonetheless, results from the agglomeration model show a decline in the number of orange juice manufacturers in Brazil relative to the United States if U.S. tariffs on orange juice were removed. The competitive model shows that in the long run, U.S. production of orange juice concentrate would fall significantly, while imports would double. Both short-run and long-run gains in U.S. consumer income are marginally higher than losses by U.S. orange juice producers. Total income increases by almost $140,000 in the two countries in the long run under free trade.

The Australian Bureau of Agricultural Economics (ABARE) recently developed an economic model, based on the OECD AGLINK model, that looks at the effects of trade liberalization in a number of markets on four products in the dairy sector (skim milk powder, full cream milk powder, cheese, and butter).[6] Two simulations were run with this model. In the first scenario, 1999 tariffs on dairy products (both in-quota tariffs and over-quota tariffs) were halved, while import quotas were doubled. In this scenario, imports of both types of milk powder and butter would increase significantly in the EU, the United States, and Japan. However, the authors point out that because current quota quantities are relatively small, even a large percentage increase in imports may only represent a small proportion of domestic consumption in those markets.[7] The model also shows that world prices for skim milk powder, butter, and cheese would increase between 20 percent and 35 percent, while domestic prices in protected markets, such as the EU and United States, would fall by less than 5 percent. The second simulation reduces the actual volume of export subsidies placed on dairy products in 1999 by the EU and United States by 50 percent. The results from this scenario show that world prices would rise by 17 percent for butter and cheese, while the world price of milk powders would increase by over 30 percent. The value of world trade would also increase from 2 percent on butter to 18 percent on skim milk powder. As expected, the value of exports

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[5] A third simulation was run, but the results are not reported here given that the authors report some of the results as being somewhat questionable (pp. 18-19).

[6] Australian Bureau of Agricultural Economics (ABARE), "Trade liberalisation in world dairy markets," *ABARE Current Issues*, Feb. 1, 2001.

[7] ABARE, "Trade liberalisation in world dairy markets," p. 6.

from the EU and the United States would fall in this simulation (with the exception of U.S. cheese exports), though ABARE researchers note that higher world prices for the remaining exports would offset some of that decline in exports.[8] In both simulations, the value of dairy production in other markets, such as Australia, New Zealand, and Argentina, would increase moderately.

Unlike other studies in the literature, which typically look only at the removal of tariffs, Haveman and Thursby (2000)[9] attempt to analyze the link between trade, tariffs, and four non-tariff barrier (NTB) categories. In particular, they are interested in capturing three types of effects resulting from tariffs and NTBs: (i) *reduction effects,* where trade flows fall due to trade barriers; (ii) *compression effects,* where trade barriers engender an increased concentration of import suppliers; and (iii) *diversion effects,* where trade patterns change as a result of a change in tariff barriers. Using the TRAINS[10] database, tariffs were collected for 779 HS codes at a six-digit level, with a simple average taken across all tariff lines for a particular six-digit HS code. These HS codes correspond to products in 20 sectors that are identified in Standard Industrial Classification (SIC) numbers 011 to 209. NTBs were also derived from TRAINS data and aggregated into four categories based on the types of effects they have on trade (price, quantity restrictions, quality aspects, and requirements for import licenses). Thirty-four importing countries and 67 exporting countries were identified from the TRAINS database. Data were collected for the years 1994 and 1998.

The authors develop an econometric model to study the relationship between trade flows and trade barriers. Trade flows, measured as the value of bilateral imports between a country pair for a 6-digit HS code, were regressed against trade-weighted tariff levels, trade-weighted NTBs, dummy variables for exporters, importers, and 6-digit HS goods, and country pair characteristics, which include the distance between trading partners and whether they share a common border and language. The variables for tariffs and NTBs were designed to capture the three effects (reduction, compression, and diversion) previously mentioned.

With respect to processed food products (SIC 201-209), the authors found tariff barriers have a strong negative effect on trade flows. For nearly all processed foods, most of the elasticities generated for the trade reduction and diversion effects were statistically significant (at a 10 percent level or greater) for both developed and developing countries in 1994 and 1998. With the exception of grain-based foods (SIC 205), which were not statistically significant in developed or developing countries, a 1 percent increase in tariffs led to a reduction in trade flows for developed countries ranging from -3 percent for milled grain products (SIC 204) to almost -22 percent for vegetable oils (SIC 207). The elasticities for trade diversion effects were also strongly negative for developed countries and ranged from -1.71 to -23.48 in 1998. Elasticities for developing countries tended to be lower. Just over one-half of the trade compression effects for processed foods were statistically significant and showed that an increase in tariffs marginally increases the concentration of import suppliers. The results from

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[8] Ibid.

[9] Jon Haveman and Jerry Thursby, "Impact of Tariff and Nontariff barriers in Agricultural commodities: a disaggregated approach," Purdue University Center for International Business Education and Research (CIBER) Working Paper No. 99-007, Jan. 2000, found at Internet address: *http://www.mgmt.purdue.edu/centers/ciber/publications/99-007.pdf*

[10] The TRAINS database is the Trade Analysis and Information System developed by the United Nations Conference on Trade and Development (UNCTAD).

NTBs were mixed. The authors note that the effect on the value of trade from an NTB could be positive or negative, since an NTB could raise prices by more than the resultant decrease in volume.[11] For processed foods, less than one-half of the reported effects for 1994 and 1998 in both developed and developing countries were not statistically significant at a 10 percent level or greater. However, the coefficient for the quality aspects NTB parameter was statistically significant in 1998 for 8 of the 9 processed foods products in developed countries and was positive in all but one instance (SIC 203 – dairy products). For other types of NTBs, however, there were mixed positive and negative signs for the other statistically significant effects.

General equilibrium modeling has been employed in the study of processed foods as well. Two papers by Rae and Josling[12] use the GTAP model to study the effect of tariff liberalization on agricultural products and manufactures. Fifteen regions and 20 commodity sectors, seven of which are processed food sectors (meats, vegetable oils and fats, processed rice, sugar, beverages and tobacco products, and other processed foods), were taken from the GTAP database (version 4, using 1995 data). Other processed foods includes products such as processed fish, fruits and vegetables, grain-based foods, cocoa and chocolate, animal feeds, and other food products.[13] Josling and Rae (1999) examined three different methodologies for reducing tariffs on agricultural products; two of these three approaches were used in previous negotiating rounds for tariff reductions. The tariff liberalization scenarios used were (1) a 36 percent reduction in all agricultural tariffs, used in the Uruguay Round; (2) the Swiss formula, used in the Tokyo Round, whereby agricultural tariffs are entered into a formula that reduces high tariffs by a greater percentage than low tariffs; and (3) a "cocktail" approach, whereby agricultural tariffs under 10 percent were completely liberalized, agricultural tariffs between 10 percent and 85 percent were reduced by 36 percent, and agricultural tariffs over 85 percent were reduced using the Swiss formula. The results of their simulations showed that the cocktail approach increased both global welfare and the welfare of developing countries by the greatest amount.

Rae and Josling (2000) extend this approach specifically to the study of processed foods. They first simulate the effects of reducing all agricultural tariffs on a country's (and region's) effective rate of protection (or ERP)[14], production, and net exports on the other processed foods sector of the GTAP database. Specifically, the cocktail approach to agricultural tariff reduction was used, given that their previous work showed the greatest welfare effects from such a strategy.[15] A decline in agricultural tariffs reduced the ERP on other processed foods in most markets. In Japan and Korea, where the base ERP was negative (i.e., the combined tariff protection placed on commodity inputs was greater than the nominal tariff on the processed product), the simulations showed that the ERP in these markets became less negative when agricultural tariffs were reduced. The simulation also revealed that production

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[11] Haveman and Thursby (2000), p. 8.

[12] Tim Josling and Allen Rae, "Multilateral approaches to market access negotiations in agriculture," World Bank Conference on Developing Countries and the New Agriculture Negotiation, Geneva, October 1999, and Allen Rae and Tim Josling, "International Trade in Processed Foods: Protection and Trade Reform," presented at the New Zealand Association of Economists Conference, Wellington, June 2000.

[13] Rae and Josling (2000), p. 8.

[14] ERPs are discussed in chapter 2.

[15] An additional simulation was conducted whereby agricultural and manufacturing tariffs were reduced; these results are not reported in this appendix.

of other processed foods rose modestly in Korea (6 percent), Sub-Saharan Africa (5 percent), and Japan (1 percent), with a slight increase in production in the United States (0.29 percent). Production of other processed foods fell between 1 percent and 2 percent in Australia, the EU, and China. With respect to net exports, the EU becomes a greater net importer of other processed foods in this scenario, with net exports declining by almost 70 percent, while net exports from developing countries increase by 10 percent, buoyed by Korea changing from a net importer to a net exporter of other processed foods as a result of the reduction in agricultural tariffs.

Changes in net exports for all types of processed foods and total welfare were also provided by Rae and Josling (2000). Net exports of all processed food products (meats, vegetable oils, processed rice, beverage and tobacco, sugar, dairy products, and other processed foods) fall by $4.2 billion in developed markets, while net exports from developing countries rise by $4.9 billion. With respect to gains in total welfare, developed countries gain $16.5 billion, with the greatest increases coming from the dairy products sector ($6.8 billion), beverages and tobacco ($4.4 billion), meats ($3 billion), and sugar ($2.8 billion). Total welfare in developing countries rises $3.5 billion, with the largest increases concentrated in other processed foods ($2 billion) and beverages and tobacco ($1.4 billion). The only sectors where total welfare declines are other processed foods (developed countries) and dairy products (developing countries).

In a recent paper, Tsigas (2001)[16] also used the GTAP model (version 5, using 1997 data) to look at agricultural trade liberalization. A major focus of Tsigas (2001), however, was to examine whether multilateral agricultural tariff reductions would also reduce the degree of tariff escalation between farm commodities and processed foods. Eleven aggregate farm sectors and six aggregate processed foods sectors were considered in the model.[17] Major markets considered were Canada, the United States, Mexico, Japan, Australia, New Zealand, the European Union, and three aggregate regions representing the rest of the Americas, the rest of Asia, and the rest-of-the-world.

Three policy scenarios were considered. First, tariffs on all farm commodities and processed food products were reduced by 30 percent. In this simulation, U.S. exports of farm commodities and processed foods would each increase by about 5 percent. Net U.S. exports of farm commodities would increase by $1.3 billion, while net U.S. exports of processed food products would increase by $167 million. U.S. farm production increases by 0.52 percent under this scenario. With respect to processed foods, Tsigas finds that U.S. production of processed foods declines by 0.06 percent, as the negative impact of tariff cutting by the United States dominates the positive impact of tariff cutting by U.S. trade partners.
The next two simulations looked at the implications of reducing the degree of tariff escalation between farm commodities and processed foods. In the first of these simulations, tariffs on farm commodities were reduced by 30 percent and the degree of tariff escalation between farm products and processed foods also reduced by 30 percent. In the other simulation, tariffs on

[16] Marinos Tsigas, "How would food markets be affected by liberalizing trade in processed foods?" U.S. ITC, Economics Working Paper No. 2001-08-A, August 2001.

[17] The farm sectors are: paddy rice; wheat; other grains; oilseeds; sugar crops; vegetables, fruits and nuts; fiber crops; other crops; raw milk; wool and silk; and other livestock. The processed foods sectors are: meats; dairy products; vegetable oils and fats; processed rice, sugar; and other processed foods.

farm commodities were reduced by 30 percent, while tariff escalation between farm and food products was eliminated. In both cases, U.S. exports of farm commodities and processed foods increase, with the magnitudes greater than those in the first simulation (i.e., from eliminating tariffs alone). The complete elimination of tariff escalation between farm commodities and processed foods has the most dramatic effect on U.S. exports of farm products and processed foods, which increase by 6 percent and 10 percent, respectively. Net U.S. exports of farm commodities would increase by $1.4 billion, while the trade surplus of processed food products would increase by $920 million. In contrast to the decline in production reported from the first simulation, U.S. processed food production increases by 0.12 percent in this scenario.

The COMPAS (Commercial Policy Analysis System) model developed by the Commission can also be used to analyze the effect of trade liberalization on processed foods and was employed to simulate the effect of tariff reductions on U.S. pet food exports to Brazil and Argentina, given the high trade barriers cited by the industry in these two markets,[18] and on U.S. exports of wine to the United Kingdom. The COMPAS framework is specifically designed to assess the impacts of imports and import tariffs on the prices and production of like goods in the domestic market (Francois and Hall, 1997).[19] The model assumes that demanders in a certain market respond to the availability of lower priced imports by switching their purchases away from the more expensive domestically produced like good. Demanders would also switch away from higher priced foreign sources if tariff policy changes are country-specific. Domestic producers respond to the reduced demand by lowering their selling price or reducing production, or both. An important feature of COMPAS is that demanders are assumed to differentiate goods by their place of origin: imports and domestic like goods are assumed to be close, but imperfect substitutes. The result of such product differentiation is that the market prices of domestic and imported goods are not equal.

Changes in domestic supply and demand and supplies of imported goods are based on estimates of own-price elasticities of domestic and imports supply ($å_S$ and $å_M$, respectively) and demand ($å_D$). For example, in the case of domestic supply, $dQ_S/Q_S = å_S \times dP/P$, i.e., the percent change in supply is equal to the supply elasticity, $å_S$, times the percent change in the price received by domestic suppliers. Demanders are modeled to differentiate between domestic and imported varieties of a good with a constant elasticity of substitution (CES) function.[20] Thus, for a single market, the COMPAS model requires estimates of supply and demand elasticities and the CES elasticity of substitution among national production varieties, ó. In the analysis below, which focuses on tariff policy changes in Brazil, Argentina, and the United Kingdom, we distinguish imports from the United States from imports from the rest-of-the-world (ROW). Therefore, two elasticities of imports are required: $å_{M,USA}$, and $å_{M,ROW}$.

The impact of an import tariff is to increase the domestic price and lower the price received by the exporter of the good, with *ad valorem* wedge equal to the tariff rate. Equilibrium prices for domestic and imported varieties are determined by market clearing. The data requirements

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[18] USITC staff interview with industry representative, Apr. 3, 2001.

[19] Joseph F. Francois and H. Keith Hall, "Partial Equilibrium Modeling," chapter 5 in *Applied Methods for Trade Policy Analysis: A Handbook*, edited by Joseph F. Francois and Kenneth A. Reinert, (Cambridge, England: Cambridge University Press, 1997).

[20] Hal R. Varian, *Microeconomic Analysis*, 2nd ed. (New York: W.W. Norton & Company, Inc., 1984), pp. 17-20.

of the model, for each market, are domestic supply, imports from the United States and the ROW and domestic demand, in monetary terms (i.e., expenditures and revenues).

Three different simulations with the COMPAS model examined the impact of eliminating the external tariff of 17 percent imposed by Brazil and Argentina on U.S. pet food. The first two simulations looked at the effect of reducing the duty in each market separately, while the last simulation looked at the combined effect from tariff reduction in both markets, given that both are members of Mercosur and any such trade liberalization scenario, stemming perhaps from the Free Trade Area of the Americas (FTAA), would likely involve the reduction of the Mercosur common external tariff and affect both markets simultaneously. It should be noted that the removal of non-tariff barriers is not explicitly considered in this model. Asssuming that the NTBs remain in place, the effects might be lower than those presented in the COMPAS model.

The results of the simulations on U.S. exports are presented in the table E-1 below. In each case, tariff reduction has the effect of a modest reduction in the price of U.S. pet food imports in Brazil and a sharp rise in the level of U.S. imports. Total domestic demand for all pet food, including imports, rises marginally in all cases, though U.S. imports displace a marginal amount of domestically produced pet food and imports from other sources. For instance, in the Brazil simulation, domestic production declines by 0.1 percent, while imports from other countries fall by 0.3 percent. By contrast, tariff liberalization in Argentina causes domestic production to decline by 1.4 percent, while imports from other countries (including Brazil) would decline by 3.3 percent. The combined scenario shows domestic production in Brazil and Argentina falling by 0.3 percent, while imports from other countries decline by 0.8 percent.

Table E-1
Model results from tariff liberalization on U.S. pet food imports in Brazil and Argentina

	U.S. exports			Consumer prices	Total domestic demand (including imports)
Simulation	**Initial exports[1]**	**Final exports**	**Percent change**	**U.S. imports**	**Percent change**
	(*Million USD*)	(*Million USD*)		(*Percent change*)	
Reduction of Brazil's tariff on U.S. pet food exports to 0 percent	6,354	8,220	36.5	-5	0.1
Reduction of Argentina's tariff on U.S. pet food exports to 0 percent	12,171	15,117	32.4	-6	1.6
Reduction of Brazil and Argentina's tariffs on U.S. pet food exports to 0 percent	18,525	23,694	35.3	-5	0.4

[1] Initial exports are based on 1999 data.

Sources: Simulations with the COMPAS model using data from the United Nations Statistical Office; Tim Phillips, "Total Success: Innovative company rapidly becomes a leader in the Brazilian petfood market," *Petfood Industry*, Sept. 2000, p. 44; and U.S. Department of Commerce, *Argentina – Pet Food*, ISA 980901, Nov. 1998.

By contrast, the results from the COMPAS model reveal that the removal of the EU tariff on wine would only marginally increase U.S. exports of wine into the U.K. market.[21] These results are summarized in table E-2. U.S. exports of wine increase by 3.8 percent (in value terms) in this scenario, while consumer prices in the U.K. fall by just under 2 percent. U.K. demand for wine increases by only 0.54 percent. Part of the reason for the small effects on U.S. exports are due to relatively low price elasticities of wine demand (-0.3). The small effects from the elimination of tariffs suggested by the modeling simulation are corroborated by U.S. and U.K. industry representatives, who report that EU tariff rates are not an important factor affecting U.S. wine sales in the U.K.[22] High U.K excise tax rates (^1.5 per liter),[23] are cited as the major factor limiting exports. In addition, strong competition from Australian, Chilean, and EU suppliers is characteristic of the U.K. retail sector. In fact, the U.S. industry has not accepted a reported EU offer of a "zero for zero" tariff arrangement for wine with the United States.[24] The U.S. position is that the EU should first harmonize its tariffs to lower U.S. rates.[25]

Table E-2
Model results from tariff liberalization on U.S. wine imports in the United Kingdom

	Initial value (million USD)	Final value (million USD)	Percent change
Total imports	2,411.70	2,436.93	1.05
U.S. imports	139.15	144.43	3.79
Non-EU imports	720.38	747.70	3.79
Consumer price (index, base = 100)	100	98.23	-1.77
Demand (index, base = 100)	100	100.54	0.54

Source: Simulations with the COMPAS model.

[21] The United Kingdom is the single largest export market for U.S. wine, accounting for $142 million (27 percent of total U.S. exports) in 1999.

[22] USITC staff interview with U.S. and U.K. wine industry executives, June 2001.

[23] Excise duties are placed on still wine with an alcoholic content of between 6.5 percent and 15 percent. USDA, FAS, *United Kingdom, Wine Marketing Annual 2000*, London, GAIN Report No. UK0022, June 26, 2000.

[24] USITC staff interview with EU wine industry representative, June 18, 2001.

[25] USITC staff interview with U.S. industry representative, May 16, 2001.

APPENDIX F
DAIRY PRODUCTS

Table F-1
Dairy products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
Cheese: 0406.10 Cheese, fresh (unripened or uncured)	United States	8.5%[2]	1	([2])				A+, E, IL, J, NAFTA (Free)
	Canada	([2])		([2])				
	EU-15	([2])		([2])				
	Japan	22.4% or 29.8%	2					
0406.20 Cheese, grated or powdered	United States	8.5%-17% (9.6%)[2]	5					A+, CA (pt.), E (pt.), IL (pt.), J (Free); MX (pt.) (Free-4.5%)
	Canada	([2])		([2])				
	EU-15	7.7%	1	([2])				EUPREF (sel.), MED (sel.), OCT, GSPL (Free)
	Japan	26.3% or 40%	2					
0406.30 Processed cheese not grated or powdered	United States	8.5%-17% (9.6%)[2]	4	([2])				A+ (pt.), CA (pt.), E (pt.), IL (pt.), J (Free); MX (pt.) (Free-4.5%)
	Canada	([2])		([2])				
	EU-15	([2])		([2])				
	Japan	40%	1					

Table F-1—*Continued*
Dairy products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
0406.40 Blue-veined cheese	United States	2.7%-17% (12.8%)[2]	4	([2])				A+ (pt.), CA (pt.), E (pt.), IL (pt.), J (pt.) (Free); MX (pt.) (1.8%-3%)
	Canada	([2])		([2])				
	EU-15	([2])		([2])				
	Japan	Free or 29.8%	2					
0406.90 Cheese, nesoi, including cheddar & colby	United States	Free-21.3% (8.5%)[2]	11	([2])				A+, CA, E, IL, J (Free); MX (numerous)
	Canada	([2])		([2])				
	EU-15	7.7%[2]	1	**i** 65.8/t- **i** 175.4/t (**i** 65.8/t)[2]	5			EUPREF (sel.,), MED (sel.), OCT, GSPL (Free)
	Japan	29.8%	1					
Dry whey and whey products: 0404.10 Whey & modified whey, whether or not concentrated or sweetened	United States	8.5%[2]	1	0.34¢/ℓ[2]	1			A+, CA, E, IL, J, MX (Free)
	Canada	11%	1	4.94C¢/kg[2]	1			US, CCC, CL, LDC (pt.) (Free)
	EU-15			**i** 70/t- **i** 1,672/t (**i** 1,357/t)	11	([3])	13	EUPREF (sel.), MED (sel.), OCT, GSPL (Free)
	Japan	([2])				([2])		

Table F-1—*Continued*
Dairy products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
0404.90 Products consisting of natural milk constituents, whether or not sweetened	United States	8.5%[2]	1	0.37¢/ℓ[2]	1			A+, CA, E, IL, J (Free); MX (numerous)
	Canada	([2])		([2])				
	EU-15			**i** 1,004/t- **i** 1,672/t (**i** 1,357/t)[2]	3	([4])	3	MED (sel.), OCT, GSPL (Free)
	Japan	21.3%[2]	1			([2])		
1702.11 Lactose & lactose syrup	United States	6.4%[2]	1					A+, E, IL, J, NAFTA (Free)
	Canada	6%	1					CCC, CL, LDC, NAFTA, IL (Free); GSP (5%)
	EU-15			**i** 140/t	1			MED (sel.), OCT, GSPL (Free)
	Japan	8.5%	1					
1702.19 Lactose in solid form & lactose syrup, nesoi	United States	6.4%[2]	1					A+, E, IL, J, NAFTA (Free)
	Canada	6%	1					CCC, CL, LDC, NAFTA, IL (Free); GSP (5%)
	EU-15			**i** 140/t	1			MED (sel.), OCT, GSPL (Free)
	Japan	8.5%	1					

Table F-1—*Continued*
Dairy products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
3501.10 Casein	United States	Free	1	0.37¢/kg	1			A (ex. IN), E, IL, J, NAFTA (Free)
	Canada	Free	1					
	EU-15	Free-9%	3					EUPREF (sel.), MED (sel.), OCT, GSP, GSPL (Free)
	Japan	Free	1					JPREF (4%); JLDC (Free)
3501.90 Caseinates & other casein derivatives, casein glue	United States	6%	1	0.37¢/kg	1			A (ex. IN), E, IL, J, NAFTA (Free)
	Canada	Free	1					
	EU-15	6.4% or 8.3%	2					EUPREF (sel.), MED (sel.), OCT, GSP (sel.), GSPL (Free)
	Japan	5.4%	1					JPREF, JLDC (Free)
3502.20 Milk albumin	United States	Free	1					
	Canada	6.5%	1					CCC, CL, LDC, NAFTA (Free); GSP (3%)
	EU-15	Free	1	**i** 167/t - **i** 1,235/t	2			EUPREF (sel.), MED (sel.), OCT, GSPL (Free)
	Japan	2.9%	1					JPREF, JLDC (Free)

Table F-1—*Continued*
Dairy products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
3502.90 Albumins, albuminates, & other albumin, nesoi	United States	Free	1					
	Canada	6.5%	1					CCC, CL, LDC, NAFTA (Free); GSP (3%)
	EU-15	Free-7.7% (6.4%)	3					EUPREF (sel.), OCT, GSPL (Free)
	Japan	2.9%	1					JPREF, JLDC (Free)
Food prepara-tions for infant use: 1901.10	United States	14.9%[2]	2			([2])		A+, CA, E, IL, J (Free); MX (5.2%)
	Canada	6%-9.5% (9.5%)	3					CCC, CL, LDC (pt.), NAFTA, IL (Free); GSP (pt.) (3%)
	EU-15					7.6% plus EA	1	EUPREF (EA); MED (sel.), ACP, OCT, GSPL (Free)
	Japan	13.6%-24% (23.8%)[2]	4			([2])		
Ice cream: 2105.00	United States	17%[2]	1			([2])		A+, E, IL, J, NAFTA (Free)
	Canada	9.5%[2]	1			([2])		US, CCC, LDC, CL (Free); GSP (5%)

Table F-1—*Continued*
Dairy products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
	EU-15					7.9% plus i 54/100kg MAX 17.8% plus i 6.9/100kg OR 8% plus i 38.5/100kg MAX 18.1% plus i 7/100kg OR 8.6% plus i 20.2/100kg MAX 19.4% plus i 9.4/100kg	3	EUPREF, MED (numerous); OCT, GSPL (Free)
	Japan	21%-29.8% (23.8%)	8					
All other dairy products: 0401.10 Milk/ cream, not concentrated nor sweetened less than 1% fat	United States	([2])		([2])				
	Canada	([2])		([2])				
	EU-15			i 129/t or i 138/t	2			MED (sel.), OCT, GSPL (Free)
	Japan	21.3%[2]	1			([2])		
0401.20 Milk/ cream, not concentrated nor sweetened 1-6% fat	United States	([2])		([2])				
	Canada	([2])		([2])				
	EU-15			i 179/t- i 227/t (i 218/t)	4			MED (sel.); OCT, GSPL (Free)
	Japan	21.3%[2]	1			([2])		

Table F-1—*Continued*
Dairy products: Tariff rates for the United States and other major developed markets, 2000

HS item/product	Market	2000 applied MFN tariff ranges						preferential tariffs[1]
				Specific tariffs		Compound and other tariffs		
		(median tariff)	Tariff	Tariff range (median tariff)	lines	Tariff range	lines	
cream, not concentrated nor greater than 6% fat		(2		(2				
	Canada	( )		( )				
	EU-15			566/t- **i** (**i**	6			MED (sel.), OCT,
	Japan	21.3%	1			( )		
0402.10 Milk/ trated, whether or not sweetened in 1.5% fat	United States	2)		2)				
		(2		(2				
	EU-15			**i** 2		**i** 1.19/kg weight of lactic matter in 100kg of **i** 21/100kg- 27.5/100kg	2	MED (numerous); OCT, GSPL (Free)
		(2		(2		(2		
0402.21 Milk/ cream, sweetened in powder greater	United States	( )		( )				
	Canada	2)		2)				
				i 1,304/t- 1,672/t (1,357/t)	5			OCT, GSPL (Free)
	Japan	2)		2)		2)		
cream, concentrated, powder greater than 1.5% fat		(2		(2				
	Canada	( )		( )				

Table F-1—*Continued*
Dairy products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
	EU-15					([5])	5	MED (numerous); OCT, GSPL (Free)
	Japan	([2])				([2])		
0402.91 Milk/ cream, concentrated, not sweetened nesoi	United States	([2])		([2])				
	Canada	([2])		([2])				
	EU-15			i 347/t- i 1,837/t (i 1,091/t)	8			MED (numerous); OCT, GSPL Free)
	Japan	25.5%[2]	2			([2])		
0402.99 Milk/ cream, concentrated, sweetened nesoi	United States	([2])		([2])				
	Canada	([2])		([2])				
	EU-15			i 572/t	2	([6])	4	MED (numerous); OCT, GSPL (Free)
	Japan	25.5%[2]	2			([2])		
0403.10 Yogurt	United States	17%[2]	1	([2])				A+, E, IL, J, NAFTA (Free)
	Canada	([2])		([2])				
	EU-15			i 205/t- i 751/t (i 411/t)	5	8.3% plus i 124/t- i 1,683/t OR ([7])	6	MED (sel.), OCT, GSPL (Free)
	Japan	21.3%-29.8% (26.3%)	3			([2])		
0403.90 Buttermilk & curdled, fermented, or acidified milk nesoi	United States	17%[2]	1	0.34¢/ℓ[2]	1			A+, E, IL, J, NAFTA (Free)
	Canada	([2])		([2])				
	EU-15			i 205/t- i 1,840/t (i 1,170/t)	12	8.3% plus i 950/t- i 2,660/t OR ([8])	12	MED (sel.), OCT, GSPL (Free)

Table F-1—*Continued*
Dairy products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
	Japan	21.3%	1			([2])		
0405.10 Butter	United States	([2])		([2])				
	Canada	([2])		([2])				
	EU-15	([2])		([2])				
	Japan	([2])				([2])		
0405.20 Dairy spread	United States	6.4%[2]	1	13.1¢/kg[2]	1			A+, CA, E, IL, J (Free); MX (Free or 4.6¢/kg)
	Canada	([2])		([2])				
	EU-15			i 1,896/t	1	9% plus EA	2	EUPREF, MED (numerous); OCT, GSPL (Free)
	Japan	([2])				([2])		
0405.90 Fats & oils derived from milk, nesoi	United States	([2])		([2])				
	Canada	([2])		([2])				
	EU-15	([2])		([2])				EUPREF, MED (numerous); OCT, GSPL (Free)
	Japan	([2])				([2])		

Table F-1—*Continued*
Dairy products: Tariff rates for the United States and other major developed markets, 2000

[1] Selected preferential tariffs in table F-1 do not include preferential rates for products subject to a TRQ.
[2] Certain items in this subheading are subject to TRQs and are included in table F-3.
[3] **i** 0.07/kg- **i** 1.62/kg multiplied by the weight of lactic matter in 100 kg of the product plus **i** 0/100kg- **i** 22/100kg.
[4] **i** 0.95/kg- **i** 1.62/kg multiplied by the weight of lactic matter in 100 kg of the product plus **i** 22/100kg.
[5] **i** 1.31/kg- **i** 1.62/kg multiplied by the weight of lactic matter in 100 kg of the product plus **i** 16.8/100kg- **i** 22/100kg.
[6] **i** 1.08/kg- **i** 1.81/kg multiplied by the weight of lactic matter in 100 kg of the product plus **i** 18.5/100kg- **i** 19.4/100kg.
[7] **i** 0.17/kg- **i** 0.54/kg multiplied by the weight of lactic matter in 100 kg of the product plus **i** 21.1/100kg.
[8] **i** 0.17/kg- **i** 1.62/kg multiplied by the weight of lactic matter in 100 kg of the product plus **i** 21.1/100kg- **i** 22/100kg.

Sources: Tariffs for the United States were obtained from USITC, *Harmonized Tariff Schedule of the United States (2000)*, USITC Publication 3249 (rev. 3) (Washington, DC: U.S. Government Printing Office, 2000). Tariffs for Canada were obtained from Canada Customs and Revenue Agency, *Customs Tariff: Departmental Consolidation 2000*. Tariffs for the EU were obtained from *Official Journal of the European Communities, L 278, Vol. 42,* Oct. 28, 1999 and the integrated tariff of the European Communities (TARIC), found at Internet address *http://www.taric.com/scripts/eNetTaric.dll/home?c=*. Tariffs for Japan were obtained from Japan Tariff Association, *Customs Tariff Schedules of Japan 2000*.

Table F-2
Dairy products: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
Cheese: 0406.10 Cheese, fresh (unripened or uncured)	Mexico	$1,044/t bnlt 125.1%	125%	US (12%)
	Philippines	35%	3%	
	Korea	36%	37.6% or 40%	
	Taiwan	([2])	11%	
	Dominican Republic	40%	35%	
0406.20 Cheese, grated or powdered	Mexico	37.5%	20%	US (6%)
	Korea	36%	37.6%	
	Philippines	35%	3% or 7%	
	Colombia	141%	20%	
	Venezuela	98%	20%	
	Trinidad & Tobago	100%	5%	
0406.30 Processed cheese not grated or powdered	Venezuela	98%	20%	
	Korea	36%	37.6%	
	Saudi Arabia	([2])	12%	
	Mexico	$1,044/t bnlt 125.1%	125%	US (6%)
	Singapore	Free	Free	
0406.40 Blue-veined cheese	Mexico	45%	20%	US (6%)
	Australia	Free	Free or A$1.220/kg	
	South Africa	95%	R5/kg	
	Bahrain	35%	5%	
	El Salvador	40%	40%	

Table F-2—*Continued*
Dairy products: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
0406.90 Cheese, nesoi, including cheddar & colby	Mexico	45% or $1,044/ton bnlt 125.1%	20%-125%	US (6%)
	Korea	36%	37.6%	
	Dominican Republic	40%	3%-35%	
	Jamaica	100%	5%	
	Argentina	35%	19%-27%	
Dry whey and whey products: 0404.10 Whey & modified whey, whether or not concentrated or sweetened	Mexico	37.5%	10% or 10% plus $0.39586/kg	US (3%)
	Philippines	15%	3%	
	Korea	49.5%	([3])	
	China[4]	6%	6%	
	Thailand	25%-40%	5%-30%	
	Taiwan	([2])	Free or 10%	
0404.90 Products consisting of natural milk constituents, whether or not sweetened	Mexico	37.5%	20%	US (6%)
	Philippines	30%	3%	
	Russia	([2])	15%	
	China[4]	20%	44%	
	Egypt	10%	5%-30%	
1702.11 Lactose & lactose syrup	Mexico	45%	13%	US (3%)
	Korea	49.5%	20%[3]	
	Indonesia	40%	5%	
	China[4]	10%	30%	
	Taiwan	([2])	16% or 35%	
	Thailand	94%	20%	

Table F-2—*Continued*
Dairy products: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
1702.19 Lactose in solid form & lactose syrup, nesoi	Mexico	45%	13% or 18%	US (3% or 4.5%)
	China[4]	10%	30%	
	Indonesia	40%	5%	
	Korea	20%	20%[3]	
	Philippines	30%	3%	
	Taiwan	([2])	16% or 35%	
3501.10 Casein	Mexico	9%	10%	US (3%)
	Australia	5% or 8%	Free	
	New Zealand	8%	Free	
	Philippines	30%	3%	
	Honduras	35%	1%	
	Singapore	Free	Free	
3501.90 Caseinates & other casein derivatives, casein glue	Argentina	35%	17%	
	Brazil	20%	17%	
	Chile	25%	9%	
	Mexico	37%	18%	US (Free)
	Thailand	30%	35%	
	Malaysia	5%	Free-25%	
	Philippines	30%	3%	
3502.20 Milk albumin	Mexico	37%	18%	US (Free)
	Korea	13%	8%	
	Venezuela	40%	10%	
	China[4]	10%	10%	
	Australia	Free	Free	

Table F-2—*Continued*
Dairy products: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
3502.90 Albumins, albuminates, & other albumin, nesoi	Korea	13%	8%	
	Mexico	30%	18%	US (Free)
	Chile	25%	9%	
Food prepara-tions for infant use: 1901.10	Taiwan	([2])	7.5%	
	Hong Kong	Free	Free	
	Saudi Arabia	([2])	12%	
	China[4]	15%	15%	
	Mexico	45%	10%	US (3%)
	Malaysia	5%	Free	
Ice cream: 2105.00	Mexico	45%	20% plus $0.39586/kg	US (6%)
	Hong Kong	Free	Free	
	Korea	22.9%-54%	8%	
	Taiwan	([2])	20% or 25%	
	Singapore	Free	Free	
	China[4]	19%	39.8%	
All other dairy products: 0401.10 Milk/ cream, not concentrated nor sweetened less than 1% fat	Mexico	37.5%	10%	US (3%)
	Korea	36%	40%	
	Singapore	Free	Free	
	Guatemala	103%	20%	
0401.20 Milk/ cream, not concentrated nor sweetened 1-6% fat	Mexico	37.5%	10%	US (3%)
	Hong Kong	Free	Free	
	Taiwan	([2])	35%	
	Malaysia	54.5%	Free	

Table F-2—*Continued*
Dairy products: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
0401.30 Milk/ cream, not concentrated nor sweetened greater than 6% fat	Mexico	37.5%	10%	US (3%)
	Korea	36%	40%	
	Hong Kong	Free	Free	
	Argentina	35%	15%-17%	
0402.10 Milk/ cream, concentrated, whether or not sweetened in powder less than 1.5% fat	Mexico	40% or $1,044/t bnlt 125.1%	10% plus $0.39586/kg OR 128%	US (94%)
	Russia	([2])	10%	
	Philippines	18%	3% or 5%	
	Dominican Republic	40%	20%	
	Indonesia	210%	5%	
	Egypt	5%	1%-20%	
	Venezuela	100%	20%	
0402.21 Milk/ cream, concentrated, not sweetened in powder greater 1.5% fat	Russia	([2])	10%	
	Venezuela	100%	20%	
	Mexico	37.5% or $1,044/t bnlt 125.1%	10%-128%	US (94%)
	China[4]	25%	25%	
0402.29 Milk/ cream, concentrated, sweetened in powder greater than 1.5% fat	Venezuela	100%	20%	
	Guatemala	45%	20%	
	China[4]	25%	25%	

Table F-2—*Continued*
Dairy products: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
0402.91 Milk/cream, concentrated, not sweetened nesoi	Korea	89%	([3])	
	Taiwan	([2])	10%-40%	
	Guatemala	103%	10% or 20%	
0402.99 Milk/ cream, concentrated, sweetened, nesoi	Venezuela	100%	20%	
	Australia	1%	Free	
	Mexico	$0.18/kg bnlt 78.3%	15% plus $0.39586/kg OR 20% plus $0.39586/kg	US (6%)
	Argentina	35%	27%	
	Honduras	35%	Free	
	Singapore	Free	Free	
0403.10 Yogurt	Mexico	37.5%	20%	US (6%)
	Australia	1%	Free	
	Hong Kong	Free	Free	
	Taiwan	([2])	32.5%	
	Dominican Republic	40%	30%	
	Singapore	Free	Free	
0403.90 Buttermilk, & curdled, fermented, or acidified milk nesoi	Mexico	37.5%	20%	US (6%)
	Australia	1%	Free	
	Hong Kong	Free	Free	
	China[4]	20%	44%	
	Guatemala	103%	15%	

Table F-2—*Continued*
Dairy products: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
0405.10 Butter	Mexico	37.5%	20%	US (6%)
	Taiwan	([2])	10%	
0405.20 Dairy spread	Mexico	37.5%	20% plus $0.39586/kg	US (6%)
	Australia	1%	4%	
	Dominican Republic	40%	20%-30%	
	Hong Kong	Free	Free	
	Saudi Arabia	([2])	12%	
0405.90 Fats & oils derived from milk nesoi	Mexico	37.5%	Free or 20%	US (6%)
	Dominican Republic	40%	20%-30%	
	Korea	89%	([3])	

[1] Selected preferential tariffs in table F-2 do not include rates for products that are subject to TRQ.
[2] Bound rates are not applicable for markets that are not WTO members.
[3] Certain items in this subheading are subject to TRQs and are included in table F-3.
[4] Tariff rates for China are those found in the U.S.-China WTO Accession Agreement. 2000 MFN applied tariffs are the tariffs provided in the Agreement that are binding as of Jan. 1, 2000, while final bound tariffs are those that are binding as of Jan. 1, 2004.

Sources: Tariffs for developing and other potential markets were collected from numerous sources. All bound tariff rates were obtained from World Trade Organization (WTO), *The Results of the Uruguay Round*, CD-ROM, 1996. Tariffs for Latin American countries were obtained from the Free Trade Area of the Americas (FTAA) Hemispheric Trade and Tariff Database, found at Internet address *http://alca-ftaa.iadb.org/eng/NGMADB_E.HTM*. Tariffs for several Asian markets were obtained from the Asia Pacific Economic Cooperation (APEC) Tariff Database, found at Internet address *http://www.apectariff.org*. Tariffs for Korea were obtained from Korea Customs Research Institute, *Tariff Schedules of Korea 2000*. Tariffs for China are those found in Embassy of the United States of America, Beijing, *Agreement on Market Access Between the People's Republic of China and the United States of America*, Nov. 15, 1999. Tariffs for India were obtained from D.N. Kohli, *Customs Tariff of India: 2000-2001 Budget Edition* (New Delhi, India: Cen-Cus Publications, 2000). NAFTA tariffs for Mexico were obtained from USDA, FAS, *Mexico's NAFTA Tariff Schedule for 2000*, Mexico City, GAIN Report No. MX0044, Mar. 31, 2000. Tariffs for Hungary were obtained from Internet address *http://www.vaminfo.hu/tariffnet/default.php*. Tariffs for Poland were obtained from Internet address *http://www.clo.skg.pl/taryfa/taryfa.asp.* Tariffs for Russia were obtained from 2000 Russian Tariff Schedule. Other tariffs were obtained from the United Nations Conference on Trade and Development (UNCTAD), Trade Analysis and Information System (TRAINS) CD-ROM, 2001.

Table F-3
Dairy products: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
United States[3]	Milk and cream, not concentrated nor containing added sugar of 1-6% fat content	11,356,236[4]	([5])	([5])	([5])	FC	0401.20.20-40	0.43¢/ℓ	1.5¢/ℓ
	Milk and cream, fluid or frozen, fresh or sour (ch. 4, note 5)	6,694,840[4]	98	97	51	FC	0401.30.05-25	3.2¢/ℓ	77.2¢/ℓ
							0403.90.04-16	3.2¢/ℓ	77.2¢/ℓ
	Butter (ch. 4, note 6)	6,977	99	98	99	LD	0401.30.50-75	12.3¢/kg	$1.646/kg
							0403.90.74-78	12.3¢/kg	$1.646/kg
							0405.10.10-20	12.3¢/kg	$1.541/kg
	Dried skim milk (ch. 4, note 7)	5,261	96	98	59	LD	0402.10.10-50	3.3¢/kg	86.5¢/kg
							0402.21.05-25	3.3¢/kg	86.5¢/kg
	Dried whole milk (ch. 4, note 8)	3,321	98	98	60	LD	0402.21.30-50	6.8¢/kg	$1.092/kg
							0403.90.51-55	6.8¢/kg	$1.092/kg

Table F-3—*Continued*
Dairy products: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
United States[3]–Continued	Dried milk and cream (ch 4, note 9)	99.5	0	0	0	FC	0402.21.75-90	13.7¢/kg	$1.556/kg
							0403.90.61-65	13.7¢/kg	$1.556/kg
	Articles containing over 5.5%, but not over 45% butter-fat (ch. 4, note 10)	4,105	68	85	86	FC	0402.29.10-50	17.5%	$1.104/kg plus 14.9%
							0402.99.70-90	17.5%	46.4¢/kg plus 14.9%
							0403.10.10-50	20%	$1.035/kg plus 17%
							0403.90.90-95	20%	$1.035/kg plus 17%
							0404.10.11-15	13%	$1.035/kg plus 8.5%
							0404.90.30-50	14.5%	$1.189/kg plus 8.5%
							0405.20.60-70	10%	70.4¢/kg plus 8.5%
							1517.90.50-60	11¢/kg	34.2¢/kg
							1704.90.54-58	12.2%	40¢/kg plus 10%
							1806.20.81-83	10%	37.2¢/kg plus 8.5% or 52.8¢/kg plus 8.5%
							1806.32.60-80	7%	37.2¢/kg plus 6% or 52.8¢/kg plus 6%
							1806.90.05-10	3.5%	37.2¢/kg plus 6% or 52.8¢/kg plus 6%
							1901.10.35-40	17.5%	$1.035/kg plus 14.9%
							1901.10.80-85	17.5%	$1.035/kg plus 14.9%
							1901.20.05-15	10%	42.3¢/kg plus 8.5%
							1901.20.45-50	10%	42.3¢/kg plus 8.5%

Table F-3—*Continued*
Dairy products: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
United States[3]–Continued							1901.90.42-43	16%	$1.035/kg plus 13.6%
							1901.90.46-47	16%	$1.035/kg plus 13.6%
							2105.00.30-40	20%	50.2¢/kg plus 17%
							2106.90.06-09	2.9¢/kg	86.2¢/kg
							2106.90.64-66	10%	70.4¢/kg plus 8.5%
							2106.90.85-87	10%	28.8¢/kg plus 8.5%
							2202.90.24-28	17.5%	23.5¢/ℓ plus 14.9%
	Milk and cream, condensed in airtight containers (ch. 4, note 11)	6,857	71	86	70	FC	0402.91.10-70	2.2¢/kg	31.3¢/kg
							0402.91.30-90	3.3¢/kg	31.3¢/kg
							0402.99.10-45	3.9¢/kg	46.6¢/kg
							0402.99.30-55	3.3¢/kg	49.6¢/kg
	Dried buttermilk/ whey (ch. 4, note 12)	296	39	39	6	LD	0403.90.41-45	3.3¢/kg	87.6¢/kg
							0404.10.50-90	3.3¢/kg	87.6¢/kg
	Butter substitutes (ch. 4, note 14)	6,061	98	99	100	LD	0405.20.20-30	15.4¢/kg	$1.996/kg
							0405.90.10-20	10%	$1.865/kg plus 8.5%
							2106.90.24-26	15.4¢/kg	$1.996/kg
							2106.90.34-36	15.4¢/kg	$1.996/kg
	Other cheese-nspf (ch. 4, Note 16)	48,620.8	86	98	89	LD	0406.10.04-08	10%	$1.509/kg
							0406.10.84-88	10%	$1.509/kg
							0406.20.89-91	10%	$1.509/kg
							0406.30.89-91	10%	$1.509/kg
							0406.90.95-97	10%	$1.509/kg

Table F-3—*Continued*
Dairy products: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
United States[3]–Continued	Blue mold cheese (ch. 4, note 17)	2,911	94	97	99	LD	0406.10.14-18	10%	$2.269/kg
							0406.20.24-28	10%	$2.269/kg
							0406.20.61-63	10%	$2.269/kg
							0406.30.14-18	10%	$2.269/kg
							0406.30.61-63	10%	$2.269/kg
							0406.40.54-70	15%	$2.269/kg
							0406.40.58-70	20%	$2.269/kg
							0406.90.72-74	10%	$2.269/kg
	Cheddar (ch. 4, note 18)	12,423	98	96	94	LD	0406.10.24-28	10%	$1.277/kg
							0406.20.31-33	16%	$1.277/kg
							0406.20.65-67	10%	$1.277/kg
							0406.30.24-28	16%	$1.277/kg
							0406.30.65-67	10%	$1.277/kg
							0406.90.08-12	12%	$1.277/kg
							0406.90.76-78	10%	$1.277/kg
	American-type including Colby (ch. 4, note 19)	3,523	92	96	89	LD	0406.10.34-38	10%	$1.055/kg
							0406.20.36-39	20%	$1.055/kg
							0406.20.69-71	10%	$1.055/kg
							0406.30.34-38	20%	$1.055/kg
							0406.30.69-71	10%	$1.055/kg
							0406.90.52-54	20%	$1.055/kg
							0406.90.82-84	10%	$1.055/kg

Table F-3—*Continued*
Dairy products: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
United States[3]–Continued	Edam & Gouda (ch. 4, note 20)	6,816	86	96	97	LD	0406.10.44-48	10%	$1.803/kg
							0406.20.44-48	15%	$1.803/kg
							0406.20.73-75	10%	$1.803/kg
							0406.30.44-48	15%	$1.803/kg
							0406.30.73-75	10%	$1.803/kg
							0406.90.16-18	15%	$1.803/kg
							0406.90.86-88	10%	$1.803/kg
	Italian type cheese (ch. 4, note 21)	13,481	92	98	93	LD	0406.10.54-58	10%	$2.146/kg
							0406.20.51-53	15%	$2.146/kg
							0406.20.77-79	10%	$2.146/kg
							0406.30.77-79	10%	$2.146/kg
							0406.90.31-32	25%	$2.146/kg
							0406.90.36-37	19%	$2.146/kg
							0406.90.41-42	15%	$2.146/kg
							0406.90.66-68	7.5%	$2.146/kg
	Gruyers-processed Switzerland (ch. 4, note 22)	7,854	87	90	75	LD	0406.10.64-68	10%	$1.386/kg
							0406.20.81-83	10%	$1.386/kg
							0406.30.51-53	6.4%	$1.386/kg
							0406.30.81-83	10%	$1.386/kg
							0406.90.90-92	10%	$1.386/kg
	Other cheese-nspf-lowfat (ch. 4, note 23)	5,475	40	53	48	LD	0406.10.74-78	10%	$1.128/kg
							0406.20.85-87	10%	$1.128/kg
							0406.30.85-87	10%	$1.128/kg

Table F-3—*Continued*
Dairy products: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
United States[3]—Continued							0406.90.93-94	10%	$1.128/kg
							1901.90.34-36	10%	$1.128/kg
	Swiss and Emmentaler cheese with eye formation (ch. 4, note 25)	34,475	81	95	90	LD	0406.90.46	6.4%	$1.877/kg
	Chocolate containing over 5.5% butterfat (ch 18, note 2)	26,168	77	78	100	FC	1806.20.24-28	5.0%	52.8¢/kg plus 4.3% or 37.2¢/kg plus 4.3%
							1806.32.04-08	5.0%	52.8¢/kg plus 4.3% or 37.2¢/kg plus 4.3%
							1806.90.15-20	3.5%	52.8¢/kg plus 6% or 37.2¢/kg plus 6%
	Chocolate containing 5.5% butterfat or less (ch. 18, note 3)	2,122	0	0	0	FC	1806.20.34-38	5.0%	52.8¢/kg plus 4.3% or 37.2¢/kg plus 4.3%
							1806.20.85-89	10.0%	52.8¢/kg plus 4.3% or 37.2¢/kg plus 4.3%
							1806.32.14-18	5.0%	52.8¢/kg plus 4.3% or 37.2¢/kg plus 4.3%
							1806.90.25-30	3.5%	52.8¢/kg plus 6% or 37.2¢/kg plus 6%

Table F-3—*Continued*
Dairy products: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
United States[3]—Continued	Infant formula (ch. 19, note 2)	100	100	100	100	FC	1901.10.15-30	17.5%	$1.035/kg plus 14.9%
							1901.10.60-75	17.5%	$1.035/kg plus 14.9%
	Ice cream (ch. 21, note 5)	5,668	1	69	59	FC	2105.00.10-20	20.0%	50.2¢/kg plus 17%
	Animal feed containing milk or milk derivatives (ch. 23, note 2)	7,400	14	8	0	FC	2309.90.24-28	7.5%	80.4¢/kg plus 6.4%
							2309.90.44-48	7.5%	80.4¢/kg plus 6.4%
Canada	Fluid milk	64,500	([5])	([5])	([5])	AT, LD	0401.10.10-20	7.5%	241% bnlt C$34.50/hl
							0401.20.10-20	7.5%	241% bnlt C$34.50/hl
	Cream[6]	394	62	83	([5])	LD	0401.30.10-20	7.5%	292.5% bnlt C$2.48/kg
	Concentrated/ condensed milk	11.7	100	([5])	([5])	HI	0402.10.10-20	3.32C¢/kg	201.5% bnlt C$2.01/kg
							0402.21.11-12	3.32C¢/kg	243% bnlt C$2.82/kg
							0402.21.21-22	6.5%	295.5% bnlt C$4.29/kg
							0402.29.11-12	3.32C¢kg	243% bnlt C$2.82/kg
							0402.29.21-22	6.5%	295.5% bnlt C$4.29/kg
							0402.91.10-20	2.84C¢/kg	259% bnlt 78.9C¢/kg
							0402.99.10-20	2.84C¢/kg	255% bnlt 95.1C¢/kg

Table F-3—*Continued*
Dairy products: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
Canada—Continued	Yogurt	332	100	([5])	([5])		0403.10.10-20	6.5%	237.5% bnlt 46.6C¢/kg
	Powdered milk	908	100	([5])	([5])	HI, LD	0403.90.11-12	3.32C¢/kg	208% bnlt C$2.07/kg
	Dry whey[6]	3,198	83	100	([5])	LD	0404.10.21-22	3.32C¢/kg	208% bnlt C$2.07/kg
	Other products of milk constituents (HS ch 4)	4,345	100	([5])	([5])	LD	0404.90.10-20	6.5%	270% bnlt C$3.15/kg
	Butter[6]	3,274	100	100	([5])	ST	0405.10.10-20	11.38C¢/kg	298.5% bnlt C$4.00/kg
							0405.20.10-20	7%	274.5% bnlt C$2.88/kg
							0405.90.10-20	7.5%	313.5% bnlt C$5.12/kg
	Cheese	20,412	100	([5])	([5])	HI	0406.10.10-20	3.32C¢/kg	245.5% bnlt C$4.52/kg
							0406.20.11-12	2.84C¢/kg	245.5% bnlt C$3.58/kg
							0406.20.91-92	3.32C¢/kg	245.5% bnlt C$5.11/kg
							0406.30.10-20	3.32C¢/kg	245.5% bnlt C$4.34/kg
							0406.40.10-20	3.32C¢/kg	245.5% bnlt C$5.33/kg

Table F-3—*Continued*
Dairy products: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
Canada—Continued							0406.90.11-12	2.84C¢/kg	245.5% bnlt C$3.53/kg
							0406.90.21-22	3.32C¢/kg	245.5% bnlt C$5.78/kg
							0406.90.31-32	3.32C¢/kg	245.5% bnlt C$5.50/kg
							0406.90.41-42	3.32C¢/kg	245.5% bnlt C$4.23/kg
							0406.90.51-52	3.32C¢/kg	245.5% bnlt C$5.08/kg
							0406.90.61-62	3.32C¢/kg	245.5% bnlt C$3.53/kg
							0406.90.71-72	3.32C¢/kg	245.5% bnlt C$4.34/kg
							0406.90.81-82	3.32C¢/kg	245.5% bnlt C$5.26/kg
							0406.90.91-92	3.32C¢/kg	245.5% bnlt C$4.34/kg
							0406.90.93-94	3.32C¢/kg	245.5% bnlt C$5.08/kg
							0406.90.95-96	3.32C¢/kg	245.5% bnlt C$5.15/kg
							0406.90.98-99	3.32C¢/kg	245.5% bnlt C$3.53/kg
	Other dairy-based products	70	100	([5])	([5])	LD	1901.90.31-32	6.5%	267.5% bnlt C$1.16/kg
							1901.90.33-34	6.5%	250.5% bnlt C$2.91/kg
	Ice cream	484	100	([5])	([5])	FC	2105.00.91-22	6.5%	277% bnlt C$1.16/kg

Table F-3—*Continued*
Dairy products: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
EU	Nonfat dry milk[6]	68,000	99	98	97	LD	0402.10.19	**i** 475/t	**i** 1,188/t
	Butter and other fats and oils derived from milk[6]	10,000	99	98	96	LD	0405.10.11-50	**i** 948/t	**i** 1,896/t
							0405.10.90	**i** 948/t	**i** 2,313/t
							0405.90.10-90	**i** 948/t	**i** 2,313/t
	Butter , 6 weeks old, 80-82% fat	76,667	([5])	([5])	([5])	LD	0405.10.11-19	**i** 868.8/t	**i** 1,896/t
	Pizza cheese[6]	5,300	100	56	34	LD	0406.10.20	**i** 130/t	**i** 1,852/t
							0406.10.80	**i** 130/t	**i** 2,212/t
	Emmentaler, including processed[6]	18,400	99	72	55	LD	0406.30.10	**i** 719/t	**i** 1,449/t
							0406.90.13	**i** 858/t	**i** 1,717/t
	Gruyere, Shrinz, including processed[6]	5,200	100	76	40	LD	0406.30.10	**i** 719/t	**i** 1,449/t
							0406.90.15	**i** 858/t	**i** 1,717/t
	Cheese for processing[6]	20,000	99	96	95	LD	0406.90.01	**i** 835/t	**i** 1,671/t
	Cheese for processing	4,500	98	100	94	LD	0406.90.01	**i** 170.6/t	**i** 1,671/t
	Cheddar[6]	15,000	99	99	98	LD	0406.90.21	**i** 210/t	**i** 1,671/t
	Cheddar (whole cheddar cheese)	10,250	100	100	100	LD	0406.90.21	**i** 170.6/t	**i** 1,671/t

Table F-3—*Continued*
Dairy products: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
EU—Continued	Cheddar (made from unpasteurized milk)	4,000	77	100	100	LD	0406.90.21	**i** 137.5/t	**i** 1,671/t
	Fresh (unripened or uncured) cheese[6]	19,500	99	94	89	LD	0406.10.20	**i** 926/t	**i** 1,852/t
							0406.10.80	**i** 1,064/t	**i** 2,212/t
							0406.20.90	**i** 941/t	**i** 1,882/t
							0406.30.31	**i** 690/t	**i** 1,391/t
							0406.30.39	**i** 719/t	**i** 1,449/t
							0406.30.90	**i** 1,029/t	**i** 2,150/t
							0406.40.10-90	**i** 704/t	**i** 1,409/t
							0406.90.17	**i** 858/t	**i** 1,717/t
							0406.90.18	**i** 755/t	**i** 1,717/t
							0406.90.23-50	**i** 755/t	**i** 1,510/t
							0404.90.61-69	**i** 941/t	**i** 1,882/t
							0406.90.73-88	**i** 755/t	**i** 1,510/t
							0406.90.93	**i** 926/t	**i** 1,852/t
							0406.90.99	**i** 1,064/t	**i** 2,212/t
Japan	Nonfat dry milk (school lunch)	7,264	52	52	49	LD	0402.10.211-2	Free	¥396/kg
							0402.21.211-2	Free	¥425/kg
	Nonfat dry milk (other purposes)	85,878	38	39	39	LD	0402.10.121-9	35%	29.8% plus ¥396/kg
							0402.10.216-7	Free	¥396/kg
							0402.10.222-9	25%	21.3% plus ¥396/kg

Table F-3—*Continued*
Dairy products: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
Japan—Continued							0402.21.216-7	Free	¥425/kg
							0402.21.222-9	25%	21.3% plus ¥425/kg
							0402.29.220-9	35%	29.8% plus ¥425/kg
	Evaporated milk	1,585	90	92	93	OT	0402.91.121-9	30%	25.5% plus ¥509/kg
							0402.91.210-9	25%	21.3% plus ¥254/kg
	Whey and modified whey for feeding purposes	45,000	46	48	53	LD	0404.10.131-9	Free	29.8% plus ¥425/kg
							0404.10.141-9	Free	29.8% plus ¥425/kg
							0404.10.171-9	Free	29.8% plus ¥687/kg
							0404.10.181-9	Free	29.8% plus ¥687/kg
	Prepared whey for infant formula	25,000	34	41	42	LD	0404.10.142-9	10%	29.8% plus ¥425/kg
							0404.10.182-9	10%	29.8% plus ¥687/kg
							0404.90.116-8	10%	29.8% plus ¥400/kg
							0404.90.126-8	10%	29.8% plus ¥679/kg
							0404.90.136-8	10%	29.8% plus ¥1,023/kg
	Mineral concentrated whey	14,000	16	33	25	LD	0404.10.121-9	25%-35%	29.8% plus ¥425/kg
							0404.10.161-9	25%-35%	29.8% plus ¥687/kg
	Butter and butteroil	1,873	20	19	18	LD	0405.10.121-9	35%	29.8% plus ¥985/kg
							0405.10.221-9	35%	29.8% plus ¥1,159/kg
							0405.90.221-9	35%	29.8% plus ¥1,159/kg

Table F-3—*Continued*
Dairy products: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
Japan—Continued	Other dairy products for general use	133,940	93	98	98	MX	Numerous codes in Ch. 4, Ch. 19, and Ch. 21	25%-35%	21.3%-29.8% plus ¥54/kg-¥1,199/kg
	Designated dairy products for general use	120,000	100	100	100	ST	Numerous codes in Ch. 4	25%-35%	21.3%-29.8% plus ¥254/kg-¥1,159/kg
Mexico	Nonfat dry milk	120,000	100	100	([5])	AT	0402	Free	128%
	Cheese	9,385	([5])	([5])	([5])	AT	0406	20%	125%
Korea	Nonfat dry milk powder	805.5	100	([5])	([5])	MX	0402.10.10.10	20%	193.6%
							0402.10.10.90		
							0402.10.90.00		
							0403.90.10.00		
	Whole milk powder	471.2	19	([5])	([5])	AU	0402.21.10.00	40%	193.6%
							0402.21.90.00		
							0402.29.00		
	Other milk and cream	106.9	0	([5])	([5])	AU	0402.91.10.00	40%	93%
							0402.91.90.00		
							0402.99.10.00		
							0402.99.90.00		
	Whey and whey powder	40,351	71	([5])	([5])	MX	0404.10	20%	69.3%
	Butter	344.5	100	([5])	([5])	HI	0405.10	40%	93%
							0405.90		
	Lactose	7,728.9	100	([5])	([5])	HI	1702.11.10	20%	69.3%
							1702.19.10	20%	69.3%

Table F-3—*Continued*
Dairy products: Tariff-rate quotas for the United States and major markets, 1998-2000

[1] TRQ group refers to the description of products provided for in each country's notification of TRQ commitments as reported to the WTO.

[2] The WTO Secretariat has the following categories of TRQ administration methods that are applicable to dairy products:

FC-First-come, first-served; no shares are allocated until the quota is filled.
LD-Licenses on demand, generally on a first-come, first-served basis.
AT-Applied tariffs; no shares allocated to imports which are allowed to supply unlimited quantities (within the quota).
ST-Imports undertaken by state-trading entities that allocate quota entirely or mainly to a producer group.
HI-Historical importers; shares are allocated principally in relation to past imports of the product.
MX-Mixed allocation methods involving several of the methods listed above.
OT-Other
AU-Auctioning

[3] TRQs are general and not designated to specific dairy products in the United States. Chapter notes refer to the following products:

Note 5 Milk and cream, fluid or frozen, fresh or sour, containing between 6 and 45 percent by weight of butterfat.
Note 6 Butter, and fresh or sour cream containing over 45 percent by weight of butterfat.
Note 7 Dried milk, whether or not containing added sugar or other sweetening matter.
Note 8 Dried milk and dried cream, whether or not containing added sugar or other sweetening matter.
Note 9 Dried milk and dried cream, whether or not containing added sugar or other sweetening matter.
Note 10 Dairy products: Articles containing over 5.5 percent, but not over 45 percent butterfat.
Note 11 Milk and cream, condensed or evaporated, the foregoing goods entered under subheadings.
Note 12 Dried milk, dried cream and dried whey, the foregoing whether or not containing added sugar or other sweetening matter.
Note 14 Butter substitutes containing over 45 percent by weight of butterfat.
Note 16 Cheeses and substitutes for cheese (except (i) cheese not containing cow's milk; (ii) soft ripened cow's milk cheese; (iii) cheese (except cottage cheese) containing 0.5 percent or less by weight of butterfat, and, (iv) articles within the scope of other import quotas provided for in additional U.S. notes 17 through 25, inclusive, to this chapter), the foregoing goods.
Note 17 Blue-mold cheese (except Stilton produced in the United Kingdom) and cheese and substitutes for cheese containing, or processed from, blue-mold cheese.
Note 18 Cheddar cheese and cheese and substitutes for cheese containing, or processed from Cheddar cheese, 0406.10.24.
Note 19 American-type cheese, including Colby, washed curd and granular cheese (but not including Cheddar cheese), and cheese and substitutes for cheese containing, or processed from, such American-type cheese.
Note 20 Edam and Gouda cheeses and of cheese and substitutes for cheese containing, or processed from, Edam and Gouda cheese.
Note 21 Italian-type cheeses, made from cow's milk, in original loaves (Romano made from cow's milk, Reggiano, Parmesan, Provolone, Provoletti and Sbrinz); and Italian-type cheeses, made from cow's milk, not in original loaves (Romano made from cow's milk, Reggiano, Parmesan, Provolone, Provoletti, Sbrinz and Goya) and of cheese and substitutes for cheese containing, or processed from, such Italian-type cheeses, whether or not in original loaves.
Note 22 Swiss or Emmentaler cheese other than with eye formation, Gruyere-process cheese and of cheese and substitutes for cheese containing, or processed from, such cheese.
Note 23 Cheese, and substitutes for cheese, containing 0.5 percent or less by weight of butterfat (except articles within the scope of other import quotas provided for in additional U.S. notes 16 through 22, inclusive, or additional U.S. notes 24 and 25 to this chapter) and margarine cheese.
Note 25 Swiss and Emmentaler cheese with eye formation.

[4] The TRQ quantity for this group is measured in liters.

[5] Not available.

[6] Fill rates reported on a marketing year basis. Fill rates for 2000 are those for the marketing year 1999/2000, for example. The TRQ quantity is for the marketing year 2000/2001.

Sources: Product categories, TRQ quantities, and fill rates were obtained from the WTO Document Dissemination Facility, found at Internet address *http://docsonline.wto.org/gen_search.asp.* TRQ administration methods were obtained from WTO, Tariffs and Other Quotas: Background paper by the Secretariat AIE/SI/Rev. 1, May 26, 1998. Tariff rates were obtained from country tariff schedules.

Table F-4
Dairy products: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Certification	Brazil, EU	All dairy products	Brazil issues import licenses to a few U.S. companies on approved plant list. Brazil officials reportedly neglect to approve plants, even though U.S. has complied with all requirements.
	Russia	All dairy products	Certification and testing of imports are reported to be onerous and expensive.
	Japan	All dairy products	Extensive testing, registration, and inspection requirements.
Labeling requirements	Brazil	All dairy	Product labels must be registered and signed by manufacturers and U.S. government. U.S. officials unable to ensure statements on the Brazilian forms are correct.
	Thailand	Nonfat dry milk	Thai authorities do not permit U.S. NDM to be exported in bags labeled with a specific quality (i.e., “Extra grade” or “Grade A”).
	Thailand	Nonfat dry milk	Thai regulations require the NDM be branded with the name of the manufacturer and registered under the brand name. Thus with U.S. company mergers, new label registration is required.
	Egypt	Certain dairy products	Labeling requirements are reportedly burdensome.
	Japan	All dairy products	Labeling requirements are reportedly detailed.
	Korea	All dairy products	Labeling requirements are reportedly detailed.

Table F-4—*Continued*
Dairy products: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Product safety requirements	Japan	Whipping cream	Japanese do not permit nitrous oxide as a food additive (used as a propellant in whipping cream).
	Korea	Cheese	Korean testing procedures differ from methods used in U.S. and other countries.
Standards	Korea	Ice cream & yogurt	Korea does not permit the use of whey products in ice cream and yogurt.
	EU	All dairy products	EU directives specify stringent requirements for health certification in raw milk. While USDA established an EU health certification program in response, U.S. exporters are not given an exemption from the requirements. Several EU countries, however, are given exemptions from the regulations.
Shelf life requirements	Korea	Parmesan cheese	Korea requires Parmesan cheese to be refrigerated, whereas other countries do not.
	Saudi Arabia	All dairy products	Imports rejected at point of entry if they have less than half of the expiration period remaining (calculated from the date of production).
	Egypt	All dairy products	Imports rejected at point of entry if they have less than half of the expiration period remaining. Manufacturing date and expiration date must be on label.

Table F-4—*Continued*
Dairy products: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Export subsidies	EU, Canada	Nonfat dry milk, cheese, milk powder	Subsidized exports from EU and Canada displace U.S. product in third markets such as Mexico, Japan, and the Philippines.
	Numerous	Dairy products	U.S. companies complain that the USDA is not aggressive enough in providing export subsidies to compete with European and other producing countries.
TRQ administration	Israel, EU	Cheese	See box 3-1.
Licensing	Mexico	Fluid milk in retail packages	Although milk in tankers can be imported into Mexico, State governments require import permits for milk imported in retail packages. Such permits are rarely issued by Mexican State governments.
Refrigeration requirements	Jordan	Dairy products	Refrigeration requirements are allegedly impossible to maintain.

Sources: USITC staff interviews with U.S., European, and Australian industry associations and representatives, Mar.-May 2001; USITC staff correspondence from U.S. industry association, Mar. 28, 2001; National Milk Producers Federation and U.S. Dairy Export Council, comments submitted to the Office of the U.S. Trade Representative for preparation of the National Trade Estimate Report on Foreign Trade Barriers, Nov. 28, 2000; Janet Nuzum, IDFA, testimony before the USITC, May 22, 2001; Peggy Rochette, NFPA, written submission to the Commission, Feb. 16, 2001; and David Haig, America Midwest Commodities Export Company, written submission to the Commission, Feb. 13, 2001.

APPENDIX G
SUGARS AND SUGAR-CONTAINING PRODUCTS

Table G-1
Sugars and sugar-containing products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
Refined sugar: 1701.91 Refined sugar containing added flavoring or coloring	United States	5.1%[2]	1					A, NAFTA, E, IL, J (Free)
	Canada			C$30.86/t	1			US, IL, CL (Free); NZ, AU (C$22.05/mt); MX (C$30.86/mt)
	EU-15			([2])				
	Japan			¥106.20/kg	1			
1701.99 Refined sugar	United States			([2])				
	Canada			C$30.86/t	1			US, IL, CL (Free); NZ, AU (C$22.05/mt); MX (C$30.86/mt)
	EU-15			([2])				
	Japan			¥106.20/kg	1			
Sugar confec-tionery; chocolate; and other food preparations containing cocoa: 1704.10 Chewing gum	United States	4%	1					A, NAFTA, E, IL, J (Free)
	Canada	9.5%	1					US, IL (Free); NZ, AU (7%); MX (2%); CL (6%); GSPL (5%)
	EU-15					6.2% plus i 27.1/100kg MAX 17.9% OR 6.3% plus i 30.9/100kg MAX 18.2%	4	MED (sel.) (Free); OCT, EUPREF, GSP, GSPL (numerous); ACP (i 27.1/100kg)
	Japan	24%	1					

Table G-1—*Continued*
Sugars and sugar-containing products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
1704.90 Other sugar confec-tionery	United States	Free-10.4% (5.6%)[2]	4					A+ (pt.), NAFTA, E, IL, J (Free)
	Canada	Free-10% (9.5%)	3					US, IL (Free); NZ (pt.), AU (pt.) (7%); CL (6%); GSP (Free-5%)
	EU-15	13.4%	1			9.1% plus i 45.1/100kg MAX 18.9% plus i 16.5/100kg OR 9% plus EA MAX 18.7% plus AD S/Z	9	EUPREF, GSP (numerous); MED (sel.), GSPL, ACP, OCT (Free)
	Japan	Free or 25%	2					
1806.10 Cocoa powder con-taining sugar	United States	([2])		([2])				
	Canada	6%	2					US, IL, CL (Free); MX (5%); GSP (3%-5%)
	EU-15	8%	1			8% plus i 25.2/100kg - i 41.9/100kg	3	GSP (Free-8%); MED (sel.), GSPL (Free); ACP, OCT (Free- i 41.9/100kg)
	Japan	15% or 29.8%	2					JPREF (pt.) (12.5%); JLDC (pt.) (Free)
1806.20 Other cocoa prepara-tions (greater than 2kg.)	United States	Free-8.5% (4.3%)	5					A (ex. TR, pt.), NAFTA, E, IL, J (Free)
	Canada	Free[2]	1					US, IL, CL (Free); MX (5%); GSP (Free-5%)
	EU-15					8.3% plus EA MAX 18.7% plus AD S/Z OR 15.4% plus EA	6	EUPREF, GSP, GSPL (numerous); MED (sel.), ACP, OCT (Free)

Table G-1—*Continued*
Sugars and sugar-containing products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
	Japan	21.3%-29.8% (23.8%)	5			([3])		JPREF (pt.) (Free); JLDC (pt.) (12.5%)
1806.31 Filled cocoa prepara-tions	United States	5.6%	1					A, NAFTA, E, IL, J (Free)
	Canada	6%	1					US, IL, MX (Free); NZ (pt.), AU (pt.) (3.5%); CL (pt.), GSP (4%)
	EU-15					8.3% plus EA MAX 18.7% plus AD S/Z	1	MED (sel.), ACP, OCT, GSPL (Free); EUPREF (numerous)
	Japan	10%	1					
1806.32 Unfilled cocoa prepara-tions	United States	4.3% or 6%	2					A, NAFTA, E, IL, J (Free)
	Canada	6%	1					US, IL, MX (Free); NZ (pt.), AU (pt.) (3.5%); CL (pt.) (4%); GSP (4%)
	EU-15					8.3% plus EA MAX 18.7% plus AD S/Z	1	MED (sel.), ACP, OCT, GSPL (Free); EUPREF, GSP (numerous)
	Japan	10%-29.8% (21.3%)	3					JPREF (pt.) (12.5%); JLDC (pt.) (Free)
1806.90 Other cocoa prepara-tions	United States	6%[2]	1					A, NAFTA, E, IL, J (Free)
	Canada	6%[2]	1					US, IL (Free); NZ, AU (3.5%); CL, GSP (4%)

Table G-1—*Continued*
Sugars and sugar-containing products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
	EU-15					8.3% plus EA MAX 18.7% plus AD S/Z	8	MED (sel.), ACP, OCT, GSPL (Free); EUPREF, GSP (numerous)
	Japan	10%-29.8% (21.3%)	5			([3])		JPREF (pt.) (12.5%); JLDC (pt.) (Free)
High fructose corn syrup: 1702.40 HFCS-42	United States	5.1%[2]	1					A, NAFTA, E, IL, J (Free)
	Canada	6%	1					NAFTA, IL, CL (Free)
	EU-15			**i** 20/100kg or **i** 50.7/100kg	2			MED (sel.), OCT, GSPL (Free); EUPREF (**i** 20/100kg); ACP (**i** 11.9/100kg or **i** 42.5/100/kg)
	Japan					The greater of 29.8%-78.5% or ¥23/kg-¥53.7/kg	3	
1702.60 HFCS-55	United States	5.1%[2]	1					A+, NAFTA, E, IL, J (Free)
	Canada	3.5%	1					NAFTA, IL, CL (Free)
	EU-15			**i** 0.4/100kg or **i** 50.7/100kg (**i** 0.4/100kg)	3			MED (sel.), OCT, GSPL (Free); EUPREF, GSP (**i** 0.4/100kg- **i** 50.7/100kg); ACP (**i** 0.3/100kg or **i** 42.5/100kg)
	Japan					The greater of 29.8%-85.7% OR ¥23/kg-¥60.9/kg	3	

Table G-1—*Continued*
Sugars and sugar-containing products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
Other natural sweeteners: 0409.00 Honey	United States			1.9¢/kg	1			A+, NAFTA, E, IL, J (Free)
	Canada	Free	1					
	EU-15	17.3%	1					MED (sel.), ACP, OCT, GSP, GSPL (Free); EUPREF (numerous)
	Japan	25.5%	1					
1702.20 Maple sugar and maple sugar	United States	Free[2]	1					
	Canada	Free	1					
	EU-15	8%	1	**i** 0.4/100kg	1			ACP (6.7%); MED (sel.), OCT, GSPL (Free); GSP (**i** 0.4/100kg or 8%)
	Japan			¥20.8/kg	1	The greater of 17.5% or ¥13.5/kg	1	
1702.30 Dextrose and glucose syrup	United States			2.2¢/kg[2]	1			A, NAFTA, E, IL, J (Free)
	Canada	Free or 3.5%	2					NAFTA, CL, LDC, GSP, CCC (Free)
	EU-15			**i** 20/100kg-**i** 50.7/100kg (**i** 26.8/100kg)	5			ACP (**i** 11.9/100kg-42.5/100kg); MED (sel.), OCT, GSPL (Free); EUPREF, GSP (8% or **i** 0.4/100kg)
	Japan	21.3%	1			The greater of 29.8%-85.7% or ¥23/kg-¥60.9/kg	3	

Table G-1—*Continued*
Sugars and sugar-containing products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
1702.50 Chemically pure fructose	United States	9.6%	1					CA, E, IL, J (Free); MX (4.5%)
	Canada	Free	1					
	EU-15			([2])		([2])		
	Japan	9%	1					JPREF, JLDC (Free)
1702.90 Other sugars, including invert sugar	United States	5.1%	1	0.35¢/ℓ	2			A (ex. BZ, DR, BR, pt.), NAFTA, E, IL, J (Free)
	Canada	6%-11% (8.5%)	3	2.12C¢/kg-C$26.67/t	11			US, CL (Free); MX (C$0/t-C$15.71/t)
	EU-15	12.8%	1	**i** 0.4/100kg-**i** 50.7/100kg (**i** 19.2/100kg)	8			MED (sel.), OCT, GSPL (Free); GSP, EUPREF, ACP (numerous)
	Japan	3%-61.9% (21.3%)	6			The greater of 29.8%-114.2% or ¥23/kg-¥89.5/kg	6	
1703.10 Cane molasses	United States			0.35¢/ℓ	1	0.01¢/kg of total sugars	1	A (ex. DR, pt.), NAFTA, E, IL, J (Free)
	Canada	Free or 12.5%	2					NAFTA, IL, CL (Free); GSP (5%)
	EU-15			**i** 0.35/100kg	1			MED (sel.), OCT, GSPL (Free); ACP, GSP, EUPREF (numerous)
	Japan	Free or 3%	2	¥15.3/kg	1			

Table G-1—*Continued*
Sugars and sugar-containing products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
1703.90 Other molasses	United States			0.35¢/ℓ	1	0.01¢/kg of total sugars	1	A (ex. PL, pt.), NAFTA, E, IL, J (Free)
	Canada	Free or 12.5%	2					NAFTA, IL, CL, GSP (pt.) (Free)
	EU-15			i 0.35/100kg	1			MED (sel.), OCT, GSPL (Free); EUPREF (Free- i 0.35/100kg); ACP (i 0.35/100kg)
	Japan	Free or 3%	2	¥15.3/kg	1			

[1] Selected preferential tariffs in table G-1 do not include preferential rates for products subject to a TRQ.
[2] Certain items in this subheading are subject to TRQs and are included in table G-3.
[3] Certain items in this subheading are subject to TRQs on dairy products and are included in table F-3.

Sources: Tariffs for the United States were obtained from USITC, *Harmonized Tariff Schedule of the United States (2000)*, USITC Publication 3249 (rev. 3) (Washington, DC: U.S. Government Printing Office, 2000). Tariffs for Canada were obtained from Canada Customs and Revenue Agency, *Customs Tariff: Departmental Consolidation 2000*. Tariffs for the EU were obtained from *Official Journal of the European Communities, L 278, Vol. 42,* Oct. 28, 1999 and the integrated tariff of the European Communities (TARIC), found at Internet address *http://www.taric.com/scripts/eNetTaric.dll/home?c=* . Tariffs for Japan were obtained from Japan Tariff Association, *Customs Tariff Schedules of Japan 2000*.

Table G-2
Sugars and sugar-containing products: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
1701.91 Refined sugar containing added flavoring and coloring	Russia	([2])	Seasonal tariffs: 30% bnlt **i** 0.12/kg (February-July) and 45% bnlt **i** 0.12/kg (August-January)	
	China[3]	65%	73.8%	
	Korea	Greater of 85.1% or **w**199.8/kg	50%	
	India	150%	100%	
	Hungary	63.8%	63.8%	
1701.99 Refined sugar	Russia	([2])	Seasonal tariffs: 30% bnlt **i** 0.12/kg (February-July) and 45% bnlt **i** 0.12/kg (August-January)	
	China[3]	65%	73.8%	
	Korea	Greater of 85.1% or **w**199.8/kg	50%	
	India	150%	100%	
	Hungary	68%	68%	
1704.10 Chewing gum	Russia	([2])	25% bnlt **i** 1.5/kg	
	China[3]	15%	15%	
	Korea	19.7%	8%	
	India	150%	45%	
	Argentina	25%	23%	Mercosur (Free)
	Brazil	25%	23%	Mercosur (Free)
	Taiwan	([2])	30%	
	Hungary	([4])	([4])	
	Venezuela	25%	20%	Andean (Free)
	Uruguay	35%	23%	Mercosur (Free)

Table G-2—*Continued*
Sugars and sugar-containing products: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
1704.90 Other sugar confec-tionary	Russia	([2])	20% bnlt i 0.25/kg	
	China[3]	12%	14.4%	
	Korea	19.7%	8%	
	India	150%	35%	
	Argentina	35%	23%	Mercosur (Free)
	Brazil	35%	23%	Mercosur (Free)
	Taiwan	([2])	32%	
	Hungary	([4])	([4])	
	Venezuela	25%	20%	Andean (Free)
	Uruguay	35%	23%	Mercosur (Free)
1806.10 Cocoa powder con-taining sugar	Russia	([2])	5%	
	Korea	19.7%	8%	
	India	150%	35%	
	Argentina	35%	21%	Mercosur (Free)
	Brazil	35%	21%	Mercosur (Free)
	Taiwan	([2])	5%	
	Hungary	([4])	([4])	
	Venezuela	25%	20%	Andean (Free)
	Uruguay	35%	21%	Mercosur (Free)
1806.20 Other cocoa prepara-tions (greater than 2kg)	Russia	([2])	5%	
	Korea	19.7%-26.2%	8%	
	India	150%	35%	
	Argentina	35%	21%	Mercosur (Free)
	Brazil	35%	21%	Mercosur (Free)

Table G-2—*Continued*
Sugars and sugar-containing products: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
	Taiwan	([2])	15%	
	Venezuela	25%	20%	Andean (Free)
	Uruguay	35%	21%	Mercosur (Free)
1806.31 Filled cocoa prepara-tions	Russia	([2])	i 0.6/kg	
	Korea	19.7%-26.2%	8%	
	India	150%	35%	
	Argentina	25%	23%	Mercosur (Free)
	Brazil	25%	23%	Mercosur (Free)
	Taiwan	([2])	15%	
	Hungary	([4])	([4])	
	Venezuela	25%	20%	Andean (Free)
	Uruguay	35%	23%	Mercosur (Free)
1806.32 Unfilled cocoa prepara-tions	Russia	([2])	i 0.6/kg	
	Korea	19.7%-26.2%	8%	
	India	150%	35%	
	Argentina	25%	23%	Mercosur (Free)
	Brazil	25%	23%	Mercosur (Free)
	Taiwan	([2])	15%	
	Hungary	([4])	([4])	
	Venezuela	25%	20%	Andean (Free)
	Uruguay	35%	23%	Mercosur (Free)
1806.90 Other cocoa prepara-tions	Russia	([2])	i 0.6/kg or 10%	
	Korea	19.7%-26.2%	8%-40%	
	India	150%	35%	
	Argentina	25%	23%	Mercosur (Free)

Table G-2—*Continued*
Sugars and sugar-containing products: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
	Brazil	25%-35%	23%	Mercosur (Free)
	Taiwan	([2])	7.5%-40%	
	Hungary	([4])	([4])	
	Venezuela	25%	20%	Andean (Free)
	Uruguay	35%	23%	
1702.40 HFCS-42	China[3]	30%	34%	Mercosur (Free)
	Korea	19.7%	8%	
	India	150%	35%	
	Argentina	35%	19%	Mercosur (Free)
	Brazil	35%	19%	Mercosur (Free)
	Hungary	([4])	([4])	
	Venezuela	100%	15%	Andean (Free)
1702.60 HFCS-55	China[3]	30%	34%	
	Korea	19.7%	8%	
	India	100%	35%	
	Argentina	35%	19%	Mercosur (Free)
	Brazil	35%	19%	Mercosur (Free)
	Hungary	([4])	([4])	
	Venezuela	100%	15%	Andean (Free)
0409.00 Honey	Korea	([4])	([4])	
	India	100%	35%	
	Argentina	35%	19%	Mercosur (Free)
	Hungary	([4])	([4])	
1702.20 Maple sugar and maple syrup	Korea	19.7%	8%	
	India	150%	35%	

Table G-2—*Continued*
Sugars and sugar-containing products: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
	Argentina	35%	19%	Mercosur (Free)
	Brazil	35%	19%	Mercosur (Free)
	Hungary	([4])	([4])	
	Venezuela	40%	20%	Andean (Free)
1702.30 Dextrose and glucose syrup	China[3]	30%	34%	
	Korea	19.7%	8%	
	India	150%	35%	
	Argentina	35%	19%	Mercosur (Free)
	Brazil	35%	19%	Mercosur (Free)
	Hungary	([4])	([4])	
	Venezuela	100%	5%-15%	Andean (Free)
1702.50 Chemically pure fructose	China[3]	30%	34%	
	Korea	19.7%	8%	
	India	100%	35%	
	Argentina	35%	19%	Mercosur (Free)
	Brazil	35%	19%	Mercosur (Free)
	Hungary	([4])	([4])	
	Venezuela	100%	5%	Andean (Free)
1702.90 Other sugars, including invert sugar	China[3]	30%	34%	
	Korea	19.7%	8%	
	India	150%	35%	
	Argentina	35%	19%	Mercosur (Free)
	Brazil	35%	19%	Mercosur (Free)
	Hungary	([4])	([4])	
	Venezuela	100%	10%-20%	Andean (Free)

Table G-2—*Continued*
Sugars and sugar-containing products: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
1703.10 Cane molasses	China[3]	8%	8%	
	Korea	9% or 16.4%	3%	
	India	100%	35%	
	Argentina	35%	19%	Mercosur (Free)
	Brazil	35%	19%	Mercosur (Free)
	Hungary	25.5%-48%	25.5%-48%	
	Venezuela	118%	15%	Andean (Free)
1703.90 Other molasses	China[3]	8%	8%	
	Korea	9% or 16.4%	3%	
	India	100%	35%	
	Argentina	35%	19%	Mercosur (Free)
	Brazil	35%	19%	Mercosur (Free)
	Hungary	25.5%-48%	25.5%-48%	

[1] Selected preferential tariffs in table G-2 do not include preferential rates for products subject to a TRQ.
[2] Final bound rates are not applicable for markets that are not WTO members.
[3] Tariff rates for China are those found in the U.S.-China WTO Accession Agreement. 2000 MFN applied tariffs are the tariffs provided in the Agreement that are binding as of Jan. 1, 2000, while final bound tariffs are those that are binding as of Jan. 1, 2004.
[4] Certain items in this subheading are subject to TRQs and are included in table G-3.

Sources: Tariffs for developing and other potential markets were collected from numerous sources. All bound tariff rates were obtained from World Trade Organization (WTO), *The Results of the Uruguay Round*, CD-ROM, 1996. Tariffs for Latin American countries were obtained from the Free Trade Area of the Americas (FTAA) Hemispheric Trade and Tariff Database, found at Internet address *http://alca-ftaa.iadb.org/eng/NGMADB_E.HTM*. Tariffs for several Asian markets were obtained from the Asia Pacific Economic Cooperation (APEC) Tariff Database, found at Internet address *http://www.apectariff.org*. Tariffs for Korea were obtained from Korea Customs Research Institute, *Tariff Schedules of Korea 2000*. Tariffs for China are those found in Embassy of the United States of America, Beijing, *Agreement on Market Access Between the People's Republic of China and the United States of America*, Nov. 15, 1999. Tariffs for India were obtained from D.N. Kohli, *Customs Tariff of India: 2000-2001 Budget Edition* (New Delhi, India: Cen-Cus Publications, 2000). NAFTA tariffs for Mexico were obtained from USDA, FAS, *Mexico's NAFTA Tariff Schedule for 2000*, Mexico City, GAIN Report No. MX0044, Mar. 31, 2000. Tariffs for Hungary were obtained from Internet address *http://www.vaminfo.hu/tariffnet/default.php*. Tariffs for Poland were obtained from Internet address *http://www.clo.skg.pl/taryfa/taryfa.asp.* Tariffs for Russia were obtained from 2000 Russian Tariff Schedule. Other tariffs were obtained from the United Nations Conference on Trade and Development (UNCTAD), Trade Analysis and Information System (TRAINS) CD-ROM, 2001.

Table G-3
Sugars and sugar-containing products: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
United States	Refined sugar	22,000[3]	98	97	99	HI, FC	1701.12.10-50	3.6606¢/kg[4, 5]	35.74¢/kg[6, 7]
							1701.91.10-30	3.6606¢/kg[4, 5]	35.74¢/kg[6, 7]
							1701.99.10-50	3.6606¢/kg[4, 5]	35.74¢/kg[6, 7]
							1702.90.10-20	3.6606¢/kg[4, 5]	35.74¢/kg[6, 7]
							2106.90.44-46	3.6606¢/kg[4, 5]	35.74¢/kg[6, 7]
	Sugar-containing products containing over 65 percent by dry weight of sugar and prepared for marketing to the ultimate consumer (i.e., in retail packaging)	0	([8])	([8])	([8])	([8])	1701.91.44-48	6%	33.9¢/kg plus 5.1%[6, 7]
							1702.90.64-68	6%	33.9¢/kg plus 5.1%[6, 7]
							1704.90.64-68	12.2%	40¢/kg plus 10.4%[6, 7]
							1806.10.24-28	10%	33.6¢/kg[6, 7]
							1806.10.45-55	10%	33.6¢/kg[6, 7]
							1806.20.71-73	10%	30.5¢/kg plus 8.5%[6, 7]
							1806.90.45-49	3.5%	37.2¢/kg plus 6%[6, 7]
							1901.20.20-25	10%	42.3¢/kg plus 8.5%[6, 7]
							1901.20.55-60	10%	42.3¢/kg plus 8.5%[6, 7]
							1901.90.52-54	10%[5]	23.7¢/kg plus 8.5%[6, 7]
							2101.12.44-48	10%	30.5¢/kg plus 8.5%[6, 7]
							2101.20.44-48	10%	30.5¢/kg plus 8.5%[6, 7]
							2106.90.74-76	10%	70.4¢/kg plus 8.5%[6, 7]
							2106.90.92-94	10%	28.8¢/kg plus 8.5%[6, 7]

Table G-3—*Continued*
Sugars and sugar-containing products: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
United States–Continued	Sugar-containing products containing over 10 percent by dry weight of sugar and not prepared for marketing to the ultimate consumer (i.e., in bulk packages)	64,709[9]	100	96	100	OT, FC	1701.91.54-58	6%[5]	33.9¢/kg plus 5.1%[6, 7]
							1704.90.74-78	12.2%[5]	40¢/kg plus 10.4%[6, 7]
							1806.20.75-77	10%[5]	30.5¢/kg plus 8.5%[6, 7]
							1806.20.95-98	10%[5]	37.2¢/kg plus 8.5%[6, 7]
							1806.90.55-59	3.5%[5]	37.2¢/kg plus 6%[6, 7]
							1901.90.56-58	10%[5]	23¢/kg plus 8.5%[6, 7]
							2101.12.54-58	10%[5]	30.5¢/kg plus 8.5%[6, 7]
							2101.20.54-58	10%[5]	30.5¢/kg plus 8.5%[6, 7]
							2106.90.78-80	10%[5]	70.4¢/kg plus 8.5%[6, 7]
							2106.90.95-97	10%[5]	28.8¢/kg plus 8.5%[6, 7]
	Blended syrups	0	([8])	([8])	([8])	([8])	1702.20.24-28	6%	16.9¢/kg of total sugars plus 5.1%[6, 7]
							1702.30.24-28	6%	16.9¢/kg of total sugars plus 5.1%[6, 7]
							1702.40.24-28	6%	33.9¢/kg of total sugars plus 5.1%[6, 7]
							1702.60.24-28	6%	33.9¢/kg of total sugars plus 5.1%[6, 7]
							1702.90.54-58	6%	33.9¢/kg of total sugars plus 5.1%[6, 7]
							1806.20.91-94	10%	37.2¢/kg plus 8.5%[6, 7]
							1806.90.35-39	3.5%	37.2¢/kg plus 6%[6, 7]
							2101.12.34-38	10%	30.5¢/kg plus 8.5%[6, 7]
							2101.20.34-38	10%	30.5¢/kg plus 8.5%[6, 7]
							2106.90.68-72	10%	70.4¢/kg plus 8.5%[6, 7]
							2106.90.89-91	10%	28.8¢/kg plus 8.5%[6, 7]

Table G-3—*Continued*
Sugars and sugar-containing products: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
United States—Continued	Cocoa powder containing over 10 percent by dry weight of sugar	2,313	57	17	104	FC	1806.10.10-15	Free	21.7¢/kg[6, 7]
							1806.10.34-38	10%[5]	33.6¢/kg[6, 7]
							1806.10.65-75	10%[5]	33.6¢/kg[6, 7]
EU	Cane or beet sugar	1,304,700[10][1]	100	100	100	HI, LD	1701.11.10	Free	**i** 33.9/100kg[11, 12]
							1701.12.10	Free	**i** 33.9/100kg[11, 12]
							1701.11.90	Free	**i** 41.9/100kg[11, 12]
							1701.12.90	Free	**i** 41.9/100kg[11, 12]
							1701.91.00	Free	**i** 41.9/100kg[11, 12]
							1701.99.10	Free	**i** 41.9/100kg[11, 12]
							1701.99.90	Free	**i** 41.9/100kg[11, 12]
	Raw cane sugar for refining	85,463[13]	100	100	100	OT	1701.11.10	**i** 9.8/100kg	**i** 33.9/100kg[11, 12]
	Chemically pure fructose	4,504[14]	100	100	100	OT	1702.50.00	20%	16% plus **i** 50.7/100kg
Korea	Natural honey	420	100	102[15]	([16])	MX	0409.00.00	20%	Greater of 253.8% or **w**1,947/kg
	Artificial honey	6	0	([16])	([16])	LD	1702.90.10	20%	253.8%
Hungary	Other sugars	567	100	93	100	LD	1702	Free-40%[17]	62.8%[17]
	Sugar confectionary	2,345	6	([16])	([16])	LD	1704	Free-12%[17]	51.2%-68%[17]
	Chocolate	911	13	58	0	LD	1806	Free-23%[17]	10%-42.5%[17]
	Honey	3,448	0	0	0	LD	0409	30%[17]	34%[17]

Table G-3—*Continued*
Sugars and sugar-containing products: Tariff-rate quotas for the United States and major markets, 1998-2000

[1] TRQ group refers to the description of products provided for in each country's notification of TRQ commitments as reported to the WTO.
[2] The WTO Secretariat has the following categories of TRQ administration methods that are applicable to sugars and sugar-containing products:

FC-First-come, first-served; no shares are allocated until the quota is filled.
LD-Licenses on demand, generally on a first-come, first-served basis.
AT-Applied tariffs; no shares allocated to imports which are allowed to supply unlimited quantities (within the quota).
ST-Imports undertaken by state-trading entities that allocate quota entirely or mainly to a producer group.
HI-Historical importers; shares are allocated principally in relation to past imports of the product.
MX-Mixed allocation methods involving several of the methods listed above.
OT-Other
AU-Auctioning

[3] The refined sugar TRQ was scheduled with the WTO at 22,000 metric tons, however, in 1998-2000, the announced TRQ level exceeded the scheduled TRQ level. In 1998 and 1999, the TRQ was announced at 50,000 metric tons and was allocated as follows: Canada, 10,300 metric tons; Mexico, 25,000 metric tons under NAFTA and 2,954 metric tons under WTO; FCFS (first-come first-served), 7,090 metric tons; and FCFS specialty sugars, 4,656 metric tons. In 2000, the TRQ was announced at 60,000 metric tons, so the FCFS specialty sugar portion of the refined sugar TRQ was set at 14,654 metric tons.
[4] The in-quota tariff is based upon a technical formula that accounts for the degree of purity of sugar. In the above table, degree of purity is assumed to be 100 percent.
[5] Preferential in-quota rates are offered to countries that are parties to GSP, NAFTA, CBERA, IFTA, and ATPA.
[6] Preferential over-quota rate applies only to Mexico.
[7] Value-based safeguard rates apply to all countries (excluding Canada and Mexico).
[8] Not applicable.
[9] The sugar-containing product TRQ is allocated as follows: Canada, 59,250 metric tons and FCFS, 5,459 metric tons.
[10] Allocated to supplying countries as follows: India, 10,000 metric tons; Asian-Caribbean-Pacific (ACP) countries, 1,294 metric tons in accordance with the provisions of Lomé.
[11] Value-based safeguard rates apply in addition to the applied tariff when CIF import prices are below the "trigger price."
[12] Trigger prices were notified to the WTO for all products in the sugar sector. So far, only the products under footnote (10) have had their trigger prices published and applied. Applied trigger prices are as follows: 1701.11.10, **i** 41.80/100kg; 1701.12.10, **i** 41.30/100kg; 1701.11.90, **i** 55.20/100kg; 1701.12.90, **i** 54.10/100kg; 1701.91.00, **i** 64.70/100kg; 1701.99.10, **i** 53.10/100kg; and 1701.99.90, **i** 1.184/100kg (per 1% sucrose content).
[13] Allocated to supplying countries as follows: Brazil, 69 percent; Cuba, 28 percent; and other third countries, 3 percent.
[14] Allocated to supplying third countries not having trade agreements with the EU.
[15] Import data obtained from UNTRADE.
[16] Not available.
[17] Preferential rates exist for the EU and CEFTA countries.

Sources: Product categories, TRQ quantities, and fill rates were obtained from the WTO Document Dissemination Facility, found at Internet address *http://docsonline.wto.org/gen_search.asp.* TRQ administration methods were obtained from WTO, Tariffs and Other Quotas: Background paper by the Secretariat AIE/SI/Rev. 1, May 26, 1998. Tariff rates were obtained from country tariff schedules.

Table G-4
Sugars and sugar-containing products: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Mandatory recipe and manufacturing information	Japan, Chile, Argentina, Korea, and Hungary	Confectionery	U.S. exporters must provide flow charts on the manufacturing process and indicate ingredients, additives, and weights each time the product is imported. The list of ingredients is compared to the importing countries' list of approved ingredients.
	China	Confectionery	Recipe and manufacturing information is required for imports of chocolate.
	Taiwan	Confectionery	Ingredient lists must be provided upon importation.
	Russia	Confectionery	Russia requires mandatory reporting of recipe and manufacturing information.
Labeling/packaging requirements	Korea	Confectionery	Korea requires biotech labeling; labeling of retail prices, batch codes, and date of manufacturing on packages; country of origin labeling on packages accompanied by country of origin shelf signs in the store.
	Japan	Confectionery	U.S. companies must make GMO declarations at the border.
	EU	Confectionery	The EU requires GMO declarations, strict product labeling requiements, and imposes non-standard packaging regulations.

Table G-4—*Continued*
Sugars and sugar-containing products: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Import licensing	Korea	Sugar	Korea allocated the rights to import to domestic producer groups, that in turn, do not allocate the rights to importers in full in order to protect domestic producers from imports and to maintain high domestic prices.
	China	Sugar	Import permits are required and are difficult to obtain.
	India	Sugar and confectionery	Three import lists are maintained: prohibited imports, free imports, and special import licensing required. Some sugar and sugar-containing product items are banned while other confectionery items are on the "special import license required" list and are difficult to obtain.
	Russia	Confectionery	Russia issues import licenses for imports, which are often difficult to obtain.
	Japan	High fructose corn syrup	Japan allocated all import licenses to a single entity, the Japanese Federation of Agricultural Cooperatives, a group whose membership is comprised of Japanese HFCS producers.
Restrictions on food colors and additives	Japan	Confectionery	Japan objects to the use of certain U.S. approved food colorings and does not permit as food additives any colors containing polysorbate 80 as an emulsifier and any color containing aluminum, and restricts the use of sodium benzoate.

Table G-4—*Continued*
Sugars and sugar-containing products: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Restrictions on food colors and additives—Continued	Korea	Confectionery	Korea has approved only a limited range of colors, flavors, and emulsifiers. Despite recent changes in the Korean Food Code, chocolate standards are incompatible with international standards.
	China, Chile, Argentina, Brazil, Hungary, and Poland	Confectionery	Certain U.S. approved food additives and food colorings are restricted.
	EU	Confectionery	The EU maintains restrictions on U.S. approved colors such as Blue #1, Yellow #5, and Red #40. U.S. manufactures must purchase EU color formulations to meet EU standards.
STEs	China	Sugar	State-owned Ceroilfood owns the sole import rights in China for sugar.
	India	Sugar	All sugar trade is conducted by the state-owned General Trading Company.
Export subsidies	EU	Sugar	The EU issues export refunds on refined sugar, distorting trade in the product and displacing non-subsidized sugar in third country markets.
Anti-dumping duties	Mexico	High fructose corn syrup	Starting in 1998, Mexico began assessing U.S. exporters differential compensatory duties on HFCS as a result of an anti-dumping investigation.
Countervailing duties	India	Confectionery	CVDs of 53 percent and infrastructure taxes equivalent to the local taxes assessed in India are applied to all imports.

Table G-4—*Continued*
Sugars and sugar-containing products: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Pre-import and post-import inspections	Argentina	Confectionery (shipments over $800)	Exporters must choose among 6 government approved private commercial inspection services before exporting the product to Argentina, delaying the exporter.
	Korea	Confectionery	Shipments are often delayed at the port for testing.
	Japan	Confectionery	Shipments are often delayed at the port for testing and sanitary examinations.
	China	Confectionery	Shipments often delayed 6-8 weeks for testing.
	Canada, Hungary, Chile, and Argentina	Confectionery	Shipments face pre-import and post-import testing, inspections, registration, and reporting requirements.
	Russia	Confectionery	Pre-import and post-import testing is required.
Sanitary and phytosanitary (SPS) measures	Taiwan	Sugar	Taiwan maintains a ban on sugar for SPS reasons.

Sources: USITC staff interviews with industry and Government officials in Germany, Hungary, Belgium, United Kingdom, Chile, Argentina, Australia, and Thailand, Mar.-June 2001; Inside PTY Ltd., "Exporting Australian Processed Foods," Feb. 2000; and USITC staff correspondence from U.S. industry association, Jan. 24, 2001.

APPENDIX H
VEGETABLE OILS

Table H-1
Vegetable oils: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
1507.10 Crude soybean oil	United States	19.1%	1					A+, E, IL, J, NAFTA (Free)
	Canada	4.5%	1					NAFTA, CCC, CL (Free)
	EU-15	3.2% or 6.4%	2					MED (sel.), BG, EE, LT, LV, SI, SK (Free); MX (2.8% or 6.4%); ZA (2.3% or 4.8%)
	Japan			¥10.9/kg or ¥13.20/kg	2			
1507.90 Refined soybean oil	United States	Free or 19.1%	2					A+, E, IL, J, NAFTA (Free)
	Canada	Free or 9.5%	2					NAFTA, CCC, CL, NZ (pt.), LDC (pt.), GSP (pt.) (Free)
	EU-15	5.1% or 9.6%	2					MED (sel.), BG, EE, LT, LV, SI, SK (Free); MX (3.9% or 4.5%); ZA (2.4% or 3.8%)
	Japan			¥13.20/kg	1			
1512.11 Crude sunflower seed and safflower seed oils	United States					1.7¢/kg plus 3.4%	1	A+, E, IL, J, NAFTA (Free)
	Canada	4.5%	1					NAFTA, CCC, CL (Free)
	EU-15	3.2%-6.4% (6.4%)	3					MED (sel.), BG, EE, LT, LV, SI, HU, RO, BG (Free)[2]; MX (5.6% or 6.4%); ZA (4.8%)
	Japan			¥8.50/kg-¥10.40/kg (¥10.40/kg)	3			

Table H-1—*Continued*
Vegetable oils: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
1515.29 Refined corn oil	United States	3.4%	1					A+, E, IL, J, NAFTA (Free)
	Canada	9.5%	1					NAFTA, CCC, CL (Free)
	EU-15	5.1% or 9.6%	2					MED (sel.) (Free); BG, EE, HU, LT, LV, PL, SI, SK, MX (Free or 3.9%); ZA (Free or 5.9%)
	Japan			¥10.40/kg	1			
Other vegetable oils subsector: 1512.19 Refined sunflower seed and safflower seed oils	United States					1.7¢/kg plus 3.4%	1	A+, E, IL, J, NAFTA (Free)
	Canada	9.5% or 11%	2					NAFTA, CCC, CL (Free)
	EU-15	5.1% or 9.6%	2					MED (sel.), EE, LT, LV, SI, HU (Free)[2], MX (4.5% or 9.6%); ZA (3.8% or 7.2%)
	Japan			¥10.40/kg	1			
1512.21 Crude cottonseed oil	United States			5.6¢/kg	1			A+, E, IL, J, NAFTA (Free)
	Canada	4.5%	1					NAFTA, CCC, LDC, GSP, CL (Free)
	EU-15	3.2% or 6.4%	2					MED (sel.), BG, EE, LT, LV, SI, SK (Free); MX (2.4% or 4.8%); ZA (2.3% or 4.8%)
	Japan	Free[3]	1	¥8.50/kg	1			

Table H-1—*Continued*
Vegetable oils: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
1512.29 Refined cottonseed oil	United States			5.6¢/kg	1			A+, E, IL, J, NAFTA (Free)
	Canada	9.5%	1					NAFTA, CCC, LDC, CL (Free); NZ, AU (7%); GSP (5%)
	EU-15	5.1% or 9.6%	2					TR, AL, HR, BA, MK, YU (Free); BG, EE, LT, LV, SI, SK (Free); MX (3.8% or 7.2%); ZA (3.8% or 7.2%)
	Japan	Free[3]	1	¥8.50/kg	1			
1515.21 Crude corn oil	United States	3.4%	5					A+, E, IL, J, NAFTA (Free)
	Canada	4.5%	1					NAFTA, CCC, CL (Free)
	EU-15	3.2% or 6.4%	2					TR, AL, HR, BA, MK, YU (Free); BG, EE, HU, LT, LV, PL, SI, SK, MX (Free or 3.9%); ZA (Free or 2.4%)
	Japan			¥5/kg or ¥10.40/kg	2			
1516.20 Hydrogenated vegetable oils	United States	7.7%	1	8.8¢/kg	1			A+, E, IL, J, NAFTA (Free)
	Canada	Free or 11% (Free)	3					NAFTA, CCC, LDC, GSP, CL, IL (pt.) (Free)
	EU-15	9.6%	5					
	Japan	3.5%	1					JPREF, JLDC (Free)

Table H-1—*Continued*
Vegetable oils: Tariff rates for the United States and other major developed markets, 2000

[1] Selected preferential tariffs in table H-1 do not include preferential rates for products subject to a TRQ.
[2] A preferential TRQ is applied for certain products.
[3] A tariff exemption is given for crude and refined cottonseed oil used for the manufacture of canned fish or shellfish for export.

Sources: Tariffs for the United States were obtained from USITC, *Harmonized Tariff Schedule of the United States (2000)*, USITC Publication 3249 (rev. 3) (Washington, DC: U.S. Government Printing Office, 2000). Tariffs for Canada were obtained from Canada Customs and Revenue Agency, *Customs Tariff: Departmental Consolidation 2000*. Tariffs for the EU were obtained from *Official Journal of the European Communities, L 278, Vol. 42,* Oct. 28, 1999 and the integrated tariff of the European Communities (TARIC), found at Internet address *http://www.taric.com/scripts/eNetTaric.dll/home?c=* . Tariffs for Japan were obtained from Japan Tariff Association, *Customs Tariff Schedules of Japan 2000*.

Table H-2
Vegetable oils: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
1507.10 Crude soybean oil	Korea	5.4%	6.84%	
	China[2]	9%	74.14%	
	Mexico	45%	10%	NAFTA (3%); EU (10%)
	Egypt	15%	1% or 20%	
	Taiwan	([3])	6%	
	India	45%	45%	
	Venezuela	75%	([4])	Andean (Free); Mercosur (numerous)
	Colombia	75%	20%	Andean (Free); Mercosur (numerous)
1507.90 Refined soybean oil	India	45%	45%	
	China[2]	9%	74.14%	
	Tunisia	17%	43%	
	Korea	5.4% or 27%	6.84%-8%	
	Venezuela	75%	([4])	Andean (Free); Mercosur (numerous)
	Colombia	75%	20%	Andean (Free); Mercosur (numerous)
1512.11 Crude sunflower seed and safflower seed oils	Mexico	45%	10%	NAFTA (3%); EU (10%)
	Algeria	([3])	5%-15%	
	Taiwan	([3])	12.5% or 21%	
	Turkey	22.5% or 36%	37.6%	
	Venezuela	95%	([4])	Andean (Free); Mercosur (numerous)
1515.29 Refined corn oil	Saudi Arabia	([3])	Free or 12%	
	Tunisia	150%	43%	
	Bahrain	35%	20%	
	Venezuela	81%	([4])	Andean (Free); Mercosur (numerous)

Table H-2—*Continued*
Vegetable oils: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
1512.19 Refined sunflower seed and safflower seed oils	Saudi Arabia	([3])	Free or 12%	
	Colombia	169%	20%	Andean (Free); Mercosur (numerous)
	Taiwan	([3])	12.5% or 15%	
1512.21 Crude cottonseed oil	Mexico	45%	10%	NAFTA (3%); EU (10%)
	Egypt	20%	1% or 20%	
	Colombia	169%	20%	Andean (Free); Mercosur (numerous)
1512.29 Refined cottonseed oil	India	300%	100%	
	Korea	5.4% or 27%	6.84%-8%	
	Mexico	45%	20%	NAFTA (6%); EU (20%)
	China[2]	10%	10%	
1515.21 Crude corn oil	Turkey	19.5%-31.2%	12%	
	Korea	22.5%	8%	
	Mexico	45%	10%	NAFTA (6%); EU (10%)
	China[2]	10%	10%	
1516.20 Hydrogenated vegetable oils	Mexico	45%	20%	NAFTA (6%)
	South Africa	Free-37%	Free or 10%	

Table H-2—*Continued*
Vegetable oils: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

[1] Selected preferential rates in table H-2 do not include preferential rates for products subject to a TRQ.
[2] Tariff rates for China are those provided in the U.S.-China WTO Accession Agreement. 2000 MFN applied tariffs are the tariffs provided in the Agreement that are binding as of Jan. 1, 2000, while final bound tariffs are those that are binding as of Jan. 1, 2004.
[3] Final bound rates are not applicable for markets that are not WTO members.
[4] As of Nov. 1999, items in this subheading are subject to TRQs. See table H-3.

Sources: Tariffs for developing and other potential markets were collected from numerous sources. All bound tariff rates were obtained from World Trade Organization (WTO), *The Results of the Uruguay Round*, CD-ROM, 1996. Tariffs for Latin American countries were obtained from the Free Trade Area of the Americas (FTAA) Hemispheric Trade and Tariff Database, found at Internet address *http://alca-ftaa.iadb.org/eng/NGMADB_E.HTM.* Tariffs for several Asian markets were obtained from the Asia Pacific Economic Cooperation (APEC) Tariff Database, found at Internet address *http://www.apectariff.org*. Tariffs for Korea were obtained from Korea Customs Research Institute, *Tariff Schedules of Korea 2000*. Tariffs for China are those found in Embassy of the United States of America, Beijing, *Agreement on Market Access Between the People's Republic of China and the United States of America*, Nov. 15, 1999. Tariffs for India were obtained from D.N. Kohli, *Customs Tariff of India: 2000-2001 Budget Edition* (New Delhi, India: Cen-Cus Publications, 2000). NAFTA tariffs for Mexico were obtained from USDA, FAS, *Mexico's NAFTA Tariff Schedule for 2000*, Mexico City, GAIN Report No. MX0044, Mar. 31, 2000. Tariffs for Hungary were obtained from Internet address *http://www.vaminfo.hu/tariffnet/default.php.* Tariffs for Poland were obtained from Internet address *http://www.clo.skg.pl/taryfa/taryfa.asp.* Tariffs for Russia were obtained from 2000 Russian Tariff Schedule. Other tariffs were obtained from the United Nations Conference on Trade and Development (UNCTAD), Trade Analysis and Information System (TRAINS) CD-ROM, 2001.

Table H-3
Vegetable oils: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
Venezuela	Soybean oil	130,000	([3])	([3])	([3])	LD	1507	40%	CET[4]
	Other oils	55	([3])	([3])	([3])	LD	1510	40%	CET[4]
	Sunflower seed oil	151,612	([3])	([3])	([3])	LD	1512	40%	CET[4]

[1] TRQ group refers to the description of products provided for in each country's notification of TRQ commitments as reported to the WTO.
[2] The WTO Secretariat has the following categories of TRQ administration methods that are applicable to vegetable oils:

LD-Licenses on demand, generally on a first-come, first-served basis.
[3] Established Nov. 1999; fill rates not available.
[4] The applied over-quota rate is the Andean Pact Common External Tariff (CET) of 20 percent plus an additional duty based on movements in international prices and reference prices. See text for details.

Sources: USDA, FAS, *Venezuela Oilseeds and Products Annual*, Caracas, GAIN Report No. VE0013, Apr. 7, 2000. Product categories, TRQ quantities, and fill rates were obtained from the WTO Document Dissemination Facility, found at Internet address *http://docsonline.wto.org/gen_search.asp.* TRQ administration methods were obtained from WTO, Tariffs and Other Quotas: Background paper by the Secretariat AIE/SI/Rev. 1, May 26, 1998. Tariff rates were obtained from country tariff schedules.

Table H-4
Vegetable oils: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Labeling requirements	EU, Japan, Korea, Saudi Arabia, Australia, and Taiwan	Oilseeds, vegetable oils	The UN Convention on Biodiversity Protocol allows countries to ban the import of a genetically modified (GM) food without full scientific proof that it is unsafe, and requires exporters to label shipments that contain genetically modified commodities such as soybeans. The EU has also slowed the approval process for new varieties of GM products, which has discouraged farmers from adopting these products for fear of losing export markets in the EU.
Domestic assistance programs	United States, EU, Canada	Oilseeds	Domestic support programs for oilseed farmers, according to OECD data, accounted for 10 percent, 27 percent, and 20 percent of oilseed producers' receipts in Canada, the EU, and the United States, respectively, during 1998-2000. These policies affect the quantities of oilseeds available for crushing, which in turn affect the supply of vegetable oils in these markets.
Export taxes and rebates	Argentina	Oilseeds and products	An export tax on oilseeds of 3.5 percent and tax rebates for exports of crude, refined, and bottled vegetable oils ranging from 1.4 percent to 10 percent encourage exports of oilseed meals and vegetable oils.

Sources: GAO, *International Trade: Concerns Over Biotechnology Challenge U.S. Agricultural Exports*, Report to the Ranking Minority Member, Committee on Finance, U.S. Senate, Report No. GAO-01-727, June 2001; OECD, *OECD Agricultural Outlook 2001-2006*, (Paris: OECD, 2001); and USDA, FAS, *Argentina Oilseeds and Products Annual*, Buenos Aires, GAIN Report No. AR1027, May 8, 2001.

APPENDIX I
MEATS

Table I-1
Meats: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
Beef: 0201.20 Cuts with bone in, fresh	United States	([2])		([2])				
	Canada	([2])						
	EU-15	([2])				([2])		
	Japan	38.5%	1					
0201.30 Boneless cuts, fresh	United States	([2])		([2])				
	Canada	([2])						
	EU-15	([2])				([2])		
	Japan	38.5%	1					
0202.20 Cuts with bone in, frozen	United States	([2])		([2])				
	Canada	([2])						
	EU-15	([2])				([2])		
	Japan	38.5%						
0202.30 Boneless cuts, frozen	United States	([2])		([2])				
	Canada	([2])						
	EU-15	([2])				([2])		
	Japan	38.5%	1					
0206.10 Edible offal, fresh or chilled	United States	Free	1					
	Canada	Free	1					
	EU-15	Free	3			([2])		
	Japan	12.8%-50% (21.3%)	3					

Table I-1—*Continued*
Meats: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
0206.21 Edible offal, tongues, frozen	United States	Free	1					
	Canada	Free	1					
	EU-15	Free	1					
	Japan	12.8%	1					
0206.22 Edible offal, livers, frozen	United States	Free	1					
	Canada	Free	1					
	EU-15	Free	2					
	Japan	12.8%	1					
0206.29 Edible offal, other, frozen	United States	Free	1					
	Canada	Free	1					
	EU-15	Free[2]	2			([2])		
	Japan	12.8%-50% (21.3%)	3					
1602.50 Prepared or preserved meat, meat offal or blood of bovine animals	United States	Free-4.5% (2.3%)	6					NAFTA, A (ex. AR, pt.), A+, E*, IL, J (Free)
	Canada	Free-11% (9.5%)	3					NAFTA, CCC, CL (Free); GSP, LDC (Free-9.5%)
	EU-15	16.6%	3	i 303.4/100kg	1			EUPREF (sel.), MED (sel.) (numerous); OCT, GSPL (Free)
	Japan	Free-50% (21.3%)	23					

Table I-1—*Continued*
Meats: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
All other meat products: 0203.12 Meat of swine, fresh or chilled: hams, shoulders & cuts with bone in	United States	Free	1	1.4¢/kg	1			NAFTA, IL, A+, E, J (Free)
	Canada	Free	1					
	EU-15	Free	1	([2])				
	Japan	Free or 4.3%[3]	2	¥482/kg	1			
0203.19 Meat of swine, fresh or chilled: Other: processed and other	United States	Free	1	1.4¢/kg	1			NAFTA, E, IL, A+, J (Free)
	Canada	Free	1					
	EU-15	Free	1	([2])				
	Japan	Free or 4.3%[3]	2	¥482/kg	1			
0203.22 Meat of swine, frozen: hams, shoulders and cuts, with bone in	United States	Free	1	1.4¢/kg	1			NAFTA, E, IL, A, J (Free)
	Canada	Free	1					
	EU-15	Free	1	([2])				
	Japan	Free or 4.3%[3]	2	¥482/kg	1			
0203.29 Meat of swine, frozen: Other: processed and other	United States	Free	1	1.4¢/kg	1			NAFTA, E, IL, J, A (Free)
	Canada	Free	1					
	EU-15	Free	1	([2])				
	Japan	Free or 4.3%[3]	2	¥482/kg	1			

Table I-1—*Continued*
Meats: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
0205.00 Meat of horses, asses, mules or hinnies, fresh, chilled or frozen	United States	Free	1					
	Canada	Free	1					
	EU-15	5.1%	3					EUPREF (sel.), MED (sel.), ACP, OCT, GSPE, GSPL (Free); GSP (ex. AR, BR, UY) (3.5%)
	Japan	Free	1					
0206.30 Edible offal of swine, fresh or chilled	United States	Free	1					
	Canada	Free	1					
	EU-15	Free	4					
	Japan	Free-8.5%[3] (4.3%)	3	¥482/kg	1			
0206.49 Edible offal of swine, frozen, other (not livers)	United States	Free	1					
	Canada	Free	1					
	EU-15	Free	3					
	Japan	Free-8.5%[3] (4.3%)	3	¥482/kg	1			
0206.80 Edible offal of sheep, goats, horses, asses, mules, or hinnies, fresh or chilled	United States	Free	1					
	Canada	Free	1					
	EU-15	Free-6.4% (Free)	3					EUPREF (sel.), MED (sel.) (numerous); ACP, OCT, GSPE, GSPL (Free); GSP (ex. AR, BR, UY) (Free-4.4%)
	Japan	Free	1					

Table I-1—*Continued*
Meats: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
0208.90 Other meat and edible meat offal, other (deer, quail and other), fresh, chilled or frozen	United States	Free or 6.4%	2	7¢/kg	1			NAFTA, E, IL, J, A (pt.), A+ (pt.) (Free)
	Canada	Free	1					
	EU-15	Free-9% (6.4%)	6					EUPREF (sel.), MED (sel.) (numerous); ACP, OCT, GSPE, GSPL (Free); GSP (ex. AR, BR, UY) (Free-6.3%)
	Japan	Free	2					
0209.00 Pig fat, free of lean meat, poultry fat, not rendered or otherwise extracted, fresh, chilled, frozen, salted in brine, dried or smoked	United States	3.2%	1					NAFTA, A, E, IL, J (Free)
	Canada	Free or 11%	2	([2])		([2])		US, CCC, LDC, CL (Free); GSP (Free-5%)
	EU-15			**i** 12.9/100kg-**i** 41.5/100kg (**i** 23.6/100kg)	4			ACP (numerous); MED (sel.), OCT, GSPL (Free)
	Japan	6%	1					
0210.11 Meat of swine, salted, in brine, dried or smoked: hams, shoulders and cuts	United States			1.4¢/kg	1			NAFTA, E, IL, A+, J (Free)
	Canada	Free	1					
	EU-15	15.4%	1	**i** 60.1/100kg-**i** 151.2/100kg (**i** 119/100kg)	4			EUPREF (sel.), ACP (numerous); MED (sel.), OCT, GSPL (Free)
	Japan	8.5%	1	([3])				

Table I-1—*Continued*
Meats: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
0210.12 Meat of swine, salted, in brine, dried or smoked: bellies and cuts thereof	United States			1.4¢/kg	1			NAFTA, E, IL, A, J (Free)
	Canada	Free	1					
	EU-15	15.4%	1	i 46.7/100kg or i 77.8/100kg	2			EUPREF (sel.), ACP (numerous); MED (sel.), OCT, GSPL (Free)
	Japan	8.5%	1	([3])				
0210.19 Meat and edible offal of swine, salted, in brine, dried or smoked; edible flours and meals of meat or meat offal: other	United States			1.4¢/kg	1			NAFTA, E, IL, A+, J (Free)
	Canada	Free	1					
	EU-15	15.4%	1	i 60.1/100kg- i 151.2/100kg (i 86.9/100kg)	10			EUPREF (sel.) (numerous); MED (sel.), OCT, GSPL (Free)
	Japan	8.5%	1	([3])				
0210.20 Meat and edible offal of bovine animals, salted, in brine, dried or smoked	United States	Free	1					
	Canada	Free	1					
	EU-15					15.4% plus i 265.2/100kg- i 303.4/100kg	2	EUPREF (sel.), MED (sel.) (numerous); ACP (i 265.2/100kg or i 303.4/100kg); OCT, GSPL (Free)
	Japan			¥161.5/kg	1			

Table I-1—*Continued*
Meats: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
0210.90 Meat and edible offal, salted, in brine, dried or smoked; other including edible flours and meals of meat or meat offal	United States	2.3%	2					NAFTA, E, IL, A, J (Free)
	Canada	Free or 2.5%	2			([2])		US, CL, CCC, LDC (Free)
	EU-15	Free-15.4% (15.4%)	8	**i** 47.2/100kg-**i** 311.8/100kg (**i** 222.7/100kg)	4	15.4% plus **i** 303.4/100kg	2	EUPREF (sel.), MED (sel.), ACP, GSP (numerous); OCT, GSPL (Free)
	Japan	4.2% or 8.5%	2	¥161.5/kg[3]	1			
1601.00 Poultry and other meat: sausages and similar products, meat offal or blood; food preps; canned, other	United States	3.2% or 3.4%	2	0.8¢/kg	1			NAFTA, IL, A, J, E (pt.), E* (pt.) (Free)
	Canada	Free-12.5% (12.5%)	4	([2])				US, NZ, AU, CL, CCC, LDC (Free); MX (pt.), GSP (10%)
	EU-15	15.4%	1	([2])				EUPREF (sel.) (numerous); MED (sel.), OCT, GSPL (Free); GSPE, GSP (ex. AR, BR, TH) (10.7%)
	Japan	10%	1					
1602.41 Other prepared or preserved meat, meat offal or blood of swine, hams and cuts	United States	6.4%	1	1.4¢/kg or 5.3¢/kg	2			NAFTA, E, IL, J, A (pt.), A+ (pt.) (Free)
	Canada	Free or 9.5%	2					NAFTA, CL, CCC, LDC, GSP (pt.) (Free)
	EU-15	10.9%	1	([2])				ACP, OCT, GSPE, GSPL (Free)
	Japan	8.5% or 20%	2	([3])				

Table I-1—*Continued*
Meats: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
1602.42 Other prepared or preserved meat, meat offal or blood of swine, shoulders and cuts	United States			1.4¢/kg or 4.2¢/kg	2			NAFTA, E, IL, J, A (pt.), A+ (pt.) (Free)
	Canada	Free or 9.5%	2					NAFTA, CL, CCC, LDC (Free); GSP (Free-5%)
	EU-15	10.9%	1	([2])				ACT, OCT, GSPE, GSPL (Free)
	Japan	8.5% or 20%	2	([3])				
1602.49 Other prepared or preserved meat, meat offal or blood of swine, other, including mixtures	United States	3.2%-6.4% (6.4%)	3	1.4¢/kg or 4.2¢/kg	2			NAFTA, IL, A, J, E (pt.), E* (pt.) (Free)
	Canada	Free or 12.5%	2					NAFTA, CL, CCC, LDC (Free); GSP (Free-6%)
	EU-15	10.9%	1	([2])				ACT, OCT (9.1%); GSPE, GSPL (Free)
	Japan	Free-20% (8.5%)	3	([3])				
1603.00 Extracts and juices of meal, fish or crustacean, molluscs or other aquatic invertebrates	United States	Free or 8.5%	2					NAFTA, E, IL, A+, J (Free)
	Canada	3% or 6%	2					NAFTA, CL, CCC, LDC (Free); AU (pt.), NZ (pt.) (Free); GSP (2%-6%)
	EU-15	Free or 12.8%	3					EUPREF (sel.), MED (sel.), ACP, OCT, GSPE, GSPL (Free); GSP (ex. AR, BR, TH) (4.4%)
	Japan	9.6% or 12%	2					JPREF (6.4%); JLDC (Free)

Table I-1—*Continued*
Meats: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
Poultry meat: 0207.11 Whole chicken, fresh or chilled	United States			8.8¢/kg	2			NAFTA, A+, E, IL, J (Free)
	Canada	([2])				([2])		
	EU-15			([2])				
	Japan	11.9%	1					
0207.12 Whole chicken, frozen	United States			8.8¢/kg	2			NAFTA, A+, E, IL, J (Free)
	Canada	([2])				([2])		
	EU-15			([2])				
	Japan	11.9%	1					
0207.13 Chicken cuts and offals, fresh or chilled	United States			17.6¢/kg	1			NAFTA, A+, E, IL, J (Free)
	Canada	([2])				([2])		
	EU-15			([2])				
	Japan	8.5% or 11.9%	2					
0207.14 Chicken cuts and offals, frozen	United States			17.6¢/kg	2			NAFTA, A+, E, IL, J (Free)
	Canada	([2])				([2])		
	EU-15			([2])				
	Japan	3%-11.9% (8.5%)	3					
0207.24 Whole turkey, fresh or chilled	United States			15¢/kg	1			NAFTA, A+, E, IL, J (Free)
	Canada	([2])				([2])		
	EU-15			([2])				
	Japan	3%	1					

Table I-1—*Continued*
Meats: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
0207.25 Whole turkey, frozen	United States	10%	1	8.6¢/kg	1			NAFTA, A+, E, IL, J (Free)
	Canada	([2])				([2])		
	EU-15			([2])				
	Japan	3%	1					
0207.26 Turkey cuts and offals, fresh or chilled	United States			17.6¢/kg	1			NAFTA, A+, E, IL, J (Free)
	Canada	([2])				([2])		
	EU-15			([2])				
	Japan	3%	1					
0207.27 Turkey cuts and offals, frozen	United States			17.6¢/kg	2			NAFTA, A+, E, IL, J (Free)
	Canada	([2])				([2])		
	EU-15			([2])				
	Japan	3%	1					
Processed poultry products: 1602.31 Prepared or preserved turkey	United States	6.4%	2					NAFTA, A+, E, IL, J (Free)
	Canada	([2])				([2])		
	EU-15	8.5%	4					MED (sel.), OCT, GSPL (Free); EUPREF[3] (sel.)
	Japan	Free-21.3% (6%)	3					JPREF (6.4%); JLDC (Free)

Table I-1—*Continued*
Meats: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
1602.32 Prepared or preserved chicken	United States	6.4%	2					NAFTA, A+, E, IL, J (Free)
	Canada	([2])				([2])		
	EU-15	10.9%	3	**i** 867/t	1			MED[4] (sel.), OCT, GSPL (Free); EUPREF[4] (sel.)
	Japan	Free-21.3% (6%)	3					JPREF (pt.) (6.4%); JLDC (pt.) (Free)
1602.39 Prepared or preserved poultry (excluding turkey and chicken)	United States	6.4%	2					NAFTA, A+, E, IL, J (Free)
	Canada	([2])				([2])		
	EU-15	10.9%	3	**i** 867/t	1			MED[4] (sel.), OCT, GSPL (Free); EUPREF[4] (sel.)
	Japan	Free-21.3% (6%)	3					JPREF (pt.) (6.4%); JLDC (pt.) (Free)

[1] Selected preferential tariffs in table I-1 do not include products that are subject to a TRQ.
[2] Additional items in this subheading are subject to TRQs and included in table I-3.
[3] Certain countries receive a preferential TRQ with a preferential in-quota tariff rate. The over-quota rate is the MFN rate.
[4] Safeguard duty also can be applied.

Sources: Tariffs for the United States were obtained from USITC, *Harmonized Tariff Schedule of the United States (2000)*, USITC Publication 3249 (rev. 3) (Washington, DC: U.S. Government Printing Office, 2000). Tariffs for Canada were obtained from Canada Customs and Revenue Agency, *Customs Tariff: Departmental Consolidation 2000*. Tariffs for the EU were obtained from *Official Journal of the European Communities, L 278, Vol. 42,* Oct. 28, 1999 and the integrated tariff of the European Communities (TARIC), found at Internet address *http://www.taric.com/scripts/eNetTaric.dll/home?c=* . Tariffs for Japan were obtained from Japan Tariff Association, *Customs Tariff Schedules of Japan 2000*.

Table I-2
Meats: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
Beef: 0201.20 Cuts with bone in, fresh	Mexico	45%	20%	NAFTA (Free)
	China[2]	25%	41%	
	Korea	40%	([3])	
0201.30 Boneless cuts, fresh	Mexico	45%	20%	NAFTA (Free)
	China[2]	25%	41%	
	Korea	40%	([3])	
0202.20 Cuts with bone in, frozen	Korea	40%	([3])	
	Taiwan	([4])	NT$22.1/kg-NT$27/kg	
	Mexico	45%	25%	NAFTA (Free)
	China[2]	12%	38.4%	
0202.30 Boneless cuts, frozen	Korea	40%	([3])	
	Mexico	45%	25%	NAFTA (Free)
	China[2]	12%	38.4%	
0206.10 Edible offal, fresh or chilled	Mexico	22.5%	20%	NAFTA (6%)
	Korea	18%	18.8%	
	China[2]	20%	20%	
0206.21 Edible offal, tongues, frozen	Mexico	22.5%	20%	NAFTA (6%)
	China[2]	12%	18.4%	
	Korea	18%	20%	
0206.22 Edible offal, livers, frozen	Egypt	10%	5%	
	Russia	([4])	Free OR 15% bnlt i 0.15/kg	
	Mexico	22.5%	20%	NAFTA (6%)
	China[2]	20%	20%	
	Korea	18%	20%	

Table I-2—*Continued*
Meats: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
0206.29 Edible offal, other, frozen	Mexico	22.5%	20%	NAFTA (6%)
	Korea	18%	18.8%	
	China[2]	12%	18.4%	
1602.50 Prepared or preserved meat, meat offal or blood of bovine animals	Mexico	45%	23%	NAFTA (6%)
	Taiwan	([4])	40%	
	China[2]	18% or 25%	23.6% or 25%	
	Korea	72%	75.2%	
All other meat products: 0203.12 Meat of swine, fresh or chilled: hams, shoulders and cuts with bone in	Mexico	45%	20%	NAFTA (6%)
	China[2]	20%	20%	
	Korea	22.5%	25%	
0203.19 Meat of swine, fresh or chilled: Other: processed and other	Mexico	45%	20%	NAFTA (6%)
	China[2]	20%	20%	
	Korea	22.5%	25%	
0203.22 Meat of swine, frozen: hams, shoulders and cuts, with bone in	Taiwan	([4])	15%	
	China[2]	12%	18.4%	
	Mexico	45%	20%	NAFTA (6%)
	Korea	25%	29.8%	
0203.29 Meat of swine, frozen: Other: processed and other	Korea	25%	29.8%	
	Taiwan	([4])	15%	
	Mexico	45%	20%	NAFTA (6%)
	China[2]	12%	18.4%	

Table I-2—*Continued*
Meats: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
0205.00 Meat of horses, asses, mules or hinnies, fresh, chilled or frozen	Mexico	45%	10%	NAFTA (Free)
	China[2]	20%	20%	
	Korea	27%	28.2%	
0206.30 Edible offal of swine, fresh or chilled	Mexico	37.5%	10% or 20%	NAFTA (3% or 6%)
	China[2]	20%	20%	
	Korea	18%	20%	
0206.49 Edible offal of swine, frozen, other (not livers)	Mexico	37.5% or 45%	Free or 10%	NAFTA (Free or 3%)
	Taiwan	([4])	15%-50%	
	China[2]	12%	18.4%	
	Korea	18%	20%	
0206.80 Edible offal of sheep, goats, horses, asses, mules or hinnies, fresh or chilled	Mexico	37.5%	10%	NAFTA (Free)
	China[2]	20%	20%	
	Korea	18%	20%	
0208.90 Other meat and edible meat offal, other (deer, quail and other), fresh, chilled or frozen	Mexico	45%	10%	NAFTA (3%)
	China[2]	20% or 23%	22.4% or 23%	
	Korea	18% or 27%	18.8%-30%	
0209.00 Pig fat, free of lean meat, poultry fat, not rendered or otherwise extracted, fresh, chilled, frozen, salted in brine, dried or smoked	Mexico	$837/t bnlt 254%	260%	NAFTA (160.7% or Free with import permit)
	Guatemala	40%	15%	
	China[2]	20%	22.4%	
	Korea	6.6%	3%	

Table I-2—*Continued*
Meats: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
0210.11 Meat of swine, salted, in brine, dried or smoked: hams, shoulders and cuts	Mexico	45%	10%	NAFTA (3%)
	China[2]	25%	29%	
	Korea	25%	29.8%	
0210.12 Meat of swine, salted, in brine, dried or smoked: bellies, and cuts thereof	Mexico	45%	10%	NAFTA (3%)
	Russia	([4])	15% bnlt i 0.4/kg	
	Korea	31.5%	30%	
	China[2]	25%	29%	
0210.19 Meat and edible offal of swine, salted, in brine, dried or smoked; edible flours and meals of meat or meat offal: other	Mexico	45%	10%	NAFTA (3%)
	Guatemala	40%	15%	
	Korea	25%	29.8%	
	China[2]	25%	29%	
0210.20 Meat and edible offal of bovine animals, salted, in brine, dried or smoked	Mexico	45%	10%	NAFTA (3%)
	China[2]	25%	33%	
	Korea	27%	28.2%	
0210.90 Meat and edible offal, salted, in brine, dried or smoked; other including edible flours and meals of meat or meat offal	Mexico	45%	10%-15%	NAFTA (3% or 4.5%)
	Korea	22.5%	25%	
	China[2]	25%	29%	

Table I-2—*Continued*
Meats: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
1601.00 Poultry and other meat sausages and similar products, meat offal or blood; food preps; canned, other	Mexico	45%	18%	NAFTA (4.5%)
	Korea	18% or 31.5%	22.8% or 30%	
	China[2]	25%	25%	
1602.41 Other prepared or preserved meat, meat offal or blood of swine, hams and cuts	Mexico	45%	23%	NAFTA (6%)
	China[2]	25%	25%	
	Korea	27% or 54%	30% or 40.2%	
1602.42 Other prepared or preserved meat, meat offal or blood of swine, shoulders and cuts	Australia	10%	5%	
	China[2]	25%	25%	
	Mexico	45%	23%	NAFTA (6%)
	Korea	27% or 54%	30% or 40.2%	
1602.49 Other prepared or preserved meat, meat offal or blood of swine, other, including mixtures other meats	Mexico	45%	23%	NAFTA (6%)
	China[2]	25%	25%	
	Korea	27% or 54%	30% or 40.2%	
1603.00 Extracts and juices of meat, fish or crustacean, molluscs or other aquatic invertebrates	Korea	31.5%	30%	
	China[2]	25%	25%	
	Mexico	45%	23%	NAFTA (Free)

Table I-2—*Continued*
Meats: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
Poultry: 0207.11 Whole chicken, fresh or chilled	Hong Kong	Free	Free	
	Russia	([4])	30% bnlt **i** 0.3/kg	
	Mexico	$1,512/t bnlt 234%	240%	NAFTA (148.2%)
	Korea	18%	20%	
	China[2]	20%	20%	
	Philippines	40%	([3])	
	Indonesia	50%	5%	
	India	35%	35%	
	Pakistan	100%		
0207.12 Whole chicken, frozen	Hong Kong	Free	Free	
	Russia	([4])	30% bnlt **i** 0.3/kg	
	Mexico	$1,512/t bnlt 234%	240%	NAFTA (148.2%)
	Korea	20%	([3])	
	China[2]	20%	20%	
	Philippines	40%	([3])	
	Indonesia	50%	5%	
	India	100%	35%	
	Pakistan	100%	65%	
0207.13 Chicken cuts and offals, fresh or chilled	Hong Kong	Free	Free	
	Russia	([4])	15% bnlt **i** 0.15/kg OR 30% bnlt **i** 0.3/kg	
	Mexico	$1,512/t bnlt 234%	240%	NAFTA (148.2%)
	Korea	18%	20%-28.2%	
	China[2]	20%	20%	
	Philippines	40%	([3])	
	Indonesia	50%	5%	

Table I-2—*Continued*
Meats: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
	India	100%	35%	
	Pakistan	100%	65%	
0207.14 Chicken cuts and offals, frozen	Hong Kong	Free	Free	
	Russia	([4])	15% bnlt i 0.15/kg OR 30% bnlt i 0.3/kg OR 30% bnlt i 0.2/kg	
	Mexico	$1,512/t bnlt 234%	10% -240%	NAFTA (148.2%)
	Korea	18%	23.5%-28.2%	
	China[2]	10%	18%	
	Philippines	40%	([3])	
	Indonesia	50%	5%	
	India	100%	35%	
	Pakistan	100%	65%	
0207.24 Whole turkey, fresh or chilled	Hong Kong	Free	Free	
	Russia	([4])	15% bnlt i 0.15/kg	
	Mexico	$1,665/t bnlt 120%	123%	NAFTA (75.7%)
	Korea	18%	18.8%	
	China[2]	20%	20%	
	Philippines	40%	([3])	
	Indonesia	50%	5%	
	India	100%	35%	
	Pakistan	100%	65%	
0207.25 Whole turkey, frozen	Hong Kong	Free	Free	
	Russia	([4])	15% bnlt i 0.15/kg	
	Mexico	$1,512/t bnlt 234%	123%	NAFTA (75.7%)
	Korea	18%	18.8%	
	China[2]	20%	20%	

Table I-2—*Continued*
Meats: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
	Philippines	35%	([3])	
	Indonesia	35%	5%	
	India	100%	35%	
	Pakistan	100%	65%	
0207.26 Turkey cuts and offals, fresh or chilled	Hong Kong	Free	Free	
	Russia	([4])	15% bnlt i 0.15/kg	
	Mexico	$1,512/t bnlt 234%	240%	NAFTA (148.2%)
	Korea	18%	18.8%-28.2%	
	China[2]	20%	20%	
	Philippines	40%	([3])	
	Indonesia	50%	5%	
	India	100%	35%	
	Pakistan	100%	65%	
0207.27 Turkey cuts and offals, frozen	Hong Kong	Free	Free	
	Russia	([4])	15% bnlt i 0.15/kg	
	Mexico	$1,512/t bnlt 234%	10%-240%	NAFTA (148.2%)
	Korea	18%	18.8%-28.2%	
	China[2]	10%	18%	
	Philippines	40%	([3])	
	Indonesia	35%	5%	
	India	100%	35%	
	Pakistan	100%	65%	
1602.31 Prepared or preserved turkey	Hong Kong	Free	Free	
	Russia	([4])	15% bnlt i 0.4/kg	
	Mexico	45%	23%	NAFTA (6%)
	Korea	45%	30%	

Table I-2—*Continued*
Meats: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
	China[2]	25%	25%	
	Indonesia	40%	5%	
	India	150%	35%	
	Pakistan	100%	65%	
1602.32 Prepared or preserved chicken	Hong Kong	Free	Free	
	Russia	([4])	15% bnlt i 0.4/kg	
	Mexico	45%	23%	NAFTA (6%)
	Korea	45%	30%	
	China[2]	25%	25%	
	Indonesia	40%	5%	
	India	150%	35%	
	Pakistan	100%	65%	
1602.39 Prepared or preserved poultry (excluding turkey and chicken)	Hong Kong	Free	Free	
	Russia	([4])	15% bnlt i 0.4/kg	
	Mexico	45%	23%	NAFTA (6%)
	Korea	45%	30%	
	China[2]	25%	25%	
	Indonesia	40%	5%	
	India	150%	35%	
	Pakistan	100%	65%	

Table I-2—*Continued*
Meats: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

[1] Selected preferential tariffs in table I-2 do not include preferential rates for products that are subject to a TRQ.
[2] Tariff rates for China are those provided in the U.S.-China Accession Agreement. 2000 MFN applied tariffs are the tariffs provided in the Agreement that are binding as of Jan. 1, 2000, while final bound tariffs are those that are binding as of Jan. 1, 2004.
[3] Certain items in this subheading are subject to TRQs and are included in table I-3.
[4] Bound rates are not applicable for markets that are not WTO members.

Sources: Tariffs for developing and other potential markets were collected from numerous sources. All bound tariff rates were obtained from World Trade Organization (WTO), *The Results of the Uruguay Round*, CD-ROM, 1996. Tariffs for Latin American countries were obtained from the Free Trade Area of the Americas (FTAA) Hemispheric Trade and Tariff Database, found at Internet address *http://alca-ftaa.iadb.org/eng/NGMADB_E.HTM.* Tariffs for several Asian markets were obtained from the Asia Pacific Economic Cooperation (APEC) Tariff Database, found at Internet address *http://www.apectariff.org*. Tariffs for Korea were obtained from Korea Customs Research Institute, *Tariff Schedules of Korea 2000*. Tariffs for China are those found in Embassy of the United States of America, Beijing, *Agreement on Market Access Between the People's Republic of China and the United States of America*, Nov. 15, 1999. Tariffs for India were obtained from D.N. Kohli, *Customs Tariff of India: 2000-2001 Budget Edition* (New Delhi, India: Cen-Cus Publications, 2000). NAFTA tariffs for Mexico were obtained from USDA, FAS, *Mexico's NAFTA Tariff Schedule for 2000*, Mexico City, GAIN Report No. MX0044, Mar. 31, 2000. Tariffs for Hungary were obtained from Internet address *http://www.vaminfo.hu/tariffnet/default.php.* Tariffs for Poland were obtained from Internet address *http://www.clo.skg.pl/taryfa/taryfa.asp.* Tariffs for Russia were obtained from 2000 Russian Tariff Schedule. Other tariffs were obtained from the United Nations Conference on Trade and Development (UNCTAD), Trade Analysis and Information System (TRAINS) CD-ROM, 2001.

Table I-3
Meats: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
EU	**Beef**: High quality beef and edible offal fresh, chilled, or frozen[3]	37,800	88	89	72	LD	0201.20.20	20%[4, 5]	12.8% plus **i** 176.8/100kg[5]
							0201.20.30	20%[4, 5]	12.8% plus **i** 141.4/100kg[5]
							0201.20.50	20%[4, 5]	12.8% plus **i** 212.2/100kg[5]
							0201.20.90	20%[4, 5]	12.8% plus **i** 265.2/100kg[5]
							0201.30.00	20%[4, 5]	12.8% plus **i** 303.4/100kg[5]
							0202.20.10	20%[4, 5]	12.8% plus **i** 176.8/100kg[5]
							0202.20.30	20%[4, 5]	12.8% plus **i** 141.4/100kg[5]
							0202.20.50	20%[4, 5]	12.8% plus **i** 221.1/100kg[5]
							0202.20.90	20%[4, 5]	12.8% plus **i** 265.3/100kg[5]
							0202.30.10	20%[4, 5]	12.8% plus **i** 221.1/100kg[5]
							0202.30.50	20%[4, 5]	12.8% plus **i** 221.1/100kg[5]
							0202.30.90	20%[4, 5]	12.8% plus **i** 304.1/100kg[5]
							0206.10.95	20%[4, 5]	12.8% plus **i** 303.4/100kg[5]
							0206.29.91	20%[4, 5]	12.8% plus **i** 304.1/100kg[5]

Table I-3—*Continued*
Meats: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
EU–Continued	Boneless beef and edible offal[3]	53,000	100	100	100	LD	0202.30.10	20%[4, 5]	12.8% plus i 221.1/100kg[5]
							0202.30.50	20%[4, 5]	12.8% plus i 221.1/100kg[5]
							0202.30.90	20%[4, 5]	12.8% plus i 304.1/100kg[5]
							0206.29.91	20%[4, 5]	12.8% plus i 304.1/100kg[5]
	Boneless buffalo meat[3]	2,250	1	4	3	LD	0202.30.90	20%[4, 5]	12.8% plus i 304.1/100kg[5]
	Beef and edible offal frozen[3]	50,700	100	100	60	LD	0202.20.30	20%[4, 5, 6]	12.8% plus i 141.4/100kg[5]
							0202.30.10	20%[4, 5, 7]	12.8% plus i 221.1/100kg[5]
							0202.30.50	20%[4, 5, 7]	12.8% plus i 221.1/100kg[5]
							0202.30.90	20%[4, 5, 8]	12.8% plus i 304.1/100kg[5]
							0206.29.91	20%[4, 5 8]	12.8% plus i 304.1/100kg[5]
	Edible offal of bovine animals frozen[3]	1,500	100	67	64	MX	0206.29.91	4%[4]	12.8% plus i 304.1/100kg[5]
	Boneless beef and edible offal fresh or chilled[3]	11,000	100	100	100	LD	0201.30.00	20%[4]	12.8% plus i 303.4/100kg[5]
							0206.10.95	20%[4]	12.8% plus i 303.4/100kg[5]

Table I-3—*Continued*
Meats: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
EU–Continued	Boneless beef and edible offal fresh, chilled, or frozen[3]	5,000	100	100	98	LD	0201.30.00	20%[4, 5]	12.8% plus i 303.4/100kg[5]
							0202.30.90	20%[4, 5]	12.8% plus i 304.1/100kg[5]
							0206.10.95	20%[4, 5]	12.8% plus i 304.4/100kg[5]
							0206.29.91	20%[4, 5]	12.8% plus i 304.1/100kg[5]
	Boneless beef and edible offal fresh, chilled, or frozen[3]	4,000	100	100	100	LD	0201.30.00	20%[4, 5]	12.8% plus i 303.4/100kg[5]
							0202.30.90	20%[4, 5]	12.8% plus i 304.1/100kg[5]
							0206.10.95	20%[4, 5]	12.8% plus i 303.4/100kg[5]
							0206.29.91	20%[4, 5]	12.8% plus i 304.1/100kg[5]
	Beef and edible offal fresh, chilled, or frozen[3]	300	100	100	100	LD	0201.20.90	20%[4, 5]	12.8% plus i 265.2/100kg[5]
							0201.30.00	20%[4, 5]	12.8% plus i 303.4/100kg[5]
							0202.20.90	20%[4, 5]	12.8% plus i 265.3/100kg[5]
							0202.30.10	20%[4, 5]	12.8% plus i 221.1/100kg[5]
							0202.30.50	20%[4, 5]	12.8% plus i 221.1/100kg[5]

Table I-3—*Continued*
Meats: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
EU–Continued							0202.30.90	20%[4, 5]	12.8% plus **i** 304.1/100kg[5]
							0206.10.95	20%[4, 5]	12.8% plus **i** 303.4/100kg[5]
							0206.29.91	20%[4, 5]	12.8% plus **i** 304.1/100kg[5]
	Swine meat fresh, chilled, or frozen[3]	5,500	14	3	3	LD	0203.12.11	**i** 389/t[4, 5]	**i** 778/t[5]
							0203.12.19	**i** 300/t[4, 5]	**i** 601/t[5]
							0203.19.11	**i** 300/t[4, 5]	**i** 601/t[5]
							0203.19.13	**i** 434/t[4, 5]	**i** 869/t[5]
							0203.19.15	**i** 233/t[4, 5]	**i** 467/t[5]
							0203.19.55	**i** 434/t[4, 5]	**i** 869/t[5]
							0203.19.59	**i** 434/t[4, 5]	**i** 869/t[5]
							0203.22.11	**i** 389/t[4, 5]	**i** 778/t[5]
							0203.22.19	**i** 300/t[4, 5]	**i** 601/t[5]
							0203.29.11	**i** 300/t[4, 5]	**i** 601/t[5]
							0203.29.13	**i** 434/t[4, 5]	**i** 869/t[5]
							0203.29.15	**i** 233/t[4, 5]	**i** 467/t[5]
							0203.29.55	**i** 434/t[4, 5]	**i** 869/t[5]
							0203.29.59	**i** 434/t[4, 5]	**i** 869/t[5]
	Swine boneless loins and hams[3]	34,000	31	17	22	LD	0203.19.55	**i** 250/t[4, 5]	**i** 869/t[5]
							0203.29.55	**i** 250/t[4, 5]	**i** 869/t[5]

Table I-3—*Continued*
Meats: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
EU–Continued	Swine tenderloins[3]	5,000	31	28	31	LD	0203.19.55	**i** 300/t[4, 5]	**i** 869/t[5]
							0203.29.55	**i** 300/t[4, 5]	**i** 869/t[5]
	Sausages[3]	3,000	21	12	9	LD	1601.00.91	**i** 747/t[4, 5]	**i** 1,494/t[5]
							1601.00.99	**i** 502/t[4, 5]	**i** 1,005/t[5]
	Preserved meat of domestic swine[3]	6,100	7	2	0	LD	1602.41.10	**i** 784/t[4, 5]	**i** 1,568/t[5]
							1602.42.10	**i** 646/t[4, 5]	**i** 1,293/t[5]
							1602.49.11	**i** 784/t[4, 5]	**i** 1,568/t[5]
							1602.49.13	**i** 646/t[4, 5]	**i** 1,293/t[5]
							1602.49.15	**i** 646/t[4, 5]	**i** 1,293/t[5]
							1602.49.19	**i** 428/t[4, 5]	**i** 857/t[5]
							1602.49.30	**i** 375/t[4, 5]	**i** 750/t[5]
							1602.49.50	**i** 271/t[4, 5]	**i** 543/t[5]
	Chicken carcases, fresh, chilled, or frozen[3]	6,200	5	20	23	LD	0207.11.10	**i** 131/t[4, 5]	**i** 262/t[5]
							0207.11.30	**i** 149/t[4, 5]	**i** 299/t[5]
							0207.11.90	**i** 162/t[4, 5]	**i** 325/t[5]
							0207.12.10	**i** 149/t[4, 5]	**i** 299/t[5]
							0207.12.90	**i** 162/t[4, 5]	**i** 325/t[5]
	Chicken cuts, fresh, chilled or frozen[3]	4,000	75	99	63	LD	0207.13.10	**i** 512/t[4, 5]	**i** 1,024/t[5]
							0207.13.20	**i** 179/t[4, 5]	**i** 358/t[5]
							0207.13.30	**i** 134/t[4, 5]	**i** 269/t[5]
							0207.13.40	**i** 93/t[4, 5]	**i** 187/t[5]
							0207.13.50	**i** 301/t[4, 5]	**i** 602/t[5]
							0207.13.60	**i** 231/t[4, 5]	**i** 463/t[5]

Table I-3—*Continued*
Meats: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
EU–Continued							0207.13.70	**i** 504/t[4, 5]	**i** 1,008/t[5]
							0207.14.20	**i** 179/t[4, 5]	**i** 358/t[5]
							0207.14.30	**i** 134/t[4, 5]	**i** 269/t[5]
							0207.14.40	**i** 93/t[4, 5]	**i** 187/t[5]
							0207.14.60	**i** 231/t[4, 5]	**i** 463/t[5]
	Chicken cuts, boneless, frozen[3]	700	100	100	100	LD	0207.14.10	**i** 795/t[4, 5]	**i** 1,024/t[5]
	Chicken cuts, frozen	15,500	100	100	([9])	LD	0207.14.10	Free	**i** 1,024/t[5]
							0207.14.50	Free	**i** 602/t[5]
							0207.14.70	Free	**i** 1,008t[5]
	Turkey meat, fresh, chilled, or frozen[3]	1,000	100	42	100	LD	0207.24.10	**i** 170/t[4, 5]	**i** 340/t[5]
							0207.24.90	**i** 186/t[4, 5]	**i** 373/t[5]
							0207.25.10	**i** 170/t[4, 5]	**i** 340/t[5]
							0207.25.90	**i** 186/t[4, 5]	**i** 373/t[5]
							0207.26.10	**i** 425/t[4, 5]	**i** 851/t[5]
							0207.26.20	**i** 205/t[4, 5]	**i** 410/t[5]
							0207.26.30	**i** 134/t[4, 5]	**i** 269/t[5]
							0207.26.40	**i** 93/t[4, 5]	**i** 187/t[5]
							0207.26.50	**i** 339/t[4, 5]	**i** 679/t[5]
							0207.26.60	**i** 127/t[4, 5]	**i** 255/t[5]
							0207.26.70	**i** 230/t[4, 5]	**i** 460/t[5]

Table I-3—*Continued*
Meats: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
EU–Continued							0207.26.80	**i** 415/t[4, 5]	**i** 830/t[5]
							0207.27.30	**i** 134/t[4, 5]	**i** 269/t[5]
							0207.27.40	**i** 93/t[4, 5]	**i** 187/t[5]
							0207.27.50	**i** 339/t[4, 5]	**i** 679/t[5]
							0207.27.60	**i** 127/t[4, 5]	**i** 255/t[5]
							0207.27.70	**i** 230/t[4, 5]	**i** 460/t[5]
	Cuts of turkey, frozen	2,500	100	100	([9])	LD	0207.27.10	Free	**i** 851/t[5]
							0207.27.20	Free	**i** 410/t[5]
							0207.27.80	Free	**i** 830/t[5]
United States	Beef, fresh, chilled, or frozen	696,621	71	74	83	HI	0201.20	4%, 10% or 4.4¢/kg[10]	26.4%[11]
							0201.30	4%, 10% or 4.4¢/kg[10]	26.4%[11]
							0202.20	4%, 10% or 4.4¢/kg[10]	26.4%[11]
							0202.30	4%, 10% or 4.4¢/kg[10]	26.4%[11]
Canada	Beef and veal	76,409[12]	100	100	([9])	LD	0201.20	Free	26.5%[13]
							0201.30	Free	26.5%[13]
							0202.20	Free	26.5%[13]
							0202.30	Free	26.5%[13]
	Chicken live, meat, and products[14]	59,888	100	100	([9])	MX	0207.11.91-9	5% bnlt 4.74C¢/kg or more than 9.48C¢/kg[15]	238% bnlt C$1.67/kg
							0207.12.91-9	5% bnlt 4.74C¢/kg or more than 9.48C¢/kg[15]	238% bnlt C$1.67/kg

Table I-3—*Continued*
Meats: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
Canada–Continued							0207.13.91-9	5% bnlt 4.74C¢/kg or more than 9.48C¢/kg[15]	249% bnlt C$3.78/kg or C$6.74/kg
							0207.14.21-2	Free	238% bnlt C$6.45/kg
							0207.14.91-9	5% bnlt 4.74C¢/kg or more than 9.48C¢/kg[15]	249% bnlt C$3.78/kg or C$6.74/kg
							0209.00	5% bnlt 4.74C¢/kg or more than C9.48C¢/kg[15]	249% bnlt C$6.74/kg OR 165% bnlt C$4.82/kg
							0210.90	5% bnlt 4.74C¢/kg or more than 9.48C¢/kg[15]	249% bnlt C$5.81/kg, OR 249% bnlt C$10.36/kg, OR 165% bnlt C$3.67/kg, OR 165% bnlt C$6.03/kg
							1601.00	0.95C¢/kg[15]	154.5%-230%
							1602.32.12-1	7.5%[15]	253% bnlt C$5.91/kg or C$10.54/kg
							1602.32.93-9	5% bnlt 4.74C¢/kg or more than 9.48C¢/kg[15]	249% bnlt C$5.81/kg or C$10.36/kg
	Turkey	5,588	100	([9])	([9])	MX	0207.24.11-1	5% bnlt 4.74C¢/kg or more than 9.48C¢/kg[15]	154.5% bnlt C$2.11/kg
							0207.24.91-9	5% bnlt 4.74C¢/kg or more than 9.48C¢/kg[15]	154.5% bnlt C$1.95/kg

Table I-3—*Continued*
Meats: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
							0207.25.11-1	5% bnlt 4.74C¢/kg or more than 9.48C¢/kg[15]	154.5% bnlt C$2.11/kg
							0207.25.91-9	5% bnlt 4.74C¢/kg or more than 9.48C¢/kg[15]	154.5% bnlt C$1.95/kg
							0207.26.10-3	5% bnlt 4.74C¢/kg or more than 9.48C¢/kg[15]	165% bnlt C$2.94/kg or C$2.94/kg
							0207.27.11-1	Free	154.5% bnlt C$4.51/kg
							0207.27.91-1	5% bnlt 4.74C¢/kg or more than 9.48C¢/kg[15]	165% bnlt C$2.94/kg or C$6.18/kg
							1602.31.12-1	7.5%[15]	169.5% bnlt C$3.76/kg or C$6.18/kg
							1602.31.93-9	5% bnlt 4.74C¢/kg or more than 9.48C¢/kg[15]	169.5% bnlt C$3.76/kg or C$6.03/kg

Table I-3—*Continued*
Meats: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
Korea	Beef and veal	225,000	49	86	88	MX	0201.20	41.6%	41.8%
							0201.30	41.6%	41.8%
							0202.20	41.6%	41.8%
							0202.30	41.6%	41.8%
	Whole chicken, frozen	6,500	([9])	([9])	([9])	AU	0207.12.10	20%	26%
							0207.12.90	20%	26%
Philippines	Meat of swine fresh, chilled, or frozen	43,365	16	44	35	HI	0203.11–0203.29	30%	60%
	Fresh chilled, frozen poultry	18,790	16	91	38	HI	0207	45%	50%-60%

Table I-3—*Continued*
Meats: Tariff-rate quotas for the United States and major markets, 1998-2000

[1] TRQ group refers to the description of products provided for in each country's notification of TRQ commitments as reported to the WTO.
[2] The WTO Secretariat has the following categories of TRQ administration methods that are applicable to meats:

FC-First-come, first-served; no shares are allocated until the quota is filled.
LD-Licenses on demand, generally on a first-come, first-served basis.
AT-Applied tariffs; no shares allocated to imports that are allowed to supply unlimited quantities (within the quota).
ST-Imports undertaken by state-trading entities that allocate quota entirely or mainly to a producer group.
HI-Historical importers; shares are allocated principally in relation to past imports of the product.
MX-Mixed allocation methods involving several of the methods listed above.
OT-Other
AU-Auctioning

[3] Fill rates reported on a marketing year basis. Fill rates for 2000 are those for the marketing year 1999/2000, for example. Note that the 2000 TRQ quantity is for the marketing year 2000/2001.
[4] Preferential in-quota tariff rates are granted to certain Eastern European, Mediterranean, and ACP countries.
[5] OCT and GSPL countries receive quota-free and duty-free access for this product.
[6] A tariff of 20% applies when meat is intended for the manufacture of preserved food which does not contain characteristic components other than beef and jelly. Otherwise a rate of 20% plus **i** 994.5/1,000kg applies.
[7] Same as note 6 except alternate rate is 20% plus **i** 1,554.3/1,000kg.
[8] Same as note 6 except alternate rate is 20% plus **i** 2,138.4/1,000kg.
[9] Not available.
[10] Preferential in-quota tariff rates are granted to least developed countries (A+), Canada, Mexico, Israel, countries covered by the Andean Trade Promotion Act, and selected countries of the CBERA group.
[11] Mexico receives an over-quota tariff rate of free.
[12] This TRQ only limits non-NAFTA countries. Two specific allotments exist, AU (35,000 tons) and NZ (29,600 tons). The balance (11,809 tons) is the MFN reserve and is open to all eligible suppliers (including AU & NZ once their quotas are filled). Once the quota is filled, additional duty-free imports require supplementary permits that are granted under certain market conditions.
[13] The United States, Mexico, Chile, and Caribbean Commonwealth countries have a preferential over-quota tariff of free.
[14] Other HS headings included in this group are: 0105.92.91, 0105.93.91, 0207.11.91, 0207.12.91, 0207.13.91, 0207.14.21, 0207.14.91, 1602.20.21, 1602.32.12, and 1602.32.93. The access level for this TRQ is the greater of the WTO TRQ quantity (39,843.7 tons) and the NAFTA TRQ quantity (59,888 tons). The fill rates provided are those for the NAFTA TRQ quantity.
[15] The United States, Chile, and Caribbean Commonwealth countries receive a preferential in-quota tariff rate of free.

Sources: Product categories, TRQ quantities, and fill rates were obtained from the WTO Document Dissemination Facility, found at Internet address *http://docsonline.wto.org/gen_search.asp.* A number of 2000 fill rates were estimated. TRQ administration methods were obtained from WTO, Tariffs and Other Quotas: Background paper by the Secretariat AIE/SI/Rev. 1, May 26, 1998. Tariff rates were obtained from country tariff schedules.

Table I-4
Meats: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Ban on beef from cattle treated with growth promoting hormones	EU	Beef– 0201-0202	EU restrictions, imposed on Jan. 1, 1989, on imports of meat from countries, including the United States, that allow the use of certain growth promoting hormones in the raising of meat animals have blocked an estimated $300-500 million of U.S. exports annually. These restrictions have primarily impacted U.S. exports of beef, but also apply to meat of sheep.
Import licensing procedures	Philippines	Fresh, chilled, or frozen pork–0203	Import licenses reportedly allocated and distributed to domestic producers who have no interest in importing.
Discriminatory retail distribution system and failure to meet import access commitments	Korea	Beef–0201-0202	Korea requires that imported beef be sold only in specialized beef stores. In addition, Korea has not met its minimum access commitments on beef imports.
Religious based restrictions–kosher and non-kosher standards	Israel	Beef, meat of sheep, and pork–0201-0204	Kosher certification requirements generally preclude nearly all U.S. meat product exports that are accepted as kosher in the U.S. market. In addition, Israel prohibits the importation of non-kosher meats, yet permits domestic production and marketing of non-kosher meats.
Labeling requirements	Mexico	Poultry	Mexico has excluded products not labeled in either Spanish or English.
	Poland	Poultry	Polish Veterinary Service requires imports to have a bilingual health certificate.

Table I-4—*Continued*
Meats: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Labeling requirements—Continued	EU, Japan, Australia	Genetically modified (GM) food products	Restrictions or proposed controls on imports of GM foods include labeling such foods to indicate that they contain GM ingredients.
Sanitary and phytosanitary restrictions	United States	Meat and meat products	The United States bans imports of fresh meat and livestock from EU countries that have no confirmed cases of foot-and-mouth disease.
	Australia	Pork	Ban on imports of uncooked pork from countries, including the United States, with Porcine Respiratory and Reproductive Syndrome Pseudorabies Virus, Transmissible Gastroenteritis and Aujesky's Disease.
	EU	Poultry	Poultry exports to EU banned since 1997 because EU does not approve certain anti-microbial treatments used in U.S. poultry production.
	Australia and New Zealand	Poultry	Internal heating temperature requirement considered excessive.
Plant inspections	Mexico, Russia, South Africa, Panama, El Salvador	Beef and pork products	Require production facilities to be included on an approved or eligible plant list. Such conditions are in addition to, and distinct from, USDA's inspection and approval of production facilities in the United States.

Table I-4—*Continued*
Meats: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Dating of product	Mexico, Hong Kong, Singapore, Carribean nations	Meats, especially canned meats	Require that products have production and expiration dates listed on food product. Production dates are standard for the United States, but there are no universal standards and countries have unique formats for the required dates. Mexico requires packing and slaughter dates for each canned meat product be included on export certificate. Tracing the slaughter dates of imported raw materials used in canned products is a difficult and time consuming task.
Packing materials, shelf stable requirements, product health registration	China, Thailand, Australia, Panama, Philippines, Korea, EU	Meat and meat products	Enforcement of solid wood packing materials on all containers received from the United States. Australia and the EU require separate size containers for U.S. product that are different from other countries. Australia bans some products, such as bacon bits, as non shelf-stable; however, USDA has approved such products as having a stable shelf life. Product health registration requires that products be evaluated before they can be exported to a given country. Ingredient lists, labels, and samples of products are to be provided. Panama requires that a “Certificate of Free Sale” accompany each product; however, there is no recognized U.S. authority to grant such certificates.

Table I-4—*Continued*
Meats: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Anti-dumping duties	South Africa	Poultry meat	Method used to determine existence of dumping inconsistent with WTO dumping rules.
Import ban	Philippines and Indonesia	Poultry meat	Imports from U.S. banned based on no clear criteria.
	Egypt	Poultry meat parts and products	Egyptian Government bans U.S. imports, according to U.S. industry, in violation of WTO rules.
GMOs	Several markets	Poultry	Concern over unjustified restrictions not based on science.

Sources: WTO Watch, *EU's Fischler says US foot-mouth ban unjustified*, vol. IV-no. 18, May 18, 2001, pp. 7-8; Leonard W. Condon, Vice President for International Trade, American Meat Institute, written submission to the Commission, Feb. 15, 2001; USTR, *2000 National Trade Estimate Report on Foreign Trade Barriers*; Frederic D. Van Arnam, Jr., Barnes, Richardson & Colburn, written submission to the Commission on behalf of Hormel Foods Corporation, Apr. 24, 2001; USA Poultry and Egg Export Council letter to the Bush-Cheney Transition Office, Jan. 11, 2001; USITC staff correspondence from U.S. industry association, Mar. 15, 2001; USDA, FAS, *Saudi Arabia: Poultry*, Riyadh, GAIN Report No. SA1004, Jan. 29, 2001; USDA, FAS, *Egypt: Poultry and Poultry Products Annual Report*, Cairo, GAIN Report No. EG0025, Aug. 14, 2000; USDA, FAS, *Philippines: Poultry and Products Annual Report*, Manila, GAIN Report No. RP0046, Aug. 15, 2000; and USDA, FAS, *Indonesia: Poultry and Products Indonesia Bans Poultry Part Imports*, Jakarta, GAIN Report No. ID0050, Nov. 11, 2000.

APPENDIX J
EGGS AND EGG PRODUCTS

Table J-1
Eggs and egg products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
Table eggs: 040700 Eggs in shell, fresh, preserved or cooked (excluding eggs for hatching)	United States			2.8¢/doz	1			A, E, IL, J, NAFTA (Free)
	Canada			([2])		([2])		
	EU-15			([2])				
	Japan	17% or 21%	2					
Processed egg products: 040811 Egg yolks, dried	United States			47.6¢/kg	1			A+, E, IL, J, NAFTA (Free)
	Canada	([2])		([2])				
	EU-15			([2])				
	Japan	18.8%	1					
040819 Egg yolks, other than dried	United States			9.7¢/kg	1			A+, E, IL, J, NAFTA (Free)
	Canada			([2])				
	EU-15			([2])				
	Japan					Greater of 20% or ¥48/kg	1	
040891 Bird's eggs, not in shell, dried	United States			47.6¢/kg	1			A+, E, IL, J, NAFTA Free)
	Canada	([2])		([2])				
	EU-15			([2])				
	Japan	21.3%	1					

Table J-1—*Continued*
Eggs and egg products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
040899 Bird's eggs, not in shell, other than dried	United States			9.7¢/kg	1			A+, E, IL, J, NAFTA (Free)
	Canada			([2])				
	EU-15			([2])				
	Japan					Greater of 21.3% or ¥51/kg	1	
350211 Egg albumin, dried	United States			47.6¢/kg	1			A+, E, IL, J, NAFTA (Free)
	Canada	([2])		([2])				
	EU-15			([2])				
	Japan	8%	1					JPREF (4%); JLDC (Free)
350219 Egg albumin, other than dried	United States			9.7¢/kg	1			A+, E, IL, J, NAFTA (Free)
	Canada			([2])				
	EU-15			([2])				
	Japan	8%	1					JPREF (4%); JLDC (Free)

[1] Selected preferential tariffs in table J-1 do not include preferential rates for products subject to a TRQ.
[2] Additional items in this subheading are subject to TRQs and included in table J-3.

Sources: Tariffs for the United States were obtained from USITC, *Harmonized Tariff Schedule of the United States (2000)*, USITC Publication 3249 (rev. 3) (Washington, DC: U.S. Government Printing Office, 2000). Tariffs for Canada were obtained from Canada Customs and Revenue Agency, *Customs Tariff: Departmental Consolidation 2000*. Tariffs for the EU were obtained from *Official Journal of the European Communities, L 278, Vol. 42,* Oct. 28, 1999 and the integrated tariff of the European Communities (TARIC), found at Internet address *http://www.taric.com/scripts/eNetTaric.dll/home?c=* . Tariffs for Japan were obtained from Japan Tariff Association, *Customs Tariff Schedules of Japan 2000*.

Table J-2
Eggs and egg products: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
Fresh eggs: 040700 Eggs in shell, fresh, preserved or cooked (excluding eggs for hatching)	Hong Kong	Free	Free	
	Korea	27%	28.2%	
	Mexico	37.5%	20%-46%	NAFTA (6%)
	Singapore	Free	Free	
	Costa Rica	45%	9%-14%	
	Russia	([2])	15%	
Processed egg products: 040811 Egg yolks, dried	Hong Kong	Free	Free	
	Korea	27%	28.2%	
	Mexico	37.5%	20%	NAFTA (6%)
	Singapore	Free	Free	
	Costa Rica	45%	9%	
	Russia	([2])	10%	
040819 Egg yolks, other than dried	Hong Kong	Free	Free	
	Korea	27%	28.2%	
	Mexico	37.5%	20%	NAFTA (6%)
	Singapore	Free	Free	
	Costa Rica	45%	9%	
	Russia	([2])	15%	
040891 Bird's eggs, not in shell dried	Hong Kong	Free	Free	
	Korea	27%	28.2%	
	Mexico	37.5%	20%	NAFTA (6%)
	Singapore	Free	Free	
	Costa Rica	45%	9%	
	Russia	([2])	15%	

Table J-2—*Continued*
Eggs and egg products: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
040899 Bird's eggs, not in shell other than dried	Hong Kong	Free	Free	
	Korea	27%[3]	28.2[3]	
	Mexico	37.5%	20%	NAFTA (6%)
	Singapore	Free	Free	
	Costa Rica	45%	9%	
	Russia	([2])	15%	
350211 Egg albumin, dried	Hong Kong	Free	Free	
	Korea	13%	8%	
	Mexico	37%	18%	NAFTA (Free)
	Singapore	Free	Free	
	Costa Rica	45%	Free	
	Russia	([2])	5%	
350219 Egg albumin, other than dried	Hong Kong	Free	Free	
	Korea	13%	8%	
	Mexico	37%	18%	NAFTA (Free)
	Singapore	Free	Free	
	Costa Rica	45%	Free	
	Russia	([2])	5%	

[1] Selected preferential tariffs in table J-2 do not include preferential rates for products subject to a TRQ.
[2] Bound rates are not applicable for markets that are not WTO members.
[3] Certain items in this subheading are subject to a TRQ and are included in table J-3.

Sources: Tariffs for developing and other potential markets were collected from numerous sources. All bound tariff rates were obtained from World Trade Organization (WTO), *The Results of the Uruguay Round*, CD-ROM, 1996. Tariffs for Latin American countries were obtained from the Free Trade Area of the Americas (FTAA) Hemispheric Trade and Tariff Database, found at Internet address *http://alca-ftaa.iadb.org/eng/NGMADB_E.HTM*. Tariffs for several Asian markets were obtained from the Asia Pacific Economic Cooperation (APEC) Tariff Database, found at Internet address *http://www.apectariff.org*. Tariffs for Korea were obtained from Korea Customs Research Institute, *Tariff Schedules of Korea 2000*. Tariffs for China are those found in Embassy of the United States of America, Beijing, *Agreement on Market Access Between the People's Republic of China and the United States of America*, Nov. 15, 1999. Tariffs for India were obtained from D.N. Kohli, *Customs Tariff of India: 2000-2001 Budget Edition* (New Delhi, India: Cen-Cus Publications, 2000). NAFTA tariffs for Mexico were obtained from USDA, FAS, *Mexico's NAFTA Tariff Schedule for 2000*, Mexico City, GAIN Report No. MX0044, Mar. 31, 2000. Tariffs for Hungary were obtained from Internet address *http://www.vaminfo.hu/tariffnet/default.php*. Tariffs for Poland were obtained from Internet address *http://www.clo.skg.pl/taryfa/taryfa.asp.* Tariffs for Russia were obtained from 2000 Russian Tariff Schedule. Other tariffs were obtained from the United Nations Conference on Trade and Development (UNCTAD), Trade Analysis and Information System (TRAINS) CD-ROM, 2001.

Table J-3
Eggs and egg products: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
Canada	Eggs and egg products	21.3 million eggs	100	([3])	([3])	MX	0407.00.18-19	1.51C¢/dozen[4]	163.5% bnlt 79.9C¢/kg
							0408.11.10-20	8.5%[4]	C$6.12/kg
							0408.19.10-20	6.63C¢/kg[4]	C$1.52/kg
							0408.91.10-20	8.5%[4]	C$6.12/kg
							0408.99.10-20	6.63C¢/kg[4]	C$1.52/kg
							2106.90.51-52	6.68C¢/kg[4]	C$1.45/kg
							3502.11.10-20	8.5%[4]	C$6.12/kg
							3502.19.10-20	6.63C¢/kg[4]	C$1.52/kg
EU[5]	Table eggs in shell	135,000	<1	0	2	LD	0407.00.30	**i** 152/t[6, 7]	**i** 304/t[7]
	Egg yolks	7,000	89	43	100	LD	0408.11.80	**i** 711/t[6, 7]	**i** 1,423/t[7]
							0408.19.81	**i** 310/t[6, 7]	**i** 620/t[7]
							0408.19.89	**i** 331/t[6, 7]	**i** 663/t[7]
							0408.91.80	**i** 687/t[6, 7]	**i** 1,374/t[7]
							0408.99.80	**i** 176/t[6, 7]	**i** 353/t[7]
	Egg albumin	15,500	40	37	62	LD	3502.11.90	**i** 617/t[6, 7]	**i** 1,351/t[7]
							3502.19.90	**i** 83/t[6, 7]	**i** 183/t[7]
Korea	Other eggs	16,046.4	0	([3])	([3])	LD	0408.99	30%	43.5%

[1] TRQ group refers to the description of products provided for in each country's notification of TRQ commitments as reported to the WTO.
[2] The WTO Secretariat has the following categories of TRQ administration methods that are applicable to eggs and egg products:

LD-Licenses on demand, generally on a first-come, first-served basis.
MX-Mixed allocation methods involving several of the methods listed above.

[3] Not available.
[4] Preferential in-quota tariff rates of free are provided to the United States, Chile, and Commonwealth Caribbean countries.
[5] EU TRQs on eggs are administered on a marketing year (July-June) basis. The fill rate for 2000, for example, is that for July 1999-June 2000. However, the 2000 TRQ quantity is for the marketing year July 2000-June 2001.
[6] Preferential in-quota tariff rates are provided to certain Central & Eastern European countries.
[7] Certain Mediterranean countries, GSP recipients, ACP and OCT countries receive a reduced tariff or have a zero tariff.

Sources: Product categories, TRQ quantities, and fill rates were obtained from the WTO Document Dissemination Facility, found at Internet address *http://docsonline.wto.org/gen_search.asp*. TRQ administration methods were obtained from WTO, Tariffs and Other Quotas: Background paper by the Secretariat AIE/SI/Rev. 1, May 26, 1998. Tariff rates were obtained from country tariff schedules.

Table J-4
Eggs and egg products: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Egg washing	EU	Table eggs	Table eggs can only be classed as Grade A if they have not been washed. Thus, U.S. table eggs (which are washed) are excluded from the EU market.
Processing requirements	EU	Egg products	EU regulations do not allow the use of caramel as a denaturant in inedible eggs without use of additional denaturant.
Labeling requirements	EU	Table eggs	EU proposed regulations would require labeling of method of production (free range, cages, etc.).
	Dubai	Table eggs	All imported eggs must be individually stamped with producer's name and date of lay.
Shelf-life requirements	UAE	Table eggs	Three month shelf-life requirement is considered too short to pack, ship, and market product .
Import ban	Mexico	Eggs	Ban on imports from the United States not based on clear criteria.
GMOs	Several markets	Table eggs and products	Concern over unjustified restrictions not based on science.

Sources: USITC staff interviews with British industry association, May 25, 2001; USITC staff interview with U.S. industry association, Aug. 16, 1999; Ken Klippen, United Egg Producers and United Egg Association, written submission to the Commission, Feb. 16, 2001, p. 12; Ken Klippen, United Egg Producers and United Egg Association, testimony before the USITC, May 22, 2001; James H. Sumner, President, USA Poultry & Egg Export Council, in letter to David Johnson, Director, USDA Transitional Team, Jan. 11, 2001; Washington State Department of Agriculture, *Exporting Washington State Agricultural Products and Processed Foods: Foreign Trade Barriers*, June 1999; and USDA, FAS, *Mexico: Poultry and Products Annual Report*, Mexico City, GAIN Report No. MX0127, Sept. 27, 2000.

APPENDIX K
FLOURS AND OTHER INTERMEDIATE GOODS

Table K-1
Flours and other intermediate goods: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
Wheat flour: 1101.00 Wheat flour	United States			0.7¢/kg	1			A+, E, IL, J, NAFTA (Free)
	Canada			([2])				
	EU-15			**i** 172/t	3			EUPREF[3], ACP (**i** 144.4/t); MED (sel.), OCT, GSPL (Free)
	Japan	([2])		([2])				
Malts and starches: 1107.10 Malt, not roasted	United States			0.3¢/kg	1			A+, E, IL, J, NAFTA (Free)
	Canada			([2])				
	EU-15			**i** 131/t- **i** 177/t (**i** 173/t)	4			EUPREF[3]; MED(sel.), OCT, GSPL (Free)
	Japan	Free	1	¥21.3/kg	1			
1108.11 Wheat starch	United States			0.54¢/kg	1			A, E, IL, J, NAFTA (Free)
	Canada			([2])				
	EU-15			**i** 224/t	1			ACP (**i** 199.2/t); MED (sel.), OCT, GSPL (Free)
	Japan	([2])		([2])				
1108.12 Corn starch	United States			0.54¢/kg	1			A, E, IL, J, NAFTA (Free)
	Canada	Free	1					
	EU-15			**i** 166/t	1			ACP (**i** 141.2/t); MED (sel.), OCT, GSPL (Free)
	Japan	([2])		([2])				

Table K-1—*Continued*
Flours and other intermediate goods: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
1108.19 Starches other than corn, wheat or potato	United States			Free	1			
	Canada			1.24C¢/kg[2]	1			NAFTA, CCC, LDC, GSP, CL (Free)
	EU-15			**i** 166/t or **i** 216/t	2			ACP (Free- **i** 178.8/t); OCT, MED (sel.), GSPL (Free)
	Japan	([2])		([2])				
Flour mixes and doughs: 1901.20 Flour mixes and doughs	United States	8.5% or 10%[2,4,5]	4					A, E, IL, J, NAFTA (Free)
	Canada	4.5% or 6%[2, 5]	2					NAFTA, CCC, LDC, CL (Free), GSP (3%)
	EU-15					7.6% plus EA	1	MED (ex. CY), ACP, OCT (Free-EA); EUPREF[3] (sel.), GSP (ex. AR, BR,TH), GSPE (EA); GSPL (Free)
	Japan	12%-24% (21.3%)[2, 5]	9	([2])		([2, 5])		
Protein concentrates and textured proteins: 2106.10 Protein concentrates and textured proteins	United States	6.4%	1					A, E, IL, J, NAFTA (Free)
	Canada	11%	1					NAFTA, CCC, LDC, IL, CL (Free); GSP (6%)
	EU-15	12.8%	1			9% plus EA	1	EUPREF[3] (numerous); MED[3] (ex. MT), ACP, GSPE (Free-EA); OCT, GSPL (Free)
	Japan	10.6%-21% (15%)[2, 5]	5			([2, 5])		

Table K-1—*Continued*
Flours and other intermediate goods: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
Other flour and milling products: 1102.20 Corn flour	United States			0.3¢/kg	1			A, E, IL, J, NAFTA (Free)
	Canada	6%	1					NAFTA, CCC, LDC, CL (Free), GSP (5%)
	EU-15			**i** 98/t or **i** 173/t	2			EUPREF[3]; ACP (**i** 94.4/t- **i** 165.7/t); OCT, GSPL, MED (sel.) (Free)
	Japan	21.3%	1					
1102.90 Other flours and mixtures, nspf	United States	Free-12.8% (9%)	3					A, E, IL, J, NAFTA (Free)
	Canada	6%[2]	1					NAFTA, CCC, LDC, CL (Free), GSP (5%)
	EU-15			**i** 98/t- **i** 171/t (**i** 164/t)	3			EUPREF[3]; ACP (**i** 94.4/t- **i** 163.7/t); OCT, GSPL, MED (sel.) (Free)
	Japan	21.3%[2]	1	([2])				
1103.13 Corn meal and groats	United States			0.3¢/kg	1			A, E, IL, J, NAFTA (Free)
	Canada	Free	1					
	EU-15			**i** 98/t or **i** 173/t	2			ACP (**i** 94.4/t- **i** 165.7/t); OCT, MED (sel.), GSPL (Free)
	Japan	21.3%	1					

Table K-1—*Continued*
Flours and other intermediate goods: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
1104.23 Hulled, sliced or worked corn	United States			0.45¢/kg	1			A, E, IL, J, NAFTA (Free)
	Canada	5%	1					NAFTA, CCC, LDC, GSP, CL (Free)
	EU-15			**i** 98/t or **i** 152/t	4			ACP (**i** 94.4/t- **i** 148.4/t); MED (sel.), OCT, GSPL (Free)
	Japan	16.2% or 18%	2					
1105.20 Potato flakes, granules and pellets	United States			1.3¢/kg	1			A+, E, IL, J, NAFTA (Free)
	Canada	8.5%	1					NAFTA, CCC, LDC, CL (Free), GSP (5%)
	EU-15	12.2%	1					MX (8.9%); EUPREF (numerous); MED (sel.), ACP, OCT, GSPE, GSPL (Free); GSP (ex. MY) (6.1%-8.5%)
	Japan	20%	1					
2102.10 Yeast active	United States	6.4%	1					A, E, IL, J, NAFTA (Free)
	Canada	6% or 8%	2					NAFTA, CCC (Free), CL (6%-8%); AU (pt.), NZ (pt.) (1%)
	EU-15	10.9% or 14.7%	2			12% plus **i** 14.5/100kg- **i** 49.2/100kg	2	MED (ex. MT, pt.), ACP, OCT, GSPE, GSPL (Free); EUPREF[3], GSP (ex. AR, BR, TH) (numerous)
	Japan	10.5%	1					JPREF (10%); JLDC (Free)

Table K-1—*Continued*
Flours and other intermediate goods: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
2102.20 Yeast inactive	United States	Free-6.4% (3.2%)	3					A, E, IL, J, NAFTA (Free)
	Canada	Free	1					
	EU-15	Free-8.3% (5.1%)	3					EUPREF[3] (numerous); MED, ACP, OCT, GSPE, GSPL (Free); GSP (ex. AR, BR, TH) (Free-5.8%)
	Japan	Free or 3.8%	2					JLDC (Free)

[1] Selected preferential tariffs in table K-1 do not include rates for products subject to a TRQ.
[2] Certain items in this subheading are subject to TRQs and are included in table K-3.
[3] Certain countries receive a preferential TRQ.
[4] Certain items in this subheading are subject to TRQs on sugar and are included in table G-3.
[5] Certain items in this subheading are subject to TRQs on dairy products and are included in table F-3.

Sources: Tariffs for the United States were obtained from USITC, *Harmonized Tariff Schedule of the United States (2000)*, USITC Publication 3249 (rev. 3) (Washington, DC: U.S. Government Printing Office, 2000). Tariffs for Canada were obtained from Canada Customs and Revenue Agency, *Customs Tariff: Departmental Consolidation 2000*. Tariffs for the EU were obtained from *Official Journal of the European Communities, L 278, Vol. 42,* Oct. 28, 1999 and the integrated tariff of the European Communities (TARIC), found at Internet address *http://www.taric.com/scripts/eNetTaric.dll/home?c=* . Tariffs for Japan were obtained from Japan Tariff Association, *Customs Tariff Schedules of Japan 2000*.

Table K-2
Flours and other intermediate goods: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
Wheat flour: 1101.00 Wheat flour	Mexico	45%	15%	NAFTA (4.5%)
	Korea	4.2% or 13.1%	5%	
	India	150%	35%	
Malts and starches: 1107.10 Malt, not roasted	Mexico	$190/t bnlt 158%	161%	NAFTA (99.7%)
	Taiwan	([2])	15%	
	Korea	([3])	([3])	
	Brazil	9% or 35%	17%	Mercosur (Free)
1108.11 Wheat starch	Taiwan	([2])	15.5%	
	Brazil	55%	13%	Mercosur (Free)
	Mexico	36%	15%	NAFTA (4.5%)
1108.12 Corn starch	Mexico	45%	15%	NAFTA (4.5%)
	Malaysia	15%	Free	
	Costa Rica	20%	Free	
	China[4]	20%	20%	
	Taiwan	([2])	15.5%	
	Brazil	55%	13%	Mercosur (Free)
1108.19 Starches other than corn, wheat or potato	Mexico	36% or 45%	15%	NAFTA (4.5%)
	Taiwan	([2])	18.5%	
Flour mixes and doughs: 1901.20 Flour mixes and doughs	Mexico	36%	10% OR 10% plus $0.39586/kg	NAFTA (Free)
	Saudi Arabia	([2])	12%	
	Australia	8%	5%	DCS (4%)
	Brazil	35%	17%	Mercosur (Free)
	Korea	40.5%[3]	8%[3]	

Table K-2—*Continued*
Flours and other intermediate goods: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
Protein concentrates and textured proteins: 2106.10 Protein concentrates and textured proteins	Mexico	18% or 45%	3%-18%	NAFTA (3% or 4.5%)
	Korea	54%	8%	
	Taiwan	([2])	5% or 35%	
	Australia	17%	Free or 5%	DCS (4%)
	Philippines	35%	3%	
	China[4]	10%	38%	
Other flour and milling products: 1102.20 Corn flour	Mexico	45%	15%	NAFTA (4.5%)
	Australia	1%	Free	
	China[4]	40%	72%	
	Taiwan	([2])	7.5%	
1102.90 Other flours and mixtures, nspf	Taiwan	([2])	30%	
	Mexico	45%	15%	NAFTA (4.5%)
	Israel	25%	Free	
1103.13 Corn meal and groats	Mexico	45%	10%	NAFTA (3%)
	Korea	([3])	([3])	
1104.23 Hulled, sliced or worked corn	Mexico	45%	10%	NAFTA (3%)
	Korea	([3])	([3])	
	China[4]	65%	77%	
1105.20 Potato flakes, granules and pellets	Mexico	36%	15%	NAFTA (4.5%)
	Australia	29%	5%	
	Israel	150%	14.4%	US (Free), CA (8%)
2102.10 Yeast active	Mexico	36% or 37%	13%-18%	NAFTA (Free)
	Korea	19.7%	8%	
	Taiwan	([2])	10%	
2102.20 Yeast inactive	Korea	13.1% -30%	8%	
	Mexico	37%	13% or 18%	NAFTA (Free)

Table K-2—*Continued*
Flours and other intermediate goods: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

[1] Selected preferential tariffs in table K-2 do not include rates for products subject to a TRQ.
[2] Final bound rates are not applicable for countries that are not WTO members.
[3] Certain items in this subheading are subject to TRQs and are included in table K-3.
[4] Tariffs for China are those provided in the U.S.-China WTO Accession Agreement. 2000 MFN applied tariffs are the tariffs provided in the Agreement that are binding as of Jan. 1, 2000, while final bound tariffs are those that are binding as of Jan. 1, 2004.

Sources: Tariffs for developing and other potential markets were collected from numerous sources. All bound tariff rates were obtained from World Trade Organization (WTO), *The Results of the Uruguay Round*, CD-ROM, 1996. Tariffs for Latin American countries were obtained from the Free Trade Area of the Americas (FTAA) Hemispheric Trade and Tariff Database, found at Internet address *http://alca-ftaa.iadb.org/eng/NGMADB_E.HTM*. Tariffs for several Asian markets were obtained from the Asia Pacific Economic Cooperation (APEC) Tariff Database, found at Internet address *http://www.apectariff.org*. Tariffs for Korea were obtained from Korea Customs Research Institute, *Tariff Schedules of Korea 2000*. Tariffs for China are those found in Embassy of the United States of America, Beijing, *Agreement on Market Access Between the People's Republic of China and the United States of America*, Nov. 15, 1999. Tariffs for India were obtained from D.N. Kohli, *Customs Tariff of India: 2000-2001 Budget Edition* (New Delhi, India: Cen-Cus Publications, 2000). NAFTA tariffs for Mexico were obtained from USDA, FAS, *Mexico's NAFTA Tariff Schedule for 2000*, Mexico City, GAIN Report No. MX0044, Mar. 31, 2000. Tariffs for Hungary were obtained from Internet address *http://www.vaminfo.hu/tariffnet/default.php*. Tariffs for Poland were obtained from Internet address *http://www.clo.skg.pl/taryfa/taryfa.asp.* Tariffs for Russia were obtained from 2000 Russian Tariff Schedule. Other tariffs were obtained from the United Nations Conference on Trade and Development (UNCTAD), Trade Analysis and Information System (TRAINS) CD-ROM, 2001.

Table K-3
Flours and other intermediate goods: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
United States	Flour mixes and doughs	5,398	100	100	([3])	FC	1901.20.30-35	10%[4]	42.3¢/kg plus 8.5%
							1901.20.65-70		
Canada	Wheat products[5]	123,557	100	100	([3])	FC	1101.00.10-20	C$2.42/t[6, 7]	C$139.83/t[7]
							1108.11.10-20	0.95C¢/kg[6, 7]	C$237.90/t[7]
							1901.20.13-15	4%[6, 7]	4% or 11.93C¢/kg plus 8.5%[7]
							1901.20.23-24	3%[6, 7]	11.93C¢/kg plus 6%[7]
	Barley products[8]	19,131	58	60	([3])	FC	1102.90.11-12	4%[9]	C$213.80/t plus 8.5%[10]
							1107.10.11-12	0.31C¢/kg[9]	C$157.00/t[10]
							1107.10.91-92	0.47C¢/kg[9]	C$160.10/t[10]
							1108.19.11-12	0.83C¢/kg[9]	C$188.50/t[10]
Japan	Wheat and wheat products[11]	5,740,000	100	100	100	ST	1101.00.011	12.5%-25%	¥90/kg-¥134/kg
							1101.00.091		
							1102.90.210		
							1108.11.010		
							1901.20.131		
							1901.20.151		
	Barley and barley products[12]	1,369,000	100	100	100	ST	1102.90.110	25%	¥83/kg
							1901.20.141		
	Rice and rice products[13]	758,000	100	100	100	ST	1901.20.122	25%	¥375/kg
							1901.20.162		
	Starches[14]	157,000	69	72	98	LD	1108.12.010-.020	Free-25%	¥140/kg
							1108.19.011-.012		
							1108.19.091-.092		
							1901.20.156-.157		

Table K-3—*Continued*
Flours and other intermediate goods: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
Korea	Malt[15]	40,000	100	([3])	([3])	HI	1107.1000	30%	281%
	Rice and rice products[16]	102,614	100	([3])	([3])	ST	1901.20.10	5%	([17])
							1901.20.90		
	Corn and corn products[18]	6,102,100	100	([3])	([3])	HI	1103.13.00	3%	170.1%
							1104.23.00	3%	174.6%
							1108.12	2.4%	236%

[1] TRQ group refers to the description of products provided for in each country's notification of TRQ commitments as reported to the WTO.
[2] The WTO Secretariat has the following categories of TRQ administration methods that are applicable to flours and other intermediate goods:

FC-First-come, first-served; no shares are allocated until the quota is filled.
LD-Licenses on demand, generally on a first-come, first-served basis.
ST-Imports undertaken by state-trading entities that allocate quota entirely or mainly to a producer group.
HI-Historical importers; shares are allocated principally in relation to past imports of the product.
MX-Mixed allocation methods involving several of the methods listed above.

[3] Not available.
[4] A preferential in-quota tariff rate of free is given to Canada, Mexico, and countries eligible under CBERA, ATPA, and GSP.
[5] This category also includes tariff lines in HS headings 1103, 1104, 1109, and 2302, which are outside the scope of the study, and HS headings 1902, 1904, and 1905, details of which can be found in table L-3.
[6] Commonwealth Caribbean countries and Chile receive preferential in-quota tariff rates. For certain products, preferential in-quota tariffs are also provided to least developed countries and GSP recipients.
[7] The United States and Mexico receive duty-free and quota-free access for these products.
[8] This category also includes numerous tariff lines in HS headings 1103, 1104, 1107, and 2302, which are outside the scope of the study, and HS headings 1901 and 1904, details of which can be found in table L-3.
[9] The United States, Mexico, and Chile receive a preferential in-quota tariff rate of free.
[10] Mexico and Chile receive a preferential over-quota tariff rate of free.
[11] This category also includes tariff lines in HS headings 1001, 1008, 1103, and 1104, which are outside the scope of the study; HS headings 1901 and 1904, details of which can be found in table L-3; and HS heading 2106, details of which can be found in table Q-3.

Table K-3—*Continued*
Flours and other intermediate goods: Tariff-rate quotas for the United States and major markets, 1998-2000

[12] This category also includes tariff lines in HS headings 1901 and 1904, details of which can be found in table L-3, and HS heading 2106, details of which can be found in table Q-3.

[13] This category also includes tariff lines in HS headings 1006, 1102, 1103, and 1104, which are outside the scope of the study; HS headings 1901 and 1904, details of which can be found in table L-3; and HS heading 2106, details of which can be found in table Q-3.

[14] This category also includes tariff lines in HS heading 1108, which are outside the scope of the study, and HS heading 1901, details of which can be found in table L-3.

[15] This category also includes HS 1107.20.10, which is outside the scope of the study.

[16] This category also includes tariff lines in HS headings 1006, 1102, 1103, and 1104, which are outside the scope of the study, and HS heading 1901, details of which can be found in table L-3.

[17] Korea does not allow any imports of rice and rice products above the quota level of 102,614 tons.

[18] This category also includes tariff lines in HS headings 0712 and 1005, which are outside the scope of the study.

Sources: Product categories, TRQ quantities, and fill rates were obtained from the WTO Document Dissemination Facility, found at Internet address *http://docsonline.wto.org/gen_search.asp.* TRQ administration methods were obtained from WTO, Tariffs and Other Quotas: Background paper by the Secretariat AIE/SI/Rev. 1, May 26, 1998. Tariff rates were obtained from country tariff schedules.

Table K-4
Flours and other intermediate goods: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Export subsidies	EU	Wheat flour	EU subsidies for flour exports have distorted world trade in flour and displaced U.S. flour exports.
		Malt, not roasted	EU subsidies for malt exports have distorted world trade in malt.
State trading enterprises	Japan	Wheat flour	Japan Food Agency controls all in-quota imports of flour, effectively denying private firms the ability to import flour at the in-quota rate of duty.
		Malt, not roasted	Government requires domestic brewers to use domestically-produced malt before they can import malt.
		Wheat starch	Japan Food Agency controls all in-quota imports of wheat starch, effectively denying private firms the ability to import wheat starch at the in-quota rate of duty.
TRQ administration	Japan	Corn starch	Government operates the TRQ for starches (which includes corn starch) in a non-transparent manner and with no system to reallocate unused licenses, causing the TRQ to be persistently under filled.
	Korea	Hulled, sliced, worked corn	Although corn grits are included in a large TRQ for corn and corn products, the ability to import corn grits is extremely limited because the Korean Government limits access to this quota to two domestic corn associations and strictly limits the quantity of corn grits (less than 0.01 percent of the total quota) that can be imported within this quota.

Table K-4—*Continued*
Flours and other intermediate goods: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Labeling requirements	Several markets	Protein concentrates	Different biotechnology labeling requirements in foreign markets are confusing and make it necessary to reformulate products for different markets and to establish different preservation and testing routines.

Sources: USITC staff interviews with U.S. industry representatives, Sept. 29, 2000 and Mar. 28, 2001; David Wilkes, "The World Malt Market," *World Grain*, Oct. 1997; Department of Industry, Science and Tourism, Australia, Working Paper, *Processed Foods, Trade and Investment Barriers to Australian Exporters in Key Markets*, July 1998; USDA, FAS, *Grain and Feed Annual Report Korea*, Seoul, AGR No. KS7017, Apr. 4, 1997; Central Soya Company, Inc.

APPENDIX L
GRAIN-BASED FOODS

Table L-1
Grain-based foods: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
Cookies, crackers, and bakery products: 1905.10 Crispbread	United States	Free	1					
	Canada	Free-6% (4.5%)[2]	3	([2])		([2])		NAFTA, CL, CCC, LDC (Free); GSP (Free-3%)
	EU-15					5.8% plus **i** 13/100kg	1	EUPREF[3], MED[3] (numerous); ACP, GSPE (**i** 13/100kg); GSP (ex. AR, BR, TH) (4% plus **i** 13/100kg); OCT, GSPL (Free)
	Japan	9%	1					JLDC (Free)
1905.30 Sweet biscuits	United States	Free	1					
	Canada	Free-3% (2%)[2]	3			([2])		NAFTA, CCC, LDC (Free); GSP, CL (Free-2%)
	EU-15					9% plus EA MAX 24.2% plus AD S/Z <u>OR</u> 9% plus EA MAX 20.7% plus AD F/M	7	EUPREF[3], MED, ACP, GSP (ex. AR, BR, TH), GSPE (numerous); OCT, GSPL (Free)
	Japan	18% or 20.4%	2					JPREF (pt.) (15%); JLDC (pt.) (Free)
1905.40 Rusks and toasted bread	United States	Free	1					
	Canada	Free-5.5%[2]	3	([2])		([2])		NAFTA, CCC, LDC, CL (Free); GSP (Free-3%)

Table L-1—*Continued*
Grain-based foods: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
	EU-15					9.7% plus EA	2	EUPREF[3] (sel.), MED[3] (sel.), ACP, OCT, GSPE (EA); GSP (ex. AR, BR, TH) (6.7% plus EA); GSPL (Free)
	Japan	9%	1					JLDC (Free)
1905.90 Other breads and bakery products	United States	Free or 4.5%	2					A, E, IL, J, NAFTA (Free)
	Canada	Free-14.5% (4.5%)[2]	6			([2])		NAFTA, CCC, LDC, CL (Free); GSP (Free-7%); AU (pt.), NZ (pt.) (7%)
	EU-15					3.8%-4.5% plus i 15.9/100kg- i 60.5/100kg OR 9.7% plus EA OR 9% plus EA MAX 20.7% plus AD F/M OR 9% plus EA MAX 24.2% plus AD S/Z	8	EUPREF[3], MED, ACP, GSP (ex. AR, BR, TH), GSPE (numerous); OCT, GSPL (Free)
	Japan	6%-34% (21.3%)	9					JPREF (pt.) (9%-15%); JLDC (pt.) (Free)
Breakfast cereals: 1904.10 Roasted cereal products	United States	1.1%	1					A, E, IL, J, NAFTA (Free)
	Canada	6%[2]	1			([2])		NAFTA, CCC, LDC, CL (Free); GSP (3%)

Table L-1—*Continued*
Grain-based foods: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
	EU-15					3.8%-5.1% plus i 20/100kg- i 46/100kg	3	EUPREF[3], MED[3], GSP (ex. AR, BR, TH) (numerous); ACP, GSPE (i 20/100kg- i 46/100kg); OCT, GSPL (Free)
	Japan	11.5% or 16.3%[2]	2	([2])				
1904.20 Unroasted cereal products	United States	5.6% or 14.9%	2					A+, CA, E, IL, J (Free); MX (Free-2.1%)
	Canada	4.5% or 6%[2]	2			([2])		NAFTA, CCC, LDC, CL (Free); GSP (3%)
	EU-15					9% plus EA OR 3.8%-5.1% plus i 20/100kg- i 46/100kg	4	EUPREF[3], MED[3], GSP (ex. AR, BR, TH) (numerous); ACP, GSPE (i 20/100kg- i 46/100kg); OCT, GSPL (Free)
	Japan	11.5% or 16.3%[2]	2	([2])				
1904.90 Other cereal products	United States	14%	1					A, E, IL, J, NAFTA (Free)
	Canada	4.5% or 6%[2]	2			([2])		NAFTA, CCC, LDC, CL (Free); GSP (3%)
	EU-15					8.3% plus i 25.7/100kg- i 46/100kg	2	EUPREF[3], MED[3], GSP (ex. AR, BR, TH) (numerous); ACP, GSPE (i 25.7/100kg- i 46/100kg); OCT, GSPL (Free)

Table L-1—*Continued*
Grain-based foods: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
	Japan	21.3%[2]	1	([2])				
Pasta: 1902.11 Uncooked pasta with eggs	United States	Free or 6.4%	2					A, E, IL, J, NAFTA (Free)
	Canada	6%[2]	1			([2])		NAFTA, CCC, LDC, CL (Free); GSP, IL (4%)
	EU-15					7.7% plus **i** 24.6/100kg	1	EUPREF[3] (sel.), MED (sel.), ACP, GSPE (**i** 24.6/100kg); GSP (ex. AR, BR, TH) (6.5% plus **i** 24.6/100kg); OCT, GSPL (Free)
	Japan			¥30/kg	1			
1902.19 Other uncooked pasta	United States	Free or 6.4%	2					A, E, IL, J, NAFTA (Free)
	Canada	Free-6% (3%)[2]	3	([2])		([2])		NAFTA, CCC, LDC, CL (Free); GSP (Free-4%); IL (pt.) (4%)
	EU-15					7.7% plus **i** 21.1/100kg-**i** 24.6/100kg	2	EUPREF[3] (sel.), GSP (ex. AR, BR, TH) (numerous); MED (sel.), GSPE, ACP (**i** 21.1/100kg-**i** 24.6/100kg); OCT, GSPL (Free)
	Japan			¥27.20/kg-¥34/kg (¥30/kg)	3			

Table L-1—*Continued*
Grain-based foods: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
1902.20 Stuffed pasta	United States	6.4%	1					A, E, IL, J, NAFTA (Free)
	Canada	11%	1					NAFTA, CCC, LDC, CL (Free); GSP (10%)
	EU-15	8.5%	1	i 54.3/100kg	1	8.3% plus i 6.1/100kg-i 17.1/100kg	2	EUPREF[3] (sel.), MED (sel.), GSP (ex. AR, BR, TH), ACP (numerous); OCT, GSPL (Free)
	Japan	5.1%-23.8% (21.3%)	8					
1902.30 Other pasta	United States	6.4%	1					A, E, IL, J, NAFTA (Free)
	Canada	Free-11% (6%)[2]	3			([2])		NAFTA, CCC, LDC, CL (Free); GSP (Free-10%)
	EU-15					6.4% plus i 9.7/100kg-i 24.6/100kg	2	EUPREF[3] (sel.), MED (sel.), GSP (ex. AR, BR, TH), ACP (numerous); OCT, GSPL (Free)
	Japan	21.3%-23.8% (23.8%)	4					
Other grain-based foods: 1901.90 Other flour preparations	United States	Free-11.2% (9.6%)[4, 5]	6	3.2¢/ℓ[4]	1	([4, 5])		A (pt.), A+, CA, E, IL, J (Free); MX (Free-4.8%)
	Canada	4.5%-9.5% (9.5%)[2, 5]	4			([2, 5])		US, CCC, LDC, CL (Free); MX (Free-2%); GSP (Free-5%)
	EU-15	12.8%				7.6% plus EA OR 5.1% plus i 14.7/100kg-i 18/100kg	1	EUPREF[3] (sel.), MED (sel.), GSP (ex. AR, BR, TH), ACP (numerous); OCT, GSPL (Free)

Table L-1—*Continued*
Grain-based foods: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
	Japan	9%-29.8% (23.8%)[2, 5]	14	([2])		([5])		JPREF (pt.) (6%); JLDC (pt.) (Free)

[1] Selected preferential tariffs in table L-1 do not include preferential rates for products subject to a TRQ.
[2] Certain items in this subheading are subject to TRQs and are included in table L-3.
[3] Certain countries in this group receive a preferential TRQ.
[4] Certain items in this subheading are subject to TRQs on sugar and are included in table G-3.
[5] Certain items in this subheading are subject to TRQs on dairy products and are included in table F-3.

Sources: Tariffs for the United States were obtained from USITC, *Harmonized Tariff Schedule of the United States (2000)*, USITC Publication 3249 (rev. 3) (Washington, DC: U.S. Government Printing Office, 2000). Tariffs for Canada were obtained from Canada Customs and Revenue Agency, *Customs Tariff: Departmental Consolidation 2000*. Tariffs for the EU were obtained from *Official Journal of the European Communities, L 278, Vol. 42,* Oct. 28, 1999 and the integrated tariff of the European Communities (TARIC), found at Internet address *http://www.taric.com/scripts/eNetTaric.dll/home?c=*. Tariffs for Japan were obtained from Japan Tariff Association, *Customs Tariff Schedules of Japan 2000*.

Table L-2
Grain-based foods: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
1905.10 Crispbread	Australia	1%	Free	NZ (Free)
	Taiwan	([2])	27%	
	Saudi Arabia	([2])	12%	
1905.30 Sweet biscuits	Mexico	36%	10% plus $0.39586/kg	NAFTA (3%)
	Brazil	35%	21%	Mercosur (Free)
	Hungary	32%-51.2%	10%-51.2%	PL, CZ, SK, SV, RO, BG (Free)
	Korea	19.7%	8%	
	Taiwan	([2])	22.5%-32.5%	
	China[3]	15%	23%	
	India	150%	35%	
	Poland	77% plus DCC[4]	77% plus 0.0049 DCC[4]	EU (33% plus 0.0017 DCC[4]); CZ (Free)
	Russia	([2])	15% bnlt i 0.15/kg	
	Argentina	35%	21%	Mercosur (Free)
	Saudi Arabia	([2])	12%-20%	
1905.40 Rusks and toasted bread	Mexico	36%	10%	NAFTA (3%)
	Russia	([2])	15% bnlt i 0.15/kg	
	South Africa	21%	25%	SADC (17%)
1905.90 Other breads and bakery products	Mexico	36%	10%	NAFTA (Free-3%)
	Korea	19.7%-27%	8%	
	Taiwan	([2])	15%-50%	
	China[3]	25%	25%	
	India	150%	35%	
	Brazil	35%	21%	Mercosur (Free)
	Hungary	32%-51.2%	10%-51.2%	PL, CZ, SK, SV, RO, BG (Free)
	Poland	77% plus DCC[4]	77% or 77% plus 0.0049 DCC[4]	EU (20% or 20% plus 0.0017 DCC[4]); CZ (Free)

Table L-2—*Continued*
Grain-based foods: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
	Russia	([2])	15% bnlt i 0.15/kg	
	Venezuela	40%	20%	Andean (Free)
	Colombia	90%	20%	Andean (Free)
Breakfast cereal: 1904.10 Roasted cereal products	Mexico	36%	10% plus $0.39586/kg	NAFTA (3%)
	Israel	75%	12%-12.7%	US (Free); EU (Free-8%)
	Colombia	90%	20%	Andean (Free)
	Argentina	35%	19%	Mercosur (Free)
	Korea	5.4%	6.84%	
	Saudi Arabia	([2])	12%-20%	
	China[3]	30%	30%	
	Taiwan	([2])	25%-40%	
	Russia	([2])	15%	
	Hungary	36%	36%	PL (23%); RO (18%-20%)
	India	55%	35%	
1904.20 Unroasted cereal products	Mexico	([5])	10% plus $0.39586/kg	NAFTA (3%)
	Hungary	([5])	12.8%-36%	PL (pt.), CZ (pt.), SV (pt.), RO (pt.), BG (pt.) (6%)
	China[3]	30%	30%	
	Taiwan	([5])	25%-33%	
	Korea	([5])	8% or 47%	
1904.90 Other cereal products	Mexico	36%	10%	NAFTA (3%)
	Colombia	90%	20%	Andean (Free)
	Argentina	35%	19%	Mercosur (Free)
	Brazil	55%	19%	Mercosur (Free)
	Egypt	60%	30%-40%[6]	

Table L-2—*Continued*
Grain-based foods: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
	Hungary	38.4%	38.4%	PL, CZ, SK, SV, RO, BG (7%)
	Korea	27%-54%	8%	
	Taiwan	([2])	32%	
Pasta: 1902.11 Uncooked pasta with eggs	Mexico	36%	20%	NAFTA (6%)
	China[3]	25%	25%	
	Philippines	40%	15%	
	Guatemala	40%	15%	
	Brazil	35%	19%	Mercosur (Free)
	Argentina	33%	19%	Mercosur (Free)
1902.19 Other uncooked pasta	Mexico	36%	10%	NAFTA (3%)
	Colombia	90%	20%	Andean (Free)
	Venezuela	116%	20%	Andean (Free)
	Argentina	35%	19%	Mercosur (Free)
	Brazil	35%	19%	Mercosur (Free)
	Korea	54% OR 54% or **w**427/kg, whichever is greater	8% OR 50% or **w**395/kg, whichever is greater	
	Taiwan	([2])	30%	
	Russia	([2])	15% bnlt **i** 0.06/kg	
1902.20 Stuffed pasta	Australia	8%	5%	NZ (Free)
	Mexico	36%	10%	NAFTA (Free)
	Brazil	35%	19%	Mercosur (Free)
	Korea	54%	8%	
1902.30 Other pasta	Brazil	35%	19%	Mercosur (Free)
	Russia	([2])	15% bnlt **i** 0.06/kg	
	Mexico	36%	10%	NAFTA (Free)

Table L-2—*Continued*
Grain-based foods: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
Other grain-based foods: 1901.90 Other flour preparations	Mexico	22.5%-36% OR $0.252/kg bnlt 109%	10% OR 10% plus $0.39586/kg	NAFTA (Free-3%)
	India	150%	35%	
	Korea	27%-54%[7]	8%-37.6%[7]	
	Russia	([2])	15%	
	Taiwan	([2])	5%-40%	
	China[3]	10%	22%	
	Brazil	10.8%-55%	17%-19%	Mercosur (Free)

[1] Selected preferential tariffs in table L-2 do not include preferential rates for products subject to a TRQ.
[2] Final bound rates are not applicable for countries that are not WTO members.
[3] Tariff rates for China are those provided in the U.S.-China WTO Accession Agreement. 2000 MFN applied tariffs are the tariffs provided in the Agreement that are binding as of Jan. 1, 2000, while final bound tariffs are those that are binding as of Jan. 1, 2004.
[4] DCC represents an additional duty, which is valued at **i** 0.0049/dkg or 1pecent of sugar contained in 1 kg of product.
[5] No bound rate was established for this subheading.
[6] Tariff rate is for 1999.
[7] Certain products in this subheading are subject to a TRQ and are included in table L-3.

Sources: Tariffs for developing and other potential markets were collected from numerous sources. All bound tariff rates were obtained from World Trade Organization (WTO), *The Results of the Uruguay Round*, CD-ROM, 1996. Tariffs for Latin American countries were obtained from the Free Trade Area of the Americas (FTAA) Hemispheric Trade and Tariff Database, found at Internet address *http://alca-ftaa.iadb.org/eng/NGMADB_E.HTM.* Tariffs for several Asian markets were obtained from the Asia Pacific Economic Cooperation (APEC) Tariff Database, found at Internet address *http://www.apectariff.org*. Tariffs for Korea were obtained from Korea Customs Research Institute, *Tariff Schedules of Korea 2000*. Tariffs for China are those found in Embassy of the United States of America, Beijing, *Agreement on Market Access Between the People's Republic of China and the United States of America*, Nov. 15, 1999. Tariffs for India were obtained from D.N. Kohli, *Customs Tariff of India: 2000-2001 Budget Edition* (New Delhi, India: Cen-Cus Publications, 2000). NAFTA tariffs for Mexico were obtained from USDA, FAS, *Mexico's NAFTA Tariff Schedule for 2000*, Mexico City, GAIN Report No. MX0044, Mar. 31, 2000. Tariffs for Hungary were obtained from Internet address *http://www.vaminfo.hu/tariffnet/default.php.* Tariffs for Poland were obtained from Internet address *http://www.clo.skg.pl/taryfa/taryfa.asp.* Tariffs for Russia were obtained from 2000 Russian Tariff Schedule. Other tariffs were obtained from the United Nations Conference on Trade and Development (UNCTAD), Trade Analysis and Information System (TRAINS) CD-ROM, 2001.

Table L-3
Grain-based foods: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
Canada	Wheat products[3]	123,557	100	100	([4])	FC	1902.11.10-29	4%[5, 6]	4% or 16.27C¢/kg plus 8.5%[6]
							1902.19.11-12	Free	Free
							1902.19.21-23	Free	Free or 16.27C¢/kg[6, 7]
							1902.19.91-93	4%[5, 6]	4% or 16.27C¢/kg plus 8.5%[6, 7]
							1902.30.11-12	Free	Free
							1902.30.20-93	4%[5, 6]	4% or 4.01C¢/kg plus 8.5%[6, 7]
							1904.10.10-29	4%[5, 6]	4% or 11.64C¢/kg plus 8.5%[6, 7]
							1904.20.10-93	4%[5, 6]	4% or 9.17C¢/kg plus 8.5%[6, 7]
							1904.20.61-62	3%[5, 6]	9.17C¢/kg plus 6%[6]
							1904.90.10-29	4%[5, 6]	4% or 9.17C¢/kg plus 8.5%[6, 7]
							1904.90.61-62	3%[5, 6]	9.17C¢/kg plus 6%[6]
							1905.10.10-29	Free	Free or 13.51C¢/kg[6, 7]
							1905.10.40-59	4%[5, 6]	4% or 13.51C¢/kg plus 8%[6, 7]
							1905.10.71-72	3%[5, 6]	13.51C¢/kg plus 6%[6]
							1905.30.21-23	2%[5, 6]	2% or 5.42C¢/kg plus 4%[6, 7]
							1905.30.91-93	2%[5, 6]	2% or 5.42C¢/kg plus 4%[6, 7]
							1905.40.20-39	Free	Free or 13.51C¢/kg[6, 7]

Table L-3—*Continued*
Grain-based foods: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
Canada–Cont.	Wheat products[3]–Cont.	123,557	100	100	([4])	FC	1905.40.50-69	3.5%[5, 6]	3.5% or 13.51C¢/kg plus 7.5%[6, 7]
							1905.90.31-33	4%[5, 6]	4% or 8.47C¢/kg plus 8.5%[6, 7]
							1905.90.34-35	3%[5, 6]	8.47C¢/kg plus 6%[6]
							1905.90.41	4%[5, 6]	
							1905.90.42-44	2%[5, 6]	2% or 5.42C¢/kg plus 4%[6, 7]
							1905.90.61-63	2%[5, 6]	2% or 13.11C¢/kg plus 4%[6, 7]
	Barley products[8]	19,131	58	60	([4])	FC	1901.90.11-12	8.5%[9]	17.78C¢/kg plus 17%[10]
							1904.10.30-49	4%[9]	4% or 12.6C¢/kg plus 8.5%[7, 10]
							1904.20.30-49	4%[9]	4% or 9.95C¢/kg plus 8.5%[7, 10]
							1904.20.63-64	3%[9]	9.95C¢/kg plus 6%[10]
							1904.90.30-40	4%[9]	9.95C¢/kg plus 8.5%[10]
							1904.90.63-64	3%[9]	9.95C¢/kg plus 6%[10]
Japan	Wheat, meslin, triticale, and their processed products[11]	5,700,000	100	100	100	ST	1901.90.151.159	25%	¥90/kg
							1901.90.171.172	25%	¥134/kg
							1904.10.221.229	19.2%	¥85/kg
							1904.20.221.229	19.2%	¥85/kg
							1904.90.210.290	25%	¥85/kg
	Barley and its processed products[12]	1,369,000	100	100	100	ST	1901.90.161.169	25%	¥83/kg

Table L-3—*Continued*
Grain-based foods: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
							1904.10.231.239	19.2%	¥64/kg
							1904.20.231.239	19.2%	¥64/kg
							1904.90.310.390	25%	¥64/kg
	Rice and its worked and/or processed products[13]	758,000	100	100	100	ST	1901.90.142-148	25%	¥375/kg
							1901.90.587.588	25%	¥375/kg
							1904.10.211.212	19.2%	¥341/kg
							1904.20.211.212	19.2%	¥341/kg
							1904.90.120.130	25%	¥341/kg
Korea	Rice and rice products[14]	102,614	100	100	([4])	ST	1901.90.9091	5%	([15])
							1901.90.9099	5%	([15])

[1] TRQ group refers to the description of products provided for in each country's notification of TRQ commitments as reported to the WTO.
[2] The WTO Secretariat has the following categories of TRQ administration methods that are applicable to grain-based foods:

FC-First-come, first-served; no shares are allocated until the quota is filled.
ST-Imports undertaken by state-trading entities that allocate quota entirely or mainly to a producer group.

[3] This category also includes products found under HS 1101, 1103, 1104, 1108, 1109, and 1901.20, details of which can be found in table K-3 (Flours and other intermediate goods).
[4] Not available.
[5] Commonwealth Caribbean countries and Chile receive preferential in-quota tariff rates. For certain products, preferential in-quota tariffs are also provided to least developing countries and GSP recipients.
[6] The United States and Mexico receive duty-free and quota-free access for these products.
[7] The higher over-quota rate is applied for wheat and barley products over a certain weight. For HS 1904, 1905.10, 1905.30 (for wafers/frozen waffles), 1905.40, and 1905.90 (for other bread), the higher over-quota rate is applied to products that weigh over 454 g. For HS 1902, the higher over-quota rate is applied to products that weigh over 2.3 kg. For HS 1905.30 (biscuits) or 1905.90 (fresh bread, buns, rolls, other biscuits and bakery products), the higher over-quota rate is applied to products that weigh over 1.36 kg.
[8] This category also includes products found under HS 1102, 1103, 1104, and 1108, details of which can be found in table K-3 (Flours and other intermediate goods).
[9] The United States, Mexico, and Chile receive a preferential in-quota tariff rate of free.
[10] Mexico and Chile receive a preferential over-quota tariff rate of free.
[11] This category also includes HS numbers 1001.10.010, 1001.90.011, 1001.90.016, 1001.90.019, and 1008.90.21, which are outside the scope of this study, and products under HS numbers 1101-1104, 1108, and 1901.20, details of which can be found in table K-3 (Flours and other intermediate goods).

Table L-3—*Continued*
Grain-based foods: Tariff-rate quotas for the United States and major markets, 1998-2000

[12] This category also includes HS numbers 1003.00.011 and 1003.00.019, which are outside the scope of this study, and products under HS numbers 1101-1104 and 1901.20, details of which can be found in table K-3 (Flours and other intermediate goods).

[13] This category also includes HS numbers 1006.00 through 1006.40, which are outside the scope of this study, and products under HS numbers 1101-1104, 1806, and 1901.20, details of which can be found in table G-3 (Sugar and sugar-containing products) and table K-3 (Flours and other intermediate goods).

[14] This category also includes HS number 1006, which is outside the scope of this study, and products under HS numbers 1102-1104, 1901.20, and 2106.90, details of which can be found in table K-3 (Flours and other intermediate goods) and table Q-3 (Other miscellaneous food and beverage products).

[15] Imports of rice products are subject to a minimum access quota, which prohibits imports over the quota quantity (102,614 tons in 2000).

Sources: Product categories, TRQ quantities, and fill rates were obtained from the WTO Document Dissemination Facility, found at Internet address *http://docsonline.wto.org/gen_search.asp.* TRQ administration methods were obtained from WTO, Tariffs and Other Quotas: Background paper by the Secretariat AIE/SI/Rev. 1, May 26, 1998. Tariff rates were obtained from country tariff schedules.

Table L-4
Grain-based foods: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Standards and technical requirements	Canada, Chile	Breakfast cereal (HS 1904.10)	The level of vitamins and nutrients used in U.S. cereal products exceeds those allowed in these countries.
	Numerous	Numerous, particularly breakfast cereal (HS 1904.10).	Certain food additives and preservatives cannot be used in many grain-based foods.
Labeling	Thailand	Breakfast cereal (HS 1904)	Thai FDA objects to the names of products on certain breakfast cereal labels.
Product registration and export certification	Numerous, particularly Japan, Korea, and Argentina	Numerous	Detailed information on product ingredients and formulation required that is often deemed proprietary information.
Sanitary and phytosanitary issues	Korea, Taiwan	Breakfast cereal (HS 1904.10) and snack foods (HS 1905.90)	Certificates required on products using US-origin corn that attest Starlink is not used in food products.
	Saudi Arabia	Numerous	GMO-free certification required for Saudi Arabia.
Additional taxes	India	All grain-based foods	India imposes countervailing duties and special additional duties on the CIF plus duty price of imported products.

Sources: USITC staff interviews, Mar.-June 2001.

APPENDIX M
FRUITS AND VEGETABLES

Table M-1
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
0806.20 Raisins	United States			1.8¢/kg-3.5¢/kg (2.8¢/kg)	3			A+, E, J, IL, NAFTA (Free)
	Canada	Free	1					
	EU-15	2.4%	6					EUPREF (sel.) (Free-1.8%); MED (sel.) (Free); GSP (sel.) (2%)
	Japan	1.2%	1					
0813.20 Dried plums	United States	14%	1	2¢/kg	1			A+, E, J, IL, NAFTA (Free)
	Canada	Free	1					
	EU-15	9.6%	1					EUPREF (sel.), MED (sel.), (Free); GSP (sel.) (Free-8.1%)
	Japan	2.4%	1					
Canned peaches 2008.70	United States	17%	1					A+, CA, E, IL, J (Free); MX (4.5%)
	Canada	6% or 8%	2					NAFTA, CCC (Free); CL (3% or 4.5%)
	EU-15	17.6%-25.6% (24%)	7			25.6% plus i 4.2/100kg/net	2	EUPREF (sel., numerous); MED (sel., numerous)
	Japan	6.7%-29.8% (13.4%)	9					JPREF (pt.) (6.7%-12%); JLDC (Free)

Table M-1—*Continued*
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
All other fruits: 0804.10 Dates	United States	29.8%	1	1¢/kg-13.2¢/kg (2.8¢/kg)	3			A+, E, J, IL, NAFTA (Free)
	Canada	Free	1					
	EU-15	7.7%	1					ZA (2.9%); MX (6%); MED (sel.) (Free); GSP (sel.) (Free-5.3%)
	Japan	Free	1					
0804.20 Figs	United States			6.2¢/kg-8.8¢/kg (7.9¢/kg)	3			A+, E, J, IL, NAFTA (Free)
	Canada	Free	1					
	EU-15	5.6% or 8%	2					BG, SI, MED (sel.) (Free); GSP (sel.) (4.7%-6.8%)
	Japan	6%	1					JPREF (5%); JLDC (Free)
0811.10 Frozen strawberries	United States	11.2%	1					A, CA, E, IL, J (Free); MX (4.2%)
	Canada	12.5%	1			5.62C¢/kg bnlt 8.5%	1	US (pt.), CCC (pt.) (Free); AU (pt.), NZ (pt.) (3.5%); MX, CL (numerous)
	EU-15	14.4% or 20.8%	2			20.8% plus i 8.4/100kg/net	1	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	9.6% or 12%	2					

Table M-1—*Continued*
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
0811.20 Other frozen berries	United States	4.5% or 9%	2					A (ex. CL, pt.), E, IL, J, NAFTA (Free)
	Canada	6%	1					NAFTA, CCC (Free); NZ, AU, CL (3.5%)
	EU-15	14.4%-20.8% (14.4%)	3			20.8% plus i 8.4/100kg/net	1	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	6% or 9.6%	2					
0811.90 Other frozen fruit	United States	Free-14.5% (10.9%)	10	0.25¢/kg	1			A (ex. CR, pt.), A+, CA, E, IL, J (Free); MX (Free-5.2%)
	Canada	Free or 10.5%	2	9.37C¢/kg bnlt 12.5%	1			NAFTA, CCC, LDC (pt.), GSP (pt.) (Free); CL (numerous)
	EU-15					13%-20.8% plus i 5.3/100kg/net- i 8.4/100kg/net	2	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	6%-23.8% (12%)	11					JPREF (pt.) (12%); JLDC (pt.) (Free)
0813.10 Dried apricots	United States			1.8¢/kg	1			A (ex. TR), E, IL, J, NAFTA (Free)
	Canada	Free	1					
	EU-15	5.6%	1					EUPREF (sel.) (Free-4.3%); MED (sel.) (Free); GSP (sel.) (4.7%)
	Japan	9%	1					
0813.30 Dried apples	United States			0.74¢/kg	1			A (ex. AR), E, IL, J, NAFTA (Free)
	Canada	6%	1					NAFTA, CCC (Free)

Table M-1—*Continued*
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
	EU-15	3.2%	1					EUPREF (sel.), MED (sel.) (Free); GSP (sel.) (2.7%)
	Japan	9%	1					
0813.40 Other dried fruit	United States	1.8%-6.8% (2.5%)	3	1.4¢/kg-10.6¢/kg (3.5¢/kg)	4			A (pt.), A+, E, IL, J, NAFTA (Free)
	Canada	Free	1					
	EU-15	Free-6.4% (2.4%)	6					EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	7.5%-9% (9%)	5					JREF (pt.) (7.5%); JLDC (pt.) (Free)
0813.50 Mixtures of nuts or dried fruits	United States	14%	1					A+, E, IL, J, NAFTA (Free)
	Canada	Free	1					
	EU-15	4%-9.6% (6.4%)	3					EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	6% or 12%	2					
0814.00 Citrus or melon peel	United States	Free	1	1.6¢/kg	2			A (pt.), A+, E, IL, J, NAFTA (Free)
	Canada	Free	1					
	EU-15	1.6%	1					EUPREF (sel.), MED (sel.), GSP (sel.) (Free)
	Japan	1.5%	1					

Table M-1—*Continued*
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
2007.10 Homogenized preparations of fruits or nuts	United States	12%	1					A+, E, IL, J, NAFTA (Free)
	Canada	6.5%	1					NAFTA, CCC, IL, CL (Free)
	EU-15	15% or 24%	2			24% plus **i** 4.2/100kg/net		EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	21.3% or 34%	2					
2007.91 Citrus marmalades, pureés, and pastes	United States	3.5%-11.2% (4.5%)	3					A (pt.), A+, CA, E, IL, J (Free); MX (Free-5.2%)
	Canada	8.5%	1					NAFTA, CCC, IL, CL (Free); NZ, AU (6%)
	EU-15					20% plus **i** 4.2/100kg/net- **i** 23/100kg/net	2	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	12%-34% (21.3%)	4					
2007.99 Other fruit jams, marmalades, pureés, and pastes	United States	Free-14% (4%)	16					A (ex. BR, pt.), A+, CA, E, IL, J (Free); MX (Free-4.5%)
	Canada	Free-12.5% (8.5%)	3					US, CCC, IL, LDC (pt.), GSP (pt.) (Free); MX (Free-4.5%); NZ (pt.), AU (pt.) (6%)
	EU-15	22.4%	1			24% plus **i** 4.2/100kg/net- **i** 23/100kg/net	8	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	12%-34% (21.3%)	4					

Table M-1—*Continued*
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
2008.20 Other prepared or preserved pineapples	United States			0.35¢/kg	1			A+, E, IL, J, NAFTA (Free)
	Canada	Free	1					
	EU-15	17.6%-25.6% (19.2%)	8			25.6% plus i 2.5/100kg/net	2	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	Free-46.8% (25.5%)	4	¥33/kg	2			
2008.30 Other prepared or preserved citrus fruit	United States	Free-14% (14%)	6	0.28¢/kg-11.3¢/kg (1.4¢/kg)	10			A (ex. DR, pt.), A+ CA, E, IL, J (Free); MX (numerous)
	Canada	Free	1					
	EU-15	15.2%-25.6% (24%)	6			25.6% plus i 4.2/100kg/net	1	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	17%-29.8% (23.8%)	4					
2008.40 Other prepared or preserved pears	United States	15.3%	1					A+, E, IL, J, NAFTA (Free)
	Canada	6%-9.5% (9.5%)	3					NAFTA, CCC, IL (pt.) (Free); CL (Free-5.5%)
	EU-15	16%-25.6% (24%)	7			25.6% plus i 4.2/100kg/net	2	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	9%-21% (15%)	8					JPREF (pt.) (9%-12%); JLDC (pt.) (Free)

Table M-1—*Continued*
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
2008.50 Other prepared or preserved apricots	United States	10% or 29.8%	2					A (ex. AR, pt.), A+, E, IL, J, NAFTA (Free)
	Canada	6% or 9.5%	2					NAFTA, CCC (Free); CL (3% or 5.5%)
	EU-15	17.6%-25.6% (24%)	7			25.6% plus i 4.2/100kg/net	2	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	12%-15% (15%)	4					JPREF (pt.) (9.6%-12%); JLDC (pt.) (Free)
2008.60 Other prepared or preserved cherries	United States					6.9¢/kg plus 4.5%	1	A+, E, IL, J, NAFTA (Free)
	Canada	6% or 12.5%	2					NAFTA, CCC (Free); CL (3% or 6%)
	EU-15	17.6%-25.6% (24%)	5			25.6% plus i 4.2/100kg/net	1	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	12%-15% (15%)	4					JPREF (pt.) (12%); JLDC (pt.) (Free)
2008.80 Other prepared or preserved strawberries	United States	11.9%	1					A+, E, IL, J, NAFTA (Free)
	Canada	8.5%	1					NAFTA, CCC (Free); CL (4%)
	EU-15	17.6%-25.6% (20.8%)	7			25.6% plus i 4.2/100kg/net	1	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	11%-21% (15%)	4					

Table M-1—*Continued*
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
2008.91 Other prepared or preserved palm hearts	United States	0.9%	1					A, E, IL, J, NAFTA (Free)
	Canada	Free	1					
	EU-15	10%	1					EUPREF (sel.) (Free-9%); MED (Free); GSP (sel.) (Free-3.5%)
	Japan	15%	1					JLDC (Free)
2008.92 Other prepared or preserved mixtures of fruit or nuts	United States	5.6% or 14.9%	2					A+, CA, E, IL, J (Free); MX (Free-2.1%)
	Canada	Free or 6%	2					NAFTA, CCC, LDC (pt.), GSP (pt.) (Free)
	EU-15	15%-25.6% (16%)	5			16%-25.6% plus i 2.6/100kg/net-i 4.2/100kg/net	2	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	6%-29.8% (21.3%)	6					JPREF (pt.) (4.8%); JLDC (pt.) (Free)
2008.99 Other prepared or preserved fruits or nuts	United States	Free-22.4% (6%)	19	0.9¢/kg-10.6¢/kg (1.5¢/kg)	3			A (ex. CR, DR, pt.) A+, CA, E, IL, J (Free); MX (Numerous)
	Canada	Free-6% (4%)	4					NAFTA, CCC, IL (pt.), LDC (pt.), GSP (pt.) (Free); CL (Free-6%)
	EU-15	10%-25.6% (16%)	6			16%-25.6% plus i 2.6/100kg/net-i 4.2/100kg/net	4	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	7.7%-29.8% (12%)	17					JPREF (pt.) (3.6%-16.8%); JLDC (pt.) (Free)

Table M-1—*Continued*
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
Frozen potato products: 0710.10 Frozen potatoes	United States	14%	1					A+, E, IL, J, NAFTA (Free)
	Canada	6%	1					NAFTA, CCC, LDC, CL (Free); GSP (5%)
	EU-15	14.4%	1					MED (sel.) (Free); GSP (sel.) (Free-12.2%)
	Japan	8.5%	1					
2004.10 Frozen potato products	United States	6.4% or 8%	2					A (ex. CO, pt.), A+, E, IL, J, NAFTA (Free)
	Canada	6%	1					NAFTA, CCC, CL (Free)
	EU-15	14.4% or 17.6%	2			7.6% plus EA	1	EUPREF (sel.), GSP (sel.), MED (sel.) (numerous)
	Japan	8.5%-13.6% (9%)	3					
Dried vegetables: 0712.20 Dried onions	United States	21.3% or 29.8%	2					CA, E, IL, J (Free); MX (13.3%-18.6%)
	Canada	6%	1					NAFTA, CCC, LDC, IL (Free); CL (2%); GSP (5%)
	EU-15	([2])						
	Japan	9%	1					
0712.90 Other dried vegetables	United States	Free-29.8%[3] (3.8%)	8	2.3¢/kg-5.5¢/kg	3			A (ex. TR, PE), pt., A+ (pt.), CA, E, IL, J (Free); MX (Free-18.6%)
	Canada	Free-6% (6%)	3					NAFTA, CCC, LDC (pt.), IL, GSP (pt.) (Free); CL (Free-6%)

Table M-1—*Continued*
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
	EU-15	Free-12.8% (12.8%)	5	i 9.4/100kg/net	1			EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	Free-12.8% (9%)	4	¥9/kg	1			
0713.10 Dried peas	United States	Free	1	0.4¢/kg or 1.5¢/kg	2			A, E, IL, J, NAFTA (Free)
	Canada	Free or 5.5%	2					NAFTA, CCC, LDC, IL, GSP, CL (Free)
	EU-15	Free	2					
	Japan	Free-6%[2]	2	([2])				
0713.20 Dried chickpeas	United States			1.4¢/kg-1.5¢/kg	2			A, E, IL, J, NAFTA (Free)
	Canada	Free	1					
	EU-15	Free	1					
	Japan	Free or 8.5%	2					
0713.31 Dried Vigna beans	United States	Free	1	0.3¢/kg-0.8¢/kg	2			A, E, IL, J, NAFTA (Free)
	Canada	Free or 2%	2					NAFTA, CCC, LDC, GSP, CL, NZ (pt.), AU (pt.) (Free)
	EU-15	Free	1					
	Japan	Free	1					
0713.32 Dried adzuki beans	United States			1.2¢/kg-1.5¢/kg	2			A, E, IL, J, NAFTA (Free)
	Canada	2%	1					NAFTA, CCC, LDC, GSP, CL (Free)

Table M-1—*Continued*
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
	EU-15	Free	1					
	Japan	([2])	1	([2])				
0713.33 Dried kidney beans	United States			1¢/kg-1.5¢/kg (1.5¢/kg)	3			A, E, IL, J, NAFTA (Free)
	Canada	Free-2% (Free)	3					NAFTA, CL, CCC, LDC, GSP, IL, NZ (pt.), AU (pt.) (Free)
	EU-15	Free	2					
	Japan	Free-6%[2]	2	([2])				
0713.39 Other dried beans	United States	Free	1	0.8¢/kg-1.5¢/kg	3			A, E, IL, J, NAFTA (Free)
	Canada	Free or 2%	2					NAFTA, CL, CCC, LDC, GSP, IL (pt.), NZ (pt.), AU (pt.) (Free)
	EU-15	Free	1					
	Japan	Free-6%[2]	2	([2])				
0713.40 Dried lentils	United States			0.15¢/kg-1.5¢/kg	2			A, E, IL, J, NAFTA (Free)
	Canada	Free	1					
	EU-15	Free	1					
	Japan	Free or 8.5%	2					
0713.50 Dried broad beans	United States			1.2¢/kg-1.5¢/kg	2			A, E, IL, J, NAFTA (Free)
	Canada	Free or 2%	2					NAFTA, CL, CCC, LDC, GSP (Free)

Table M-1—*Continued*
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
	EU-15	3.2%	1					
	Japan	Free or 6%[2]	2	([2])				
0713.90 Other dried vegetables	United States	Free	1	0.8¢/kg-1.5¢/kg	3			A (ex. IN, PE, pt.), E, IL, J, NAFTA (Free)
	Canada	Free	2					
	EU-15	3.2%	2					EUPREF (sel.) (Free-1.6%); MED (sel.) (Free); GSP (sel.) (Free-2.2%)
	Japan	Free or 6%[2]	2	([2])				
Processed tomato products: 2002.10 Whole tomatoes and pieces	United States[4]	12.5%	1					A+, CA, E, IL, J (Free); MX (4.4%)
	Canada	11.5%	1					NAFTA, CCC (Free)
	EU-15	14.4%	2					MED (sel.), GSPE, GSPL (Free)
	Japan	9%	1					JPREF (7.6%); JLDC (Free)
2002.90 Tomato paste and puree	United States	11.6%	2					A (ex. TR, pt.), A+, CA, E, IL, J (Free); MX (3.4%)
	Canada	11.5%	1					US, CCC (Free); MX, CL (4%)
	EU-15	14.4%	6					MED (sel.), GSPE, GSPL (Free)
	Japan	Free-16% (13.4%)	6					JPREF (pt.) (7.6%-13.4%); JLDC (pt.) (Free)

Table M-1—*Continued*
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
2009.50 Tomato juice	United States			0.14¢/ℓ	1			A, E, IL, J, NAFTA (Free)
	Canada	12.5%	1					US, CCC (Free); MX (4.5%); CL (6%)
	EU-15	16% or 16.8%	2					MED (sel.) (Free-6.4%); GSPE, GSPL (Free)
	Japan	21.3% or 29.8%	2					
2103.20 Tomato ketchup and sauces	United States	6% or 11.6%	2					A (pt.), A+, CA, E, IL, J (Free); MX (Free-4%)
	Canada	12.5%	2					US, CCC (Free); MX (4.5%); CL (6%)
	EU-15	10.2%	1					EUPREF (sel.) (Free-10%); MED (Free); GSP (sel.) (Free-7.1%)
	Japan	17% or 21.3%	2					
All other vegetables: 0704.10 Fresh cauliflower	United States	2.5%-14% (10%)	3					A, CA, E, IL, J (Free); MX (Free-3.7%)[5]
	Canada	Free	1			1.88C¢/kg bnlt 4% plus 4% OR 1.88C¢/kg bnlt 4%	2	NAFTA, CCC, LDC (pt.), GSP (pt.), CL (Free)
	EU-15					([6])	4	
	Japan	3%	1					
0706.10 Fresh carrots and turnips	United States	Free or 14.9%	2	0.7¢/kg or 1.4¢/kg	2			A (pt.), A+, E, IL, J, NAFTA (Free)
	Canada	Free	3	0.94C¢/kg	1	0.94C¢/kg plus 4% OR 1.88C¢/kg bnlt 4% plus 4% OR 1.88C¢/kg bnlt 4%	3	US, CCC, LDC (pt.), GSP (pt.), CL (Free); MX (Free-0.6¢/kg)
	EU-15	([2])	1					
	Japan	3%	1					

Table M-1—*Continued*
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
0709.40 Fresh celery	United States	14.9%	1	0.25¢/kg-1.9¢/kg	2			A (pt.), CA, E, IL, J (Free); MX (Free-3.7%)[7]
	Canada	Free	1			3.75C¢/kg bnlt 12.5% OR 3.75C¢/kg bnlt 12.5% plus 4%	2	NAFTA, CCC, LDC, CL (Free); GSP (Free-10%)
	EU-15	12.8%	1					EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	3%	1					
0710.21 Frozen peas	United States			1¢/kg-2¢/kg	2			A, E, IL, J, NAFTA (Free)
	Canada	9.5%	1					NAFTA, CCC, CL (Free)
	EU-15	14.4%	1					PL, MED (sel.) (Free); GSP (Free-12.2%)
	Japan	8.5%	1					
0710.22 Frozen beans	United States	Free or 11.2%	2	2.3¢/kg-4.9¢/kg (4.9¢/kg)	4			A (pt.), A+, E, NAFTA, IL, J (Free)
	Canada	9.5%	1					NAFTA, CCC, LDC, CL (Free); GSP (6%)
	EU-15	14.4%	1					PL, MED (sel.) (Free); GSP (Free-12.2%)
	Japan	8.5%	1					
0710.40 Frozen corn	United States	14%	1					A+, E, IL, J, NAFTA (Free)
	Canada	9.5%	1					NAFTA, CCC, CL (Free)
	EU-15					5.1% plus i 9.4/100kg/net		EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	10.6%	1					

Table M-1—*Continued*
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
0710.80 Other frozen vegetables	United States	Free-14.9% (12.5%)	7	2.1¢/kg-2.9¢/kg (2.1¢/kg)	3	5.7¢/kg plus 8%	1	A (pt.), A+ (pt.), CA, E, IL, J (Free); MX (numerous)[8]
	Canada	Free-19% (12.5%)	6					US, CCC, LDC (pt.) (Free); MX (Free-6.5%); GSP (pt.) (Free-10%)
	EU-15	6.3%-15.2% (14.4%)	9					EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	6% or 12%	2					
0710.90 Frozen mixed vegetables	United States	7.9% or 14%	2					A (pt.), A+, E, IL, J, NAFTA (Free)
	Canada	12.5%	1					US, CCC, LDC, CL (Free); MX (4.5%); GSP (10%)
	EU-15	14.4%	1					PL, MED (sel.) (Free); GSP (sel.) (Free-12.2%)
	Japan	6% or 10.6%	2					
0714.20 Sweet potatoes	United States	4.5% or 6%	2					A (ex. DR), E, IL, J, NAFTA (Free)
	Canada	Free	1					
	EU-15	3.8%	1	([2])				
	Japan	12% or 12.8%	2					
2001.10 Canned marinated cucumber	United States	9.6%	1					A, E, IL, J, NAFTA (Free)
	Canada	8%	1					NAFTA, CCC, IL, CL (Free)
	EU-15	17.6%	1					EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)

Table M-1—*Continued*
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
	Japan	12% or 15%	2					
2001.90 Other canned marinated vegetables	United States	5.8%-14% (8.1%)	8	1.5¢/kg-7¢/kg (4.9¢/kg)	3			A (pt.), A+, CA, E, IL, J (Free); MX (Free-5.2%)
	Canada	Free	1					
	EU-15	Free-16%	12					EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	6%-16.8% (10.5%)	9					JPREF (pt.) (3%-12%); JLDC (pt.) (Free)
2004.90 Frozen processed vegetables	United States	3.2% or 11.2%	2	2.1¢/kg on entire contents of container	1			A (pt.), A+, CA, E, IL, J (Free); MX (Free-5.2%)
	Canada	Free-17% (14%)	5					US, CCC, LDC (pt.), GSP (pt.) (Free); MX (Free-6.5%); CL (Free-8%)
	EU-15	14.4%-19.2%	4			5.1% plus i 9.4/100kg/net	1	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	7.5%-23.8% (13.6%)	7					JPREF (pt.) (9%); JLDC (pt.) (Free)
2005.10 Homogenized vegetables	United States	11.2%	1					A (ex. TR), E, IL, J, NAFTA (Free)
	Canada	8%	1					NAFTA, CCC, CL (Free)
	EU-15	17.6%	1					PL, MED (sel.) (Free); GSP (sel.) (Free-14.9%)
	Japan	12% or 16.8%	2					JPREF (pt.) (9.6%); JLDC (Free)

Table M-1—*Continued*
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
2005.20 Potato chips	United States	6.4%	1					A, E, IL, J, NAFTA (Free)
	Canada	6%	1					NAFTA, CCC, CL (Free)
	EU-15	14.1%	2			8.8% plus EA	1	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	9%-13.6% (12%)	3					JPREF (pt.) (9.6%); JLDC (pt.) (Free)
2005.40 Canned peas	United States	Free	1					
	Canada	8%	1					NAFTA, CCC, CL (Free)
	EU-15	19.2%	1					PL, MED (sel.) (Free); GSP (sel.) (Free-16.3%)
	Japan	9%-23.8% (13.6%)	6					JPREF (pt.) (9.6%-13.4%); JLDC (pt.) (Free)
2005.51 Canned shelled beans	United States			1.5¢/kg-2.1¢/kg on entire contents of container	2			A (pt.), A+, E, IL, J, NAFTA (Free)
	Canada	Free or 8%	2					NAFTA, CCC, LDC (pt.), GSP (pt.), IL (pt.), CL (Free)
	EU-15	17.6%	1					PL, MED (sel.) (Free); GSP (sel.) (Free-14.9%)
	Japan	14%-23.8% (17%)	3					

Table M-1—*Continued*
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
2005.59 Other canned beans	United States			1.5¢/kg on entire contents of container	1			A, E, IL, J, NAFTA (Free)
	Canada	8%	1					NAFTA, CCC, CL (Free)
	EU-15	19.2%	1					PL, MED (sel.) (Free); GSP (sel.) (Free-16.3%)
	Japan	9%-13.4% (12%)	3					JPREF (pt.) (9.6%-13.4%); JLDC (pt.) (Free)
2005.60 Canned asparagus	United States	14.9%	1					A+, CA, E, IL, J (Free); MX (5.2%)
	Canada	14%	1					US, CCC (Free); MX (6.5%); CL (8%)
	EU-15	17.6%	1					PL, MED (sel.) (Free); GSP (sel.) (Free-14.9%)
	Japan	12% or 16%	2					
2005.70 Canned olives	United States			3.7¢/kg-10.1¢/kg on drained weight	16			A (pt.), A+ (pt.), CA, E (pt.), IL, J (pt.) (Free); MX (1.1¢/kg-3.5¢/kg on drained weight)
	Canada	Free or 8%	2					NAFTA, CCC, LDC, CL (Free); GSP (Free-5%); IL (pt.) (5%)
	EU-15	12.8%	2					EUPREF (sel.) (Free-5.3%); MED (sel.) (Free); GSP (sel.) (Free-8.9%)
	Japan	5.4% or 9%	2					JLDC (pt.) (Free)

Table M-1—*Continued*
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
2005.80 Canned corn	United States	5.6%	1					A, E, IL, J, NAFTA (Free)
	Canada	10.5%	1					NAFTA, CCC, CL (Free)
	EU-15					5.1% plus i 9.4/100kg/net	1	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	10% or 14.9%	2					
2005.90 Miscellaneous canned vegetables	United States	Free-14.9% (4.8%)	8	0.8¢/kg on entire contents of container	1			A (pt.), A+, CA, E, IL, J (Free); MX (Free-5.2%)
	Canada	Free-14.5 (8%)	4					NAFTA, CCC, IL (pt.), GSP (pt.) (Free)
	EU-15	6.4%-17.6% (17.6%)	7					EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	9%-23.8% (13.4%)	11					JPREF (pt.) (8%-13.4%); JLDC (pt.) (Free)
Fruit juices: 2009.11 Frozen orange juice	United States			7.85¢/ℓ	1			CA, E, IL, J (Free); MX (4.625¢/ℓ or 7.862¢/ℓ)
	Canada	Free	2					
	EU-15	33.6%[2]	1			15.2%-33.6% plus i 20.6/100kg/net	2	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	21.3%-25.5% (25.5%)	3			Greater of 29.8% or ¥23/kg	1	
2009.19 Other orange juice	United States			4.5¢/ℓ or 7.85¢/ℓ	2			CA, E, IL, J (Free); MX (2.65¢/ℓ or 4.9¢/ℓ)
	Canada	Free	2					

Table M-1—*Continued*
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
	EU-15	12.2% or 33.6%	2			15.2%-33.6% plus i 20.6/100kg/net	2	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	21.3%-25.5% (25.5%)	3			Greater of 29.8% or ¥23/kg	1	
2009.20 Grapefruit juice	United States			4.5¢/ℓ or 7.9¢/ℓ	2			CA, E, IL, J (Free); MX (1.5¢/ℓ or 2.7¢/ℓ)
	Canada	Free	1					
	EU-15	12% or 33.6%	2			12%-33.6% plus i 20.6/100kg/net	2	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	19.1%-25.5% (23%)	3			Greater of 29.8% or ¥23/kg	1	
2009.30 Lemon, lime and any other single citrus juice	United States			1.8¢/kg OR 1.7¢/ℓ-7.9¢/ℓ	4			A (pt.), CA, E, IL, J (Free); MX (Free-2.7¢/ℓ)
	Canada	Free	1					
	EU-15	14.4%-33.6%	7			14.4%-33.6% plus i 20.6/100kg/net	3	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	6%-25.5% (19.1%)	5			Greater of 29.8% or ¥23/kg	1	
2009.40 Pine-apple juice	United States			1¢/ℓ or 4.2¢/ℓ	2			A+, CA, E, IL, J (Free); MX (Free-1.5¢/ℓ)
	Canada	Free	1					
	EU-15	15.2% or 33.6% (16%)	4			15.2%-33.6% plus i 20.6/100kg/net	2	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	19.1%-25.5% (23%)	3			Greater of 29.8% or ¥23/kg	1	

Table M-1—*Continued*
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
2009.60 Grape juice	United States			4.4¢/ℓ	1			A+, CA, E, IL, J (Free); MX (1.9¢/ℓ)
	Canada	Free or 9.5%	2					NAFTA, CCC, LDC (pt.), GSP (pt.) (Free); CL (Free-5.5%)
	EU-15	([2])				22.4% plus i 0.8-i 131/hℓ plus i 0.0-i 20.6/100kg/net[2, 9]	16	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	19.1%-25.5% (23%)	3			Greater of 29.8% or ¥23/kg	1	
2009.70 Apple juice	United States	Free	1					
	Canada	4%	1			9.35C¢/ℓ bnlt 8.5%	1	NAFTA, CCC (Free); CL (2%-4%)
	EU-15	18%-30% (18%)	4			18%-30% plus i 18.4/100kg/net-i 19.3/100kg/net	2	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	19.1%-29.8% (23%)	3			Greater of 34% or ¥23/kg	1	
2009.80 Juice of any other single fruit or vegetable juice	United States	Free	1	0.2¢/ℓ-0.64¢/ℓ (0.5¢/ℓ)	3			A (pt.), A+, E, IL, J, NAFTA (Free)
	Canada	Free-9.5% (Free)	3					NAFTA, CCC, LDC (pt.), GSP (pt.), IL (pt.), CL (Free)
	EU-15	10.5% or 33.6% (17.6%)	15			10.5%-33.6% plus i 12.9/100kg/net-i 20.6/100kg/net	8	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	7.2%-25.5% (14.4%)	7			Greater of 29.8% or ¥23/kg	1	

Table M-1—*Continued*
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
2009.90 Mixtures of juices of fruit or vegetable	United States			0.2¢/ℓ or 7.4¢/ℓ	2			A (pt.), A+, CA, E, IL, J (Free); MX (Free-2.7¢/ℓ)
	Canada	Free-9.5% (6%)	4					NAFTA, CCC, CL, LDC (pt.), GSP (pt.), IL (pt.) (Free)
	EU-15	10.5%-33.6% (16.8%)	13			10.5%-33.6% plus i 12.9/100kg/net- i 20.6/100kg/net	6	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	5.4%-25.5% (19.1%)	5			Greater of 29.8% or ¥23/kg	1	
2201.10 Mineral waters and aerated waters	United States			0.26¢/ℓ	2			A, E, IL, J, NAFTA (Free)
	Canada	Free	1					
	EU-15	Free	4					
	Japan	3%	1					JPREF, JLDC (Free)
Other products: 2201.90 Bulk water	United States	Free	1					
	Canada	6.5%	1					NAFTA, CCC, LDC, CL (Free); GSP (3%)
	EU-15	Free	1					
	Japan	Free	1					
2202.10 Mineral waters and aerated waters, containing added sugar or other sweetening matter, includes carbonated beverages	United States			0.2¢/ℓ	1			A, E, IL, J, NAFTA (Free)
	Canada	11%	1					NAFTA, CCC, LDC, CL (Free); NZ, AU (8.5%); GSP (6%)
	EU-15	9.6%	1					EUPREF (Free-9.1%); MED (Free); GSP (sel.) (Free-6.7%)

Table M-1—*Continued*
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
	Japan	9.6% or 13.4%	2					
2202.90 Other nonalcoholic beverages, including fruit drinks, dairy-based drinks, and nonalcoholic beer	United States[10]	17%[11]	1	0.2¢/ℓ-7.85¢/ℓ (4.5¢/ℓ)	5	([11])		A+ (pt.), CA, E, IL, J (Free); MX (numerous)
	Canada	11%[11]	5	3.3¢/ℓ	2	([11])		NAFTA, CCC, CL, LDC (pt.) (Free); GSP (pt.) (Free-11%)
	EU-15	9.6%	1			5.5%-6.4% plus i 12.1/100kg/net- i 21.2/100kg/net	3	EUPREF (sel.), MED (sel.), GSP (sel.) (numerous)
	Japan	9.6% or 13.4%	2					

[1] Selected preferential tariffs in table M-1 do not include preferential rates for products subject to a TRQ.
[2] Certain items in this subheading are subject to TRQs and are included in table M-3.
[3] Dried carrots, whole, cut, sliced, broken or in powder, but not further prepared (provided for in subheading 0712.90.10), if the product is from Austria, Belgium, Finland, France, the Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, or Sweden, have a tariff of 100 percent.
[4] Products of France, the Federal Republic of Germany, or Italy are dutiable at a rate of 100 percent.
[5] Fresh or chilled cauliflower and headed broccoli, if entered other than during the period from June 5 to Oct.15, inclusive, in any year, not reduced in size (provided for in subheading 0704.10.40), and if the product is from Mexico, are dutiable at the rate of 3.7 percent during the period, Jan. 1 to June 4, and free of duty if entered anytime during the period from Oct.16 to Dec. 31.
[6] Jan. 1-Apr. 14, the tariff is 10% min i 1.2/100kg/net; Apr. 15-June 30, the tariff is 14.2% min i 1.7/100kg/net; July 1-Nov. 30, the tariff is 13.6% min i 1.6/100kg/net; and Dec. 1-Dec. 31, the tariff is 9.6% min i 1.1/100kg/net.
[7] Fresh or chilled celery other than celeriac, not reduced in size, if imported and entered anytime other than during the time period Apr.15 to July 31, inclusive (provided for in subheading 0709.40.60), and if a product of Mexico, is dutiable at the rate of 0.6 cents per kilogram during the period Jan. 1 to Apr. 14, or during the month of Dec., and free of duty during the period Aug. 1 to Nov. 30.
[8] Frozen asparagus, broccoli, and cauliflower, uncooked or cooked by steaming or boiling in water, reduced in size (provided for in subheading 0710.80.97), and if the product is from Mexico, are dutiable at the rate of 4.5 percent. Other miscellaneous frozen vegetables from Mexico, uncooked or cooked by steaming or boiling in water, reduced in size (provided for in subheading 0710.80.97) enter duty-free.
[9] Includes tariffs applied during Sept. 1-Dec. 31, 2000; tariff rates for Jan. 1-Aug. 31, 2000 are slightly higher.
[10] For fortified juices of any single fruit or vegetable, the applicable tariff is the one on the natural juice product found in HS 2009.
[11] Additional items in this subheading are subject to TRQs on dairy products and are included in table F-3.

Table M-1
Fruits and vegetables: Tariff rates for the United States and other major developed markets, 2000

Sources: Tariffs for the United States were obtained from USITC, *Harmonized Tariff Schedule of the United States (2000)*, USITC Publication 3249 (rev. 3) (Washington, DC: U.S. Government Printing Office, 2000). Tariffs for Canada were obtained from Canada Customs and Revenue Agency, *Customs Tariff: Departmental Consolidation 2000*. Tariffs for the EU were obtained from *Official Journal of the European Communities, L 278, Vol. 42,* Oct. 28, 1999 and the integrated tariff of the European Communities (TARIC), found at Internet address *http://www.taric.com/scripts/eNetTaric.dll/home?c=*. Tariffs for Japan were obtained from Japan Tariff Association, *Customs Tariff Schedules of Japan 2000*.

Table M-2
Fruits and vegetables: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
0806.20 Raisins	India	100%	115%	
	China[2]	10%	34%	
	Taiwan	([3])	NT$3/kg	
	Mexico	27%	23%	
	Australia	10%	5%	
	Korea	21%	30%	
0813.20 Dried plums	Korea	18%	22.8%	
	India	55%	25%	
	Australia	5%	5%	
	New Zealand	Free	Free	
	Mexico	27%-45%	23%	
	Malaysia	5% plus RM 661.40/t	10%	
	Taiwan	([3])	12%	
2008.70 Canned peaches	Korea	45% or 54%	47% or 50%	
	India	150%	35%	
	Mexico	45%	23%	
	Taiwan	([3])	20%	
	Thailand	30% or 25 Baht/kg	30% or 25 Baht/kg	
	Israel	56%-85%	12.8%-13.4%	
	Costa Rica	45%	14%	
All other fruits: 0804.10 Dates	China[2]	15%	19%	
	India	100%	35%	
	Australia	Free	Free	
	Switzerland	SFr 4/100kg	SFr 4/100kg	
0804.20 Figs	China[2]	30%	30%	
	India	100%	35%	
0811.10 Frozen strawberries	China[2]	30%	30%	
	Korea	72%	30%	

Table M-2—*Continued*
Fruits and vegetables: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
0811.20 Other frozen berries	China[2]	30%	30%	
	Korea	72%	30%	
0811.90 Other frozen fruit	China[2]	30%	30% or 34%	
	Korea	72%	30%	
	Mexico	45%	20% plus $0.39586/kg	
	Argentina	35%	13%	
	Israel	70%-94%	NIS 1,000/t-NIS 2,000/t	
0813.10 Dried apricots	China[2]	25%	29%	
	India	150%	35%	
	Mexico	45%	23%	NAFTA (Free)
0813.30 Dried apples	China[2]	25%	29%	
	India	150%	35%	
	Mexico	27%	23%	NAFTA (6%); EU (20%)
0813.40 Other dried fruit	China[2]	25%-30%	29%-30%	
	Mexico	36%	23%	
0813.50 Mixtures of nuts or dried fruits	China[2]	18%	18%	
	India	150%	35%	
	Singapore	Free	Free	
	Mexico	36%	23%	
0814.00 Citrus or melon peal	China[2]	25%	33%	
	India	100%	35%	
2007.10 Homogenized preparations of fruits or nuts	Israel	52.5%	4%	
	Mexico	45%	20% plus $0.39586/kg	
2007.91 Citrus marmalades, pureés, and pastes	China[2]	30%	30%	
	Korea	31.5%-45%	30%	
	Mexico	45%	20% plus $0.39586/kg	

Table M-2—*Continued*
Fruits and vegetables: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
2007.99 Other fruit jams, marmalades, pureés, and pastes	China[2]	10%	26%	
	Mexico	25%-45%	23% OR 20% plus $0.39586/kg	
	Korea	45%	30%	
	Taiwan	([3])	33%-38%	
	Malaysia	RM 1.32/t or 10%	Free	
	Thailand	30% or 25 Baht/kg	30% or 25 Baht/kg	
	Guatemala	40%	Free-15%	
2008.20 Other prepared or preserved pineapples	China[2]	30%	30%	
	Philippines	40%	15%	
	Mexico	45%	23%	
2008.30 Other prepared or preserved citrus fruit	China[2]	30%	30%	
	Philippines	40%	10%	
	Taiwan	([3])	38%	
2008.40 Other prepared or preserved pears	China[2]	30%	30%	
	India	150%	35%	
	Thailand	30% or 25 Baht/kg	30% or 25 Baht/kg	
2008.50 Other prepared or preserved apricots	China[2]	30%	30%	
	India	150%	35%	
2008.60 Other prepared or preserved cherries	China[2]	30%	30%	
	Korea	45%	50%	
	India	150%	35%	
	Taiwan	([3])	15%	
	Mexico	45%	23%	
	Malaysia	20% OR RM 661.38/t-RM 744/t OR 5% plus RM 0.66/t	Free-20%	
2008.80 Other prepared or preserved strawberries	Korea	45%	47%	
	Taiwan	([3])	39%	
	China[2]	30%	30%	

Table M-2—*Continued*
Fruits and vegetables: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
2008.91 Other prepared or preserved palm hearts	China[2]	25%	25%	
	India	150%	35%	
2008.92 Other prepared or preserved mixtures of fruit or nuts	China[2]	20%	24%	
	Australia	8%	Free	
	Mexico	45%	23%	
	Korea	45%-54%	47%-50%	
2008.99 Other prepared or preserved fruits or nuts	China[2]	20%-30%	28%-30%	
	Taiwan	([3])	10%-38%	
	Korea	45%	50%	
Frozen potato products: 0710.10 Frozen potatoes	Malaysia	5%	Free	
	Taiwan	([3])	28%	
	China[2]	13%	13%	
	Korea	27%	28.2%	
	Thailand	30%	60%	
	Mexico	36%	18%	NAFTA (4.5%)
2004.10 Frozen potato products	Philippines	35%	7%	
	Malaysia	10%-20% OR 5% plus RM 14.96/t	Free-20%	
	Taiwan	([3])	17%-25%	
	Mexico	37%	23%	NAFTA (6%)
	China[2]	13%	22.6%	
	Korea	18%	22.8%	
	Thailand	30% or 25 Baht/kg	30% or 25 Baht/kg	

Table M-2—*Continued*
Fruits and vegetables: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
Dried vegetables: 0712.20 Dried onions	Indonesia	40%	5%	
0713.10 Dried peas	Russia	([3])	15%	
	India	100%	50%	
0713.20 Dried chickpeas	India	100%	35%	
	Saudi Arabia	([3])	12%	
0713.31 Dried Vigna beans	Mexico	36%	13%	
0713.32 Dried adzuki beans	Australia	1%	Free	
	Indonesia	40%	5%	
	Colombia	178%	5%-15%	
0713.33 Dried kidney beans	Mexico	36% or $360/t bnlt 125.1%	3% or 128%	
	Russia	([3])	15%	
	South Africa	24%	10%	
	Colombia	178%	5%-15%	
0713.39 Other dried beans	Mexico	36%	13%	
	Dominican Republic	40%	25%	
0713.40 Dried lentils	Mexico	36%	13%	
	Russia	([3])	15%	
	India	100%	35%	
	Peru	30%	20%	
0713.50 Dried broad beans	Dominican Republic	40%	25%	
0713.90 Other dried vegetables	Mexico	36%	13%	
	Costa Rica	45%	14%	

Table M-2—*Continued*
Fruits and vegetables: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
Processed tomato products: 2002.10 Canned tomatoes	Korea	45%	8%	
	Philippines	40%	10%	
2002.90 Tomato paste and puree	Korea	31.5%-45%	5%-8%	
	Philippines	30%-40%	10%-15%	
	Australia	11%	5%	
2009.50 Tomato juice	Korea	54%	30%	
	Singapore	10%	Free	
2103.20 Tomato ketchup and sauces	Israel	125%	12%	EU, US (Free)
	Korea	54%	8%	
	Guatemala	40%	15%	
	Brazil	35%	19%-21%	
	Mexico	37%	23%	NAFTA (Free or 4%)
	Argentina	35%	19%-21%	
	Taiwan	([3])	17.5%	
	China[2]	15%	27%	
All other vegetables: 0704.10 Fresh cauliflower	Mexico	36%	13%	
	Taiwan	([3])	36%	
	Korea	27%	28.2%	
0706.10 Fresh carrots	Mexico	36%	13%	
	Brazil	35%	13%	
	Taiwan	([3])	38%	
	United Arab Emirates	([4])	4%	
0709.40 Fresh celery	Mexico	36%	13%	
	Taiwan	([3])	24%	
	Singapore	10%	Free	
	Malaysia	9% plus RM 15.38/t	Free	

Table M-2—*Continued*
Fruits and vegetables: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
0710.21 Frozen peas	Mexico	36%	18%	
	India	150%	35%	
	China[2]	13%	13%	
0710.22 Frozen beans	Australia	Free	Free	
	Mexico	36%	18%	
0710.40 Frozen corn	Saudi Arabia	([3])	12%	
	China[2]	10%	12.4%	
	Australia	8%	5%	
	Mexico	36%	18%	
	Korea	54%	30%	
0710.80 Frozen asparagus	Mexico	36%	18% or 23%	
	Philippines	40%	10%	
	Argentina	35%	13%	
0710.90 Frozen mixed vegetables	Australia	10%	5%	
	Singapore	Free	Free	
	Costa Rica	45%	14%	
0714.20 Sweet potatoes	Dominican Republic	40%	25%	
	Mexico	36%	13% or 23%	
2001.10 Canned marinated cucumbers	Korea	36%	30%	
	Brazil	35%	17%	
	Mexico	37%	23%	
2001.90 Other canned marinated vegetables	Mexico	37%	23%	
	Korea	30%-54%	30%	
2004.90 Frozen processed vegetables	China[2]	25%	25%	
	Korea	31.5%-54%	30%	
	Taiwan	([3])	40%	

Table M-2—*Continued*
Fruits and vegetables: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
2005.10 Homogenized vegetables	Australia	5%	5%	CA (2%)
	Philippines	40%	7%	
	Russia	([3])	5%-20%	
2005.20 Potato chips	Taiwan	([3])	18%	
	China[2]	15%	23%	
	Korea	31.5%-54%	20%	
	Brazil	35%	17%	
	Malaysia	10%-20% OR 5% plus RM 14.96/t	Free-20%	
	Saudi Arabia	([3])	12%	
	South Africa	37%	20%	
2005.40 Canned peas	Israel	88%	12%-13.7% OR 18.8% plus NIS 0.95/kg	
	Venezuela	40%	20%	
2005.51 Canned beans	Mexico	37%	23%	
2005.59 Other canned beans	Australia	8%	5%	
	Mexico	37%	23%	
	Venezuela	40%	20%	
2005.60 Canned asparagus	Australia	5%	5%	CA (2%)
	Iceland	38%	Free	
	Costa Rica	40%	14%	
2005.70 Canned olives	Mexico	37%	23%	
2005.80 Canned corn	China[2]	10%	22%	
	Korea	15%	19%	
	Mexico	37%	23%	

Table M-2—*Continued*
Fruits and vegetables: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
2005.90 Miscellaneous canned vegetables	Mexico	37%	23%	
	Costa Rica	40%	14%	
Fruit juices: 2009.11 Frozen orange juice	Israel	120%	13.4% OR 13.4%-19.7% plus NIS 0.33/kg-NIS 1.63/kg	
	Taiwan	([3])	40%	
	Mexico	37%	23%	
2009.19 Other orange juice	Mexico	37%	23%	NAFTA ($0.0282/ℓ-$0.0493/ℓ)
	Costa Rica	50%	Free-14%	
	Saudi Arabia	([3])	12%	
2009.20 Grapefruit juice	Mexico	37%	23%	NAFTA (6%)
	Israel	120%	13.4% OR 13.4%-19.7% plus NIS 0.33/kg-NIS 5.30/kg	
	China[2]	15%	31%	
2009.30 Lemon, lime, and any other single citrus juice	China[2]	20%	32%	
	Guatemala	40%	15%	
	Colombia	137%	20%	
	Mexico	37%	23%	
2009.40 Pineapple juice	Korea	54%	50%	
2009.60 Grape juice	Korea	45%	47%	
	Taiwan	([3])	40%	
2009.70 Apple juice	Mexico	37%	23%	NAFTA (6%)
	Korea	45%	47%	
	Taiwan	([3])	40%	

Table M-2—*Continued*
Fruits and vegetables: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
2009.80 Juice of any other single fruit or vegetable juice	Korea	54%	30%-50%	
	Mexico	37%	23%	
	Australia	8%	5%	
	Taiwan	([3])	7.5%-40%	
2009.90 Mixtures of juices of fruit or vegetable	Mexico	37%	23%	
	Jamaica	80%-100%	10%-40%	
	Taiwan	([3])	7.5%-35%	
	Korea	54%	30%-50%	
Other products: 2201.10 Mineral waters and aerated waters	Korea	13.1%	8%	
	Mexico	37%	30%	
2201.90 Bulk water	Mexico	37%	13% or 30%	NAFTA (3% or 6%)
	Taiwan	([3])	Free	
2202.10 Mineral waters and aerated waters, containing added sugar or other sweetening matter, including carbonated beverages	Mexico	37%	20% plus $0.39586/ℓ	NAFTA (6%)
	Korea	26.2%	8%	
	South Africa	Free	R 0.033/ℓ-R 0.0436/ℓ	EU (R 0.025/ℓ-R 0.03/ℓ)
	Philippines	40%	10%	
	China[2]	20%	56%	
2202.90 Other nonalcoholic beverages, including fruit drinks, dairy-based drinks, and nonalcoholic beer	Mexico	$0.108/kg bnlt 47%	20%-30%	NAFTA (6%)
	Korea	9%-26.2%	8%	
	Costa Rica	45%	9%-14%	

Table M-2—*Continued*
Fruits and vegetables: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
	India	150%	35%	
	China[2]	35%	47%	
	Saudi Arabia	([3])	12%	

[1] Selected preferential tariffs in table M-2 do not include preferential rates for products subject to a TRQ.
[2] Tariff rates for China are those provided in the U.S.-China Accession Agreement. 2000 MFN applied tariffs are the tariffs provided in the Agreement that are binding as of Jan. 1, 2000, while final bound tariffs are those that are binding as of Jan. 1, 2004.
[3] Final bound rates are not applicable for markets that are not WTO members.
[4] Not available.

Sources: Tariffs for developing and other potential markets were collected from numerous sources. All bound tariff rates were obtained from World Trade Organization (WTO), *The Results of the Uruguay Round*, CD-ROM, 1996. Tariffs for Latin American countries were obtained from the Free Trade Area of the Americas (FTAA) Hemispheric Trade and Tariff Database, found at Internet address *http://alca-ftaa.iadb.org/eng/NGMADB_E.HTM*. Tariffs for several Asian markets were obtained from the Asia Pacific Economic Cooperation (APEC) Tariff Database, found at Internet address *http://www.apectariff.org*. Tariffs for Korea were obtained from Korea Customs Research Institute, *Tariff Schedules of Korea 2000*. Tariffs for China are those found in Embassy of the United States of America, Beijing, *Agreement on Market Access Between the People's Republic of China and the United States of America*, Nov. 15, 1999. Tariffs for India were obtained from D.N. Kohli, *Customs Tariff of India: 2000-2001 Budget Edition* (New Delhi, India: Cen-Cus Publications, 2000). NAFTA tariffs for Mexico were obtained from USDA, FAS, *Mexico's NAFTA Tariff Schedule for 2000*, Mexico City, GAIN Report No. MX0044, Mar. 31, 2000. Tariffs for Hungary were obtained from Internet address *http://www.vaminfo.hu/tariffnet/default.php*. Tariffs for Poland were obtained from Internet address *http://www.clo.skg.pl/taryfa/taryfa.asp*. Tariffs for Russia were obtained from 2000 Russian Tariff Schedule. Other tariffs were obtained from the United Nations Conference on Trade and Development (UNCTAD), Trade Analysis and Information System (TRAINS) CD-ROM, 2001.

Table M-3
Fruits and vegetables: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
EU	Carrots and turnips	1,200	100	100	3	FC	0706.10	7%	13.6%
	Dried onions	12,000	100	100	100	FC	0712.20	10%	12.8%
	Sweet potatoes	605,000[3]	0	0	0	LD	0714.20	0%	i 6.4/100kg/net
	Orange juice	1,500	27	20	18	FC	2009.11.99	13%	15.2%
	Grape juice	14,000	4[4]	3[4]	6[4]	LD	2009.60.11	40% plus i 20.6/100kg[5]	40% plus i 121/hℓ plus i 20.6/100kg[5]
							2009.60.19	40%[5]	40% plus i 0/hℓ- i 121/hℓ[5]
							2009.60.51	22.4%[5]	22.4% plus i 0/hℓ- i 136.5/hℓ[5]
							2009.60.90	22.4%[5]	22.4% plus i 27/hℓ[5]
Japan	Dried leguminous vegetables	120,000	94	95	([6])	LD	0713.10	10%	¥354/kg
							0713.32	10%	¥354/kg
							0713.33	10%	¥354/kg
							0713.39	10%	¥354/kg
							0713.50	10%	¥354/kg
							0713.90	10%	¥354/kg

Table M-3—*Continued*
Fruits and vegetables: Tariff-rate quotas for the United States and major markets, 1998-2000

[1] TRQ group refers to the description of products provided for in each country's notification of TRQ commitments as reported to the WTO.
[2] The WTO Secretariat has the following categories of TRQ administration methods for fruits and vegetables:
FC-First-come, first-served; no shares are allocated until the quota is filled.
LD-Licenses on demand, generally on a first-come, first-served basis.
[3] 600,000 tons of the quota are allocated to China.
[4] Based on imports from Sept. of the previous year to Aug. of the listed year.
[5] Tariff rates are applicable for imports between Sept. 1 and Dec. 31, 2000; tariffs for Jan. 1-Aug. 31, 2000 are slightly higher.
[6] Not available.

Sources: Product categories, TRQ quantities, and fill rates were obtained from the WTO Document Dissemination Facility, found at Internet address *http://docsonline.wto.org/gen_search.asp*. TRQ administration methods were obtained from WTO, Tariffs and Other Quotas: Background paper by the Secretariat AIE/SI/Rev. 1, May 26, 1998. Tariff rates were obtained from country tariff schedules.

Table M-4
Fruits and vegetables: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Labeling requirements	Indonesia	Canned vegetables	Consumer Protection Law of 1998 requires labeling in Indonesian, which may be prohibitively costly for low-volume exports.
Standards	Japan	Canned vegetables	The Food Sanitation law prohibits certain additives that are considered safe by other countries under the Joint FAO/WHO Experts Committee on Food Additives.
Domestic support programs	EU	Processed tomato products, canned cling peaches, canned pears, citrus, dried plums and figs, canned pineapples, raisins, and processed white asparagus	Subsidies to processors and growers provide cost advantages that displace U.S. exports to the EU and third country markets.
		Processed vegetables	Intervention (withdrawal) regime leads to lower marketed supplies and artificially high prices.
Fruit juice directive	EU	Fruit juices	The EU limits entry of fruit juices that were prepared using the in-line pulp wash method. It also contains provisions that differ from commercial juice processing standards in the United States.
Labeling requirements	Chile	Processed potato product	There are currently disputes between a U.S. company and a Chilean company over the label of a U.S. potato product.
Product misclassification	Korea	Dehydrated potato products	Products have been misclassified as different products with high over-quota tariffs.

Table M-4—*Continued*
Fruits and vegetables: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Regulatory issues affecting product content testing and labeling	Chile	Processed potato products	A U.S. company's potato product was denied entry because a random test showed one shipment exceeding the allowable fat content stated on the label.
Restrictive shelf-life standards	Middle East countries	Canned vegetables	Processed vegetables are assigned an arbitrary shelf-life that is too short, limiting the entry of such products.

Sources: Paul C. Rosenthal, Collier Shannon Scott, PLLC, written submission to the Commission on behalf of the National Juice Products Association, Feb. 16, 2001; USITC staff interviews with U.S. and Chilean industry and Government officials, May-June 2001; and Peggy Rochette, NFPA, written submissions to the Commission, Feb. 16, 2001, and June 6, 2001.

APPENDIX N
EDIBLE NUTS AND NUT PRODUCTS

Table N-1
Edible nuts and nut products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
0802.12 Shelled almonds	United States			24¢/kg	1			A+, E, IL, J, NAFTA (Free)
	Canada	Free	1					
	EU-15	Free[2]	1					
	Japan	Free or 2.4%	2					JLDC (Free)
1202.20 Raw shelled peanuts	United States	([2])		([2])				
	Canada	Free	1					
	EU-15	Free	1					
	Japan	([2])		([2])				
0802.50 Pistachios, shelled	United States			0.9¢/kg-1.9¢/kg	2			A, E, J, IL, NAFTA (Free)
	Canada	Free	1					
	EU-15	1.6%	1					EUPREF (sel.), MED (sel.), ACP, OCT, GSPL, GSP (ex. MX, CL, TH) (Free)
	Japan	Free	1					
2008.11 Processed peanut products	United States	([2])		([2])				
	Canada	Free or 6% (6%)	3					CCC, LDC, GSP, IL, NAFTA (Free)
	EU-15	11.2%-12.8% (12%)	5					EUPREF (numerous); GSP (ex. AR, BR, TH) (7.8%- 8.9%); GSPL, MED (sel.), ACP, OCT (Free)
	Japan	10%-23.8% (21.3%)	4					JLDC (pt.) (Free)

Table N-1—*Continued*
Edible nuts and nut products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
Other edible nut products subsector: 0802.22 Shelled filberts (hazelnuts)	United States			14.1¢/kg	1			A+, E, IL, J, NAFTA (Free)
	Canada	Free	1					
	EU-15	3.2%	1					MED (sel.), ACP (2.6%); OCT, GSP (sel.), BG, CZ, EE, HU, LT, LV, PL, SI, SK, GSPL (Free)
	Japan	6%	1					JPREF, JLDC (Free)
0802.32 Shelled walnuts	United States			26.5¢/kg	1			A+, E, IL, J, NAFTA (Free)
	Canada	Free	1					
	EU-15	5.1%	1					EUPREF (sel.), MED (sel.), ACP (2.6%); OCT, GSPL (Free); GSP (ex. CL, MX, TH) (2.7%)
	Japan	10%	1					
0802.90 Other raw shelled or unshelled nuts	United States			0.7¢/kg-17.6¢/kg (5¢/kg)	7			A (ex. GT, pt.), E, IL, J, NAFTA (Free)
	Canada	Free	1					
	EU-15	Free-3.2%	5					EUPREF, MED, ACP, OCT, GSP, GSPL (Free)
	Japan	Free-12% (5%)	4					JPREF (pt.) (3%); JLDC (pt.) (Free)

Table N-1—*Continued*
Edible nuts and nut products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
2008.19 Other prepared nuts, including mixtures	United States	Free-22.4% (6.4%)	5	0.35¢/kg-32.6¢/kg (9.9¢/kg)	5			A (pt.), A+, E, IL, J, NAFTA (Free)
	Canada	Free or 6%	2					CCC, LDC, GSP, IL, NAFTA (Free)
	EU-15	7%-12.8% (10.2%)	8					EUPREF (sel.), MED (sel.), GSPL, ACP, OCT, GSP (ex. AR, BR, TH) (Free)
	Japan	5%-21% (10%)	11					JPREF (pt.) (3%-16.8%); JLDC (pt.) (Free)

[1] Selected preferential tariffs in table N-1 do not include preferential rates for products subject to a TRQ.
[2] Certain items in this subheading are subject to TRQs and are included in table N-3.

Sources: Tariffs for the United States were obtained from USITC, *Harmonized Tariff Schedule of the United States (2000)*, USITC Publication 3249 (rev. 3) (Washington, DC: U.S. Government Printing Office, 2000). Tariffs for Canada were obtained from Canada Customs and Revenue Agency, *Customs Tariff: Departmental Consolidation 2000*. Tariffs for the EU were obtained from *Official Journal of the European Communities, L 278, Vol. 42,* Oct. 28, 1999 and the integrated tariff of the European Communities (TARIC), found at Internet address *http://www.taric.com/scripts/eNetTaric.dll/home?c=*. Tariffs for Japan were obtained from Japan Tariff Association, *Customs Tariff Schedules of Japan 2000*.

Table N-2
Edible nuts and nut products: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
0802.12 Shelled almonds	Mexico	27%	23%	NAFTA (Free)
	Switzerland	Free	Free	
	Israel	51% or 102%	Free OR NIS 27,800/t OR 20% plus NIS 8,340/t	US (numerous)[2]; JO (Free)
	India	Rs100/kg	Rs100/kg	
	China[3]	10%	26%	
1202.20 Raw shelled peanuts	Mexico	36%	Free	
	Venezuela	120%	15%	
	Korea	([4])	([4])	
0802.50 Pistachios, shelled or unshelled	Israel	23%	22%	EU (16.5%); US (Free); JO (Free)
	Argentina	35%	13%	Mercosur (Free)
	Brazil	15%	13%	Mercosur (Free)
	Switzerland	Free	Free	
2008.11 Processed peanut products	Korea	54%[4]	50%[4]	
	Mexico	45%	23%	EU (20%), NAFTA (6%)
	Saudi Arabia	([5])	Free	
	Taiwan	([5])	40%	
0802.22 Shelled filberts (hazelnuts)	Israel	23%	Free-22%	US, JO (Free); TR, EU (16.5%)
	Mexico	36%	3%	NAFTA (Free)
	Australia	Free	Free	
	Brazil	35%	9%	Mercosur (Free)

Table N-2—*Continued*
Edible nuts and nut products: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
0802.32 Shelled walnuts	Israel	87%	20%	EU (16.5%); US, JO (Free)
	Australia	1%	Free	
	Taiwan	([5])	7.5%	
	Mexico	36%	23%	
	Korea	30%	38%	
	Brazil	15%	13%	Mercosur (Free)
0802.90 Other raw shelled or unshelled nuts	Mexico	36%	23%	NAFTA (6%); EU (20%)
	Israel	51% or 100%	Free-114% OR NIS 13,700/t OR 20% plus NIS 4,100/t	JO, US, EU (Free)[6]
	Switzerland	Free or 4%	SFr 4/100kg	
2008.19 Other prepared or preserved nuts, including mixtures	Mexico	45%	23%	NAFTA (Free or 6%); EU (20%)
	Korea	45% or 90%	50%	
	Australia	7%	5%	
	Israel	60%-85%	Free-16.1% OR 15.5% plus NIS 4.68/kg-NIS 8.34/kg	TR, JO, US (Free)
	Brazil	35%	17%	Mercosur (Free)

[1] Selected preferential tariffs in table N-2 do not include preferential rates for products subject to a TRQ.
[2] Prepared or preserved almonds from United States are dutiable at 86% of the applied rate. All other prepared or preserved nuts, including mixtures from the United States, are free of duty.
[3] Tariff rates for China are those provided in the U.S.-China WTO Accession Agreement. 2000 MFN applied tariffs are the tariffs provided in the Agreement that are binding as of Jan. 1, 2000, while final bound tariffs are those that are binding as of Jan. 1, 2004.
[4] Certain items in the subheading are subject to a TRQ and are included in table N-3.
[5] Bound rates are not reported for markets that are not WTO members.
[6] The first 500 tons from the EU receive duty-free treatment.

Table N-2—*Continued*

Edible nuts and nut products: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

Sources: Tariffs for developing and other potential markets were collected from numerous sources. All bound tariff rates were obtained from World Trade Organization (WTO), *The Results of the Uruguay Round*, CD-ROM, 1996. Tariffs for Latin American countries were obtained from the Free Trade Area of the Americas (FTAA) Hemispheric Trade and Tariff Database, found at Internet address *http://alca-ftaa.iadb.org/eng/NGMADB_E.HTM*. Tariffs for several Asian markets were obtained from the Asia Pacific Economic Cooperation (APEC) Tariff Database, found at Internet address *http://www.apectariff.org*. Tariffs for Korea were obtained from Korea Customs Research Institute, *Tariff Schedules of Korea 2000*. Tariffs for China are those found in Embassy of the United States of America, Beijing, *Agreement on Market Access Between the People's Republic of China and the United States of America*, Nov. 15, 1999. Tariffs for India were obtained from D.N. Kohli, *Customs Tariff of India: 2000-2001 Budget Edition* (New Delhi, India: Cen-Cus Publications, 2000). NAFTA tariffs for Mexico were obtained from USDA, FAS, *Mexico's NAFTA Tariff Schedule for 2000*, Mexico City, GAIN Report No. MX0044, Mar. 31, 2000. Tariffs for Hungary were obtained from Internet address *http://www.vaminfo.hu/tariffnet/default.php*. Tariffs for Poland were obtained from Internet address *http://www.clo.skg.pl/taryfa/taryfa.asp*. Tariffs for Russia were obtained from 2000 Russian Tariff Schedule. Other tariffs were obtained from the United Nations Conference on Trade and Development (UNCTAD), Trade Analysis and Information System (TRAINS) CD-ROM, 2001.

Table N-3
Edible nuts and nut products: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
United States	Peanuts	52,906[3,4,5,6]	100	100	([7])	FC	2008.11.25-.35	6.6¢/kg	131.8%
							2008.11.45-.60		
							1202.20.40-.80		
	Peanut butter and paste	20,000	92	87	([7])	FC	2008.11.05-.15	Free	131.8%[8]
EU	Almonds	90,000[9]	100	100	100	FC	0802.12	2%	3.5%
Japan	Peanuts	75,000[10]	57	58	60	LD	1202.20.0910-.099	10%	¥617/kg
Korea	Peanuts	4,907.3[11]	98	([7])	([7])	ST	1202.20.00	31.1%-40%	66.7%-240.7%
							2008.11.90		

[1] TRQ group refers to the description of products provided for in each country's notification of TRQ commitments as reported to the WTO.
[2] The WTO Secretariat has the following categories of TRQ administration methods that are applicable to edible nuts and nut products:

FC-First-come, first-served; no shares are allocated until the quota is filled.
LD-Licenses on demand, generally on a first-come, first-served basis.
ST-Imports undertaken by state-trading entities that allocate quota entirely or mainly to a producer group.

[3] TRQ quantity is for the period Apr.-Mar.
[4] Israel has a separate TRQ quantity of 113 tons. In-quota rate of duty is free.
[5] Mexico is subject to an aggregate quantity limitation on peanuts and certain peanut products under NAFTA of 4,032 tons in 2000. Peanuts imported within the TRQ enter free of duty. Imports over the TRQ are subject to numerous rates of duties.
[6] Also includes imports under HS 1202.10.00 (peanuts in-shell) which are outside the scope of this study.
[7] Not available.
[8] Imports of peanut butter and peanut paste are not subject to the TRQ limitations, but are subject to provisions of NAFTA that provide for a rate of duty of 1.9¢/kg on imports from Mexico.
[9] This TRQ also includes HS 0802.11, which is outside the scope of this study.
[10] This category also includes HS 1202.10.40-.80 (peanuts in-shell), which are outside the scope of this study.
[11] This TRQ also includes HS 1202.10.091-.099, which are outside the scope of this study.

Sources: Product categories, TRQ quantities, and fill rates were obtained from the WTO Document Dissemination Facility, found at Internet address *http://docsonline.wto.org/gen_search.asp.* TRQ administration methods were obtained from WTO, Tariffs and Other Quotas: Background paper by the Secretariat AIE/SI/Rev. 1, May 26, 1998. Tariff rates were obtained from country tariff schedules.

Table N-4
Edible nuts and nut products: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Aflatoxin levels permitted on walnuts	EU	Walnuts, shelled (0802); walnuts, prepared or preserved (2008.19)	EU Regulation 1625/98 established new aflatoxin tolerance levels for tree nuts that are more stringent than those imposed under the Codex. The regulation has no scientific risk assessment to support its standard.
Phytosanitary restrictions	Japan	Walnuts, shelled (0802)	Japan requires repeated testing of established quarantine treatments for each variety of an already approved commodity.

Sources: USTR, *2000 National Trade Estimate Report on Foreign Trade Barriers;* Dan Haley, Haley & Associates, written submission to the Commission on behalf of the California Walnut Commission and Diamond of California, Feb. 16, 2001.

APPENDIX O
ALCOHOLIC BEVERAGES

Table O-1
Alcoholic beverages: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
Beer: 2203.00	United States			0.2¢/ℓ	1			NAFTA, A, E, IL, J (Free)
	Canada			0.8C¢/ℓ	1			NAFTA, CL, IL, CCC, LDC, GSP (Free)
	EU-15	6%	3					BG, PL (1.8%); RO (3%); EUPREF[2] (sel.), MED[2] (sel.), OCT, ACP, GSP (sel.), GSPL (Free)
	Japan	3.8%	1					
Wine: 2204.10 Wine, sparkling	United States			19.8¢/ℓ	1			NAFTA, A. E, IL, J (Free)
	Canada			3.74C¢/ℓ	1			NAFTA, CCC (Free)
	EU-15			**i** 32/hℓ	4			EUPREF[2], MX (pt.) (**i** 26/hℓ); MED (sel., pt.) (Free- **i** 7.7/hℓ); OCT (pt.), GSPL (Free)
	Japan			¥182/ℓ	1			JPREF (¥146.8/ℓ); JLDC (Free)
2204.21 Wine under 2 liters (bottled)	United States			5.3¢/ℓ-19.8¢/ℓ (6.3¢/ℓ)	5			CA, E, IL, A+ (pt.), A (pt.), J, MX (Free-1.9¢/ℓ)
	Canada			3.74C¢/ℓ-17.2C¢/ℓ (13.28C¢/ℓ)	11	C$1.10/ℓ plus 15%	1	NAFTA, CL, CCC (Free); AU, NZ (numerous)

Table O-1—*Continued*
Alcoholic beverages: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
	EU-15			13.1 **i** /hℓ-32 **i** /hℓ (13.1 **i** /hℓ)	50	**i** 1.75/% vol./hℓ	1	MX (pt.) (**i** 26/hℓ); MED[2] (sel., pt.) (Free- **i** 6.4/hℓ); OCT (pt.), GSPL (Free)
	Japan			¥112/ℓ	1	Lesser of 15% or ¥125/ℓ, subject to a minimum duty of ¥67/ℓ	1	
2204.29 Wine over 2 liters (bulk)	United States			8.4¢/ℓ-22.4¢/ℓ (22.4¢/ℓ)	4			CA, E, IL, A+, J (Free); MX (Free-5.2¢/ℓ)
	Canada			7.04C¢/ℓ-12.95C¢/ℓ (10.0C¢/ℓ)	11	C$1.41/ℓ plus 19%	1	NAFTA, CL, CCC (Free); AU, NZ (numerous)
	EU-15			9.9 **i** /hℓ-32 **i** /hℓ (9.9 **i** /hℓ)	33	**i** 1.75/% vol./hℓ	1	MX (pt.) (**i** 26/hℓ); MED[2] (sel., pt.) (Free- **i** 6.4/hℓ); OCT (pt.), GSPL (Free)
	Japan			¥45/ℓ	1	Lesser of 15% or ¥125/ℓ, subject to a minimum duty of ¥67/ℓ	1	JPREF (pt.) (¥24/ℓ); JLDC (pt.) (Free)
Whiskey: 2208.30 Whiskey	United States	Free	2					
	Canada	Free	1					
	EU-15	Free	10					
	Japan	5.4% or 7.8%	2	¥111.20/ℓ or ¥133.8/ℓ	2			JPREF, JLDC (Free)

Table O-1—*Continued*
Alcoholic beverages: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
Other alcoholic beverages: 2206.00 Other fermented beverages e.g., perry, cider, mead	United States			0.4¢/ℓ-13.9¢/ℓ (4.2¢/ℓ)	4	3.1¢/ℓ plus 22.1¢/proof liter	1	NAFTA, A (pt.), A+ (pt.), E, IL, J (Free)
	Canada	3%	1	2.11C¢/ℓ-28.16C¢/ℓ (9.25C¢/ℓ)	17	12.28C¢/ℓ of absolute ethyl alcohol	2	NAFTA, CL, CCC, LDC (pt.), GSP (pt.) (Free)
	EU-15			5.76 **i** /hℓ-19.2 **i** /hℓ (7.7 **i** /hℓ)	6	**i** 1.3/% vol./hℓ MIN **i** 7.2/hℓ	1	MED (sel.), OCT, ACP, GSPL (Free); GSPE (Free or 1.3% vol/hℓ MIN. **i** 6.1/hℓ, sel.); MD (0.9% vol/hℓ MIN. **i** 5.4/hℓ or **i** 2.8/hℓ-**i** 9.6/hℓ)
	Japan			¥27/ℓ-¥70.4/ℓ (¥42.4/ℓ)	3	Lesser of 3.8% or ¥6.40/ℓ OR greater of 29.8% or ¥23/kg	2	JPREF (pt.) (Free-¥30.8/ℓ); JLDC (pt.) (Free)
2207.10 Undenatured alcohol for beverage purposes	United States			18.9¢/proof liter	1			NAFTA, A (pt.), A+ (pt.), E, IL, J (Free)
	Canada					4.92C¢/ℓ of ethyl alcohol or 12.28C¢/ℓ of ethyl alcohol	2	NAFTA, CL, CCC, LDC (pt.) (Free); GSP (pt.) (5%)
	EU-15			**i** 19.2/hℓ	1			NO[2] (pt.) (Free); EE (pt.) (**i** 3.8/hℓ); GSP (ex. AR, BR, TH) (**i** 16.3/hℓ); MED (sel.), GSP, ACP, OCT, GSPL (Free)
	Japan	Free-27.2% (Free)	3	¥38.10/ℓ	1			

Table O-1—*Continued*
Alcoholic beverages: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
2208.20 Brandy	United States	Free	6					
	Canada	Free	1					
	EU-15	Free	11					
	Japan			¥131.98/ℓ or ¥156/ℓ	2			
2208.40 Rum and tafia	United States			8.7¢/proof liter or 23.7¢/proof liter	4			A+, CA, E, IL (Free); MX (Free-11.1¢/proof liter)
	Canada					12.28C¢/ℓ of ethyl alcohol or 24.56C¢/ℓ of ethyl alcohol	2	NAFTA, CL, GSP, LDC, IL (Free)
	EU-15					**i** 0.6/% vol./hℓ plus **i** 0/hℓ- **i** 3.2/hℓ[3]	4	OCT, ACP (Free); GSPL (Free)
	Japan	9%	1					
2208.60 Vodka	United States	Free	3					
	Canada					12.28C¢/ℓ of ethyl alcohol	1	NAFTA, CL, CCC, LDC, IL (Free); GSP (6¢/proof liter)
	EU-15	Free	4					
	Japan	Free or 8%	2					JPREF (pt.) (6%); JLDC (pt.) (Free)

Table O-1—*Continued*
Alcoholic beverages: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
2208.70 Liqueurs and cordials	United States	Free	1					
	Canada					12.28C¢/ℓ of ethyl alcohol	1	NAFTA, CL, CCC, LDC, GSP, IL (Free)
	EU-15	Free	2					
	Japan			¥63/ℓ	1			
2208.90 Other distilled spirits	United States	Free	17					
	Canada	Free	3	35.2C¢/ℓ	1	4.92C¢/ℓ of ethyl alcohol or 12.28C¢/ℓ of ethyl alcohol	4	NAFTA, CL, CCC, LDC (pt.), IL, GSP (pt.) (Free)
	EU-15	Free	13			**i** 1/% vol./hℓ plus **i** 0/hℓ-6.4 **i** /hℓ	2	
	Japan	Free-16% (Free)	3	¥70.4/ℓ-¥156/ℓ (¥88/ℓ)	5	Greater of 29.8% or ¥23/kg	1	JPREF (pt.) (Free-¥48/ℓ); JLDC (pt.) (Free)

[1] Selected preferential tariffs in table O-1 do not include preferential rates for products subject to a TRQ.
[2] Certain countries receive a preferential TRQ.
[3] Certain items in this subheading are subject to TRQs and are included in table O-3.

Sources: Tariffs for the United States were obtained from USITC, *Harmonized Tariff Schedule of the United States (2000)*, USITC Publication 3249 (rev. 3) (Washington, DC: U.S. Government Printing Office, 2000). Tariffs for Canada were obtained from Canada Customs and Revenue Agency, *Customs Tariff: Departmental Consolidation 2000*. Tariffs for the EU were obtained from *Official Journal of the European Communities, L 278, Vol. 42,* Oct. 28, 1999 and the integrated tariff of the European Communities (TARIC), found at Internet address *http://www.taric.com/scripts/eNetTaric.dll/home?c=.* Tariffs for Japan were obtained from Japan Tariff Association, *Customs Tariff Schedules of Japan 2000*.

Table O-2
Alcoholic beverages: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
2203.00 Beer	Mexico	36%	30%	NAFTA (6%)
	Korea	30%	30%	
	Brazil	35%	23%	Mercosur (Free)
	India	150%	100%	
	Taiwan	([2])	5%	
	China[3]	Free	Free	
2204.10 Wine, sparkling	Switzerland	SFr 91/100kg	SFr 91/100kg	EU (Free)
	Taiwan	([2])	20%	
	Brazil	55%	23%	Mercosur (Free)
	Korea	30%	15%	
	China[3]	20%	56%	
	Israel	148%	NIS 0.68/ℓ plus 24.8%	
	India	150%	100%	
	Mexico	45%	30%	NAFTA (6%), CL (Free)
2204.21 Wine, bottled	Switzerland	SFr 25/100kg-SFr 510/100kg	([4])	EU (Free)
	Taiwan	([2])	20%	
	Brazil	55%	23%	Mercosur (Free)
	Korea	30%	15%	
	China[3]	20%	56%	
	Israel	148%	NIS 1.35/ℓ plus 42%	US (42%)
	India	150%	100%	
	Mexico	36%-45%	30%	NAFTA (6%), CL (Free)

Table O-2—*Continued*
Alcoholic beverages: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
2204.29 Wine bulk	Switzerland	SFr 25.5/100kg-SFr 28.9/100kg	([4])	EU (Free)
	Taiwan	([2])	20%	
	Brazil	55%	23%	Mercosur (Free)
	China[3]	20%	56%	
	Israel	148%	NIS 1.35/ℓ plus 42%	US (42%)
	Korea	30%	15%	
	Mexico	45%	30%	NAFTA (6%), CL (Free)
2208.30 Whiskey	Australia	5%	5% plus A$36.44/ℓ of ethyl alcohol	NZ (A$36.44/ℓ of ethyl alcohol)
	Korea	30%	20%	
	China[3]	10%	54%	
	Russia	([2])	i 2/ℓ ethyl alcohol	
	Taiwan	([2])	12.5%	
	India	150%	210%	
	Brazil	35%	15%-23%	Mercosur (Free)
	Mexico	36%-45%	20%-30%	
	Israel	148%	NIS 0.72/ℓ plus 14.9%	US (Free)
Other alcoholic beverages: 2206.00 Other fermented beverages e.g., perry, cider, mead	Mexico	45%	30%	NAFTA (Free)
	Korea	30%	15%	
	Brazil	35%	23%	
	China[3]	65%	65%	
	India		100%	
2207.10 Undenatured alcohol for beverage purposes	Mexico	45%	10% plus $0.39586/ℓ	
	Taiwan	([2])	25%	
	China[3]	40%	40%	
	India	150%	210%	

Table O-2—*Continued*
Alcoholic beverages: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
2208.20 Brandy	Brazil	35%	23%	
	Korea	30%	15%	
	China[3]	20%	56%	
	India	150%	210%	
	Mexico	36%-45%	30%	NAFTA (3% or 6%)
2208.40 Rum and tafia	China[3]	10%	54%	
	Mexico	45%	30%	
	India	150%	210%	
	Taiwan	([2])	27.5%	
2208.60 Vodka	Mexico	45%	30%	NAFTA (Free)
	Korea	30%	20%	
	China[3]	10%	54%	
	Taiwan	([2])	50%	
	India	150%	210%	
	Brazil	35%	23%	
2208.70 Liqueurs and cordials	Mexico	45%	30%	NAFTA (Free)
	India	150%	210%	
	China[3]	10%	54%	
	Brazil	35%	23%	
	Taiwan	([2])	50%	
2208.90 Other distilled spirits	Mexico	45%	13%-30%	
	Korea	30%	20%-30%	
	Brazil	35%	23%	
	China[3]	20%	56%	

Table O-2—*Continued*
Alcoholic beverages: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

[1] Selected preferential tariffs in table O-2 do not include preferential rates for products subject to a TRQ.
[2] Bound rates are not applicable for markets that are not WTO members.
[3] Tariff rates for China are those provided in the U.S.-China WTO Accession Agreement. 2000 MFN applied tariffs are the tariffs provided in the Agreement that are binding as of Jan. 1, 2000, while final bound tariffs are those that are binding as of Jan. 1, 2004.
[4] Certain items in this subheading are subject to a TRQ and are included in table O-3.

Sources: Tariffs for developing and other potential markets were collected from numerous sources. All bound tariff rates were obtained from World Trade Organization (WTO), *The Results of the Uruguay Round*, CD-ROM, 1996. Tariffs for Latin American countries were obtained from the Free Trade Area of the Americas (FTAA) Hemispheric Trade and Tariff Database, found at Internet address *http://alca-ftaa.iadb.org/eng/NGMADB_E.HTM*. Tariffs for several Asian markets were obtained from the Asia Pacific Economic Cooperation (APEC) Tariff Database, found at Internet address *http://www.apectariff.org*. Tariffs for Korea were obtained from Korea Customs Research Institute, *Tariff Schedules of Korea 2000*. Tariffs for China are those found in Embassy of the United States of America, Beijing, *Agreement on Market Access Between the People's Republic of China and the United States of America*, Nov. 15, 1999. Tariffs for India were obtained from D.N. Kohli, *Customs Tariff of India: 2000-2001 Budget Edition* (New Delhi, India: Cen-Cus Publications, 2000). NAFTA tariffs for Mexico were obtained from USDA, FAS, *Mexico's NAFTA Tariff Schedule for 2000*, Mexico City, GAIN Report No. MX0044, Mar. 31, 2000. Tariffs for Hungary were obtained from Internet address *http://www.vaminfo.hu/tariffnet/default.php*. Tariffs for Poland were obtained from Internet address *http://www.clo.skg.pl/taryfa/taryfa.asp.* Tariffs for Russia were obtained from 2000 Russian Tariff Schedule. Other tariffs were obtained from the United Nations Conference on Trade and Development (UNCTAD), Trade Analysis and Information System (TRAINS) CD-ROM, 2001.

Table O-3
Alcoholic beverages: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
EU	Rum	2,359,000 ℓ of pure alcohol	2[3]	41[4]	20[3]	OT	2208.40.31	i 0.4/% vol/hℓ plus i 1.8/hℓ[4, 5]	i 0.6/% vol/hℓ plus i 3.2/hℓ[5]
							2208.40.91	i 0.4/% vol/hℓ[4, 5]	i 0.6/% vol/hℓ[5]
Switzerland	White wine	170,000 hℓ	98	([6])	([6])	FC	2204.21.21-29	SFr 50/100kg	SFr 3/ℓ
							2204.29.21-29	SFr 46/100kg	SFr 3.27/ℓ
							2204.29.22-29	SFr 34/100kg	SFr 3.27/ℓ
	Red wine	1,530,000 hℓ	97	([6])	([6])	FC	2204.21.31-39	SFr 34/100kg	SFr 2.42/ℓ
							2204.21.41-49	SFr 50/100kg	SFr 2.45/ℓ
							2204.29.31-39	SFr 42/100kg	SFr 1.08/ℓ
							2204.29.32-39	SFr 34/100kg	SFr 1.08/ℓ

[1] TRQ group refers to the description of products provided for in each country's notification of TRQ commitments as reported to the WTO.
[2] The WTO Secretariat has the following categories of TRQ administration methods that are applicable to alcoholic beverages:

FC-First-come, first-served; no shares are allocated until the quota is filled.
OT-Other

[3] Fill rate for the given year represents July 1-Dec. 31 imports as reported to the WTO.
[4] Preferential TRQ rates are provided to certain Central and Eastern European countries, Central and South American countries (GSPE), and selected Mediterranean countries.
[5] ACP, OCT, and GSPL countries receive quota-free and duty-free access for this product.
[6] Not available.

Sources: Product categories, TRQ quantities, and fill rates were obtained from the WTO Document Dissemination Facility, found at Internet address *http://docsonline.wto.org/gen_search.asp.* TRQ administration methods were obtained from WTO, Tariffs and Other Quotas: Background paper by the Secretariat AIE/SI/Rev. 1, May 26, 1998. Tariff rates were obtained from country tariff schedules.

Table O-4
Alcoholic beverages: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Marketing/labeling requirements	EU	Bottled wine	Local officials sometimes interpret and enforce regulations subjectively. The EU prohibits use of certain terms that are not defined by the Bureau of Alcohol, Tobacco, and Firearms (BATF) such as “reserve” and restricts the use of “traditional expressions” such as “tawny” and “vintage.” There is no basis for these restrictions compatible with WTO principles under the TRIPs agreement.
	Mexico	Bottled wine	Mexican regulations require all information printed in English to also be printed in Spanish. Import labels must be approved by SECOFI before importation.
	Canada	All wine	Liquor Control Boards (LCBs) provide preferential treatment for domestic wine in promotion, tastings, and shelf location. In Quebec, imported wine can only be sold at LCB outlets. Domestic wine can be sold in supermarkets. Certain popular bottle sizes are restricted in Canada.
Oenological practices and phytosanitary barriers	EU	All wine	The EU rejects oenological practices that are not explicitly recognized in EU regulations. The rejection of such wine making practices is not based on scientific health or safety issues.

Table O-4—*Continued*
Alcoholic beverages: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Certification/ Documentation	EU	All wine	Imported wine must meet the standards of specific EU member countries. Certification of compositional limits is required through the VI1 form that must accompany each shipment of wine. Certification documents are not required by the United States.
Certification/Documentation	Canada	All wine	Ontario LCB charges wineries to test and certify wine sold in the Province.
	Taiwan	All wine	Lengthy, burdensome and time consuming documentation process.
	Thailand	All wine	Thailand requires import permits, certification and label registration and has complicated customs procedures that add extra costs to wine shipments.
Differential taxes	Canada	All wine	Certain LCBs levy “cost of service” markups that are higher for imported products.
	Korea	All wine	Korea uses a complicated compound tariff and tax system on alcoholic beverages that significantly raises the retail price of U.S. wine.
	Taiwan	All wine	Imported wines are subject to an excise tax that is not levied on domestic products.
Import policies (differential taxes)	Argentina	Whiskey	Argentine Government decree lowered rates for most spirits, while taxes on whiskey remained at the higher rate.
	Brazil	All distilled spirits	Brazil levies “complicated and discriminatory“ specific excise taxes that differ by product category.

Table O-4—*Continued*
Alcoholic beverages: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Import policies (differential taxes)—Continued	Colombia	All distilled spirits	Imported distilled spirits over 35 percent alcohol are subject to higher excise taxes than are domestic spirits.
	Dominican Republic	Most distilled spirits	Rum is subject to a lower tax (35%) (ISC tax) than other spirits (44%). Imported spirits are also subject to tax rates based on a government-established adjustment factor that increases the c.i.f. price on which taxes are levied.
	Ecuador	All distilled spirits	The special consumption tax (ICE) is subject to a mark-up of 20 percent of imported spirits that is higher than the ICE on domestic spirits.
	Indonesia	All distilled spirits	Imported spirits are subject to a luxury tax of 35% that is not assessed on domestic spirits.
	Mexico	All distilled spirits	Mexico instituted a tax system on spirits that is levied on the basis of volume that varies by product. This was an interim measure towards a harmonized tax for all spirits, but no date has been set for establishing a new system.
	Philippines	All spirits	Internal excise taxes on imported spirits are between 9 and 27 times higher than for domestic products.
	Singapore	Most distilled spirits	Singapore levies lower excise taxes on samsoo, arrack and pineapple spirits than on other spirits, discriminating against U.S. products.
	Thailand	Most distilled spirits	Thailand imposes lower excise taxes on brandy that are discriminatory to most imported spirits.

Table O-4—*Continued*
Alcoholic beverages: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
	Turkey	All distilled spirits	Turkey levies internal taxes that are numerous, complicated, and lack clarity and consistency. They include some taxes levied only on imports.
	Uruguay	All distilled spirits	Uruguay levies discriminatory differential excise taxes on distilled spirits that vary by category.
	Vietnam	All distilled spirits	"Special consumption" taxes on alcoholic beverages in Vietnam are levied at differential rates depending on the alcohol level, discriminating against imported spirits.
Import licensing	India	All distilled spirts	Imported spirits are subject to licenses issued by an Indian Gov. agency and subject to quantitative restrictions that are scheduled to be removed in April 2001.
	Indonesia	All distilled spirits	Importing companies of distilled spirits must be approved by the Ministry of Commerce. It has approved only 2 companies since 1983. This has created a defacto monopoly. Sales to the domestic market are severely restricted.
	Russia	Vodka and ethyl alcohol	A non-transparent import licensing and a differential fee system for imported vodka and ethyl alcohol have essentially closed the Russian market for such imports. Pending legislation may address this discrimination.

Table O-4—*Continued*
Alcoholic beverages: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
	Turkey	All distilled spirits	Importers of spirits are required to secure permits; however, procedures for obtaining these permits are non-transparent, causing delays.
	Ukraine	All distilled spirits	The granting of import permits by the Ukraine Government is subject to facilities inspections by government officials, with the costs of inspections paid by the foreign producer.
Reference pricing	Mexico	Rum	Mexico maintains a reference price system and bonding system that contravenes the NAFTA agreement.
	Romania	Certain distilled spirits	Romanian Government assesses tariffs on brands within a spirits category based on arbitrary reference prices.
Import quotas	Russia	All distilled spirits except Cognac and brandy	Quantitative limits on imports of most spirits categories, including restriction on spirits over 15% alcohol by volume.
STE	Turkey	All distilled spirits except whiskey	Tekel, the Turkish State Trading Enterprise (STE), is a monopoly producer and importer of spirits except for whiskey. The U.S. industry believes that Tekel's operations may be conducted in a discriminatory manner.
Domestic subsidies	EU	Mainly table wine	The EU subsidizes the wine industry, approximately $1.5 billion in 2000 for distillation, grubbing up and replanting of vines and economic support for rural communities.

Table O-4—*Continued*
Alcoholic beverages: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Domestic subsidies—Continued			In addition, member countries provide additional subsidies for their wine industries for replanting and other activities.
	Canada (British Columbia)	Certain quantities of wine	British Columbia provides a rebate of $2 per bottle on first 13,000 cases of wine purchased by the LCB that are made from grapes 100% harvested within the province, provided the wine sells for more than $8.50 per bottle. This distorts the market price and discriminates against imported wine.
Export subsidies	EU	Table wine	The EU provides a subsidy payment to producers (based on the difference between the EU market price and lowest selling price of competitors) in certain markets, including Russia, Scandinavia, Eastern Europe, and Africa.
Labeling	EU	Bottled wine	The EU maintains labeling requirements that restrict U.S. imports and has made no effort to harmonize these regulations with the United States or other wine producing countries. The EU restricts U.S. wine producers from using the term “table wine,” restricting U.S. products of comparable quality to EU table wine from the EU market.

Table O-4—*Continued*
Alcoholic beverages: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Non-kosher sales	Israel	All wine	Some supermarkets, hotels, and restaurants are reluctant to stock non-kosher wines, claiming that there is little demand for such products.
Monopoly importation	Taiwan	All wine	The TTWMB is a monopolistic importer that also controls domestic production and sale in Taiwan to the detriment of imported products.
Tariffs	Australia	Whiskey	Australia maintains a tariff on whiskey even though there is not a domestic industry to protect. The U.S. industry would like the "nuisance tariff" removed.
	Bulgaria	All distilled spirits	Bulgaria provides preferential tariff treatment to EU products as part of its Accession agreement, discriminating against U.S. spirits in the Bulgarian market.
	Czech Republic	All distilled spirits	The Czech Republic provides preferential tariff treatment to EU products as part of its Accession agreement, discriminating against U.S. spirits in the Czech market.
	Dominican Republic	All distilled spirits	Ad valorem tariffs on imported spirits are not based on actual transaction value but on a system of minimum reference prices; thus some products with a lower transaction value than the reference price are charged a higher rate of duty.

Table O-4—*Continued*
Alcoholic beverages: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Tariffs—Continued	Hungary	All distilled spirits	Hungary provides preferential tariff treatment to EU products as part of its Accession agreement, discriminating against U.S. spirits in the Hungarian market.
	India	All distilled spirits	India levies very high tariffs on imported spirits (210% AV in 2001) that are higher than its bound rate. In 2004, the bound rate will still be excessively high (150% AV).
TBTs	China	All distilled spirits	New labeling legislation in China, while appropriate for food products, is not appropriate for distilled spirits and could serve as a barrier to imports.
	India	All distilled spirits	New labeling regulations require prepackaged consumer goods to be labeled with a maximum retail price that the industry claims is burdensome. In addition, the U.S. industry is concerned that these new regulations will be applied in a discriminatory manner.
	Indonesia	All distilled spirits	New labeling requirements for food products would be inappropriate for distilled spirits and are viewed by the U.S. industry as a non-tariff barrier.
	Russia	All distilled spirits	Imported spirits must affix strip stamps signifying that taxes have been paid; domestic spirits are not subject to this additional procedure and cost.
	Turkey	All distilled spirits	Labeling requirements for imported spirits are more stringent than for domestically produced spirits.

Table O-4—*Continued*
Alcoholic beverages: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Contraband goods	Colombia	All distilled spirits	"Special customs zones" in Colombia, where products move into the country "unchecked," are competing against tax paid spirits shipped from the United States.
SPS	India	All distilled spirits	Proposed Gov. regulation will limit the amount of "fusel oils," naturally occurring constituents of the distillation process. At the low level of concentration, there is no scientific evidence of it being harmful to consumers.
Investment restrictions	Russia	All distilled spirits	Foreign companies are banned from investing in most activities of the Russian spirits industry for alcoholic beverages containing over 12% alcohol.

Sources: JBC International on behalf of the Wine Institute and California Association of Wine Grape Growers; Distilled Spirits Council of the United States.

APPENDIX P
PET FOOD

Table P-1
Pet food: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
Dog and cat food: 2309.10 Pet food	United States	Free	1					
	Canada	3.5%	1					NAFTA, CCC, LDC, GSP, CL (Free)
	EU-15	Free-9.6%	3	**i** 102/t- **i** 948/t (**i** 530/t)	9			EUPREF (sel., pt.) (Free-2.9%); SK, MED (sel.), GSPL, OCT, HU[2] (pt.) (Free); ACP (Free- **i** 796.3/t); GSP (ex. AR, BR, TH) (3.3%, pt.)
	Japan	Free	3	¥36/kg	1	¥59.50/kg plus ¥6/kg for every 1% exceeding 10% lactose by weight	1	
Other pet and animal food: 2309.90 Other animal feed	United States	Free-1.9% (1.4%)[3]	4			([2])		A (pt.), A+, E, IL, J, NAFTA (Free)
	Canada	Free-10.5% (3%)[3]	9			([2])		NAFTA, CCC, LDC, CL (Free); GSP (Free-5%)
	EU-15	Free-12% (9.6%)	6	**i** 498/t- **i** 948/t (**i** 577/t)[4]	8			SK, MED (sel.), GSP, OCT (Free); EUPREF (sel.), ACP, GSP (pt.) (numerous)
	Japan	Free-12.8% (Free)	7	¥36/kg	1	¥52.50/kg plus ¥5.30/kg for every 1% exceeding 10% lactose by weight	1	JPREF (pt.); JLDC (pt.) (Free)

Table P-1—*Continued*
Pet food: Tariff rates for the United States and other major developed markets, 2000

[1] Selected preferential tariffs in table P-1 do not include preferential rates for products subject to a TRQ.
[2] Certain products receive a preferential TRQ and in-quota tariff rate.
[3] Certain items in this subheading are subject to TRQs on dairy products and are included in table F-3.
[4] Certain items in this subheading are subject to TRQs and are included in table P-3.

Sources: Tariffs for the United States were obtained from USITC, *Harmonized Tariff Schedule of the United States (2000)*, USITC Publication 3249 (rev. 3) (Washington, DC: U.S. Government Printing Office, 2000). Tariffs for Canada were obtained from Canada Customs and Revenue Agency, *Customs Tariff: Departmental Consolidation 2000*. Tariffs for the EU were obtained from *Official Journal of the European Communities, L 278, Vol. 42,* Oct. 28, 1999 and the integrated tariff of the European Communities (TARIC), found at Internet address *http://www.taric.com/scripts/eNetTaric.dll/home?c=.* Tariffs for Japan were obtained from Japan Tariff Association, *Customs Tariff Schedules of Japan 2000*.

Table P-2
Pet food: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
Dog and cat food: 2309.10 Pet food	Mexico	36%	13%	NAFTA (3%)
	Colombia	97%[2]	20%[2, 3]	Andean (Free)
	China[4]	15%	27%	
	Venezuela	118%[2]	20%[2, 3]	Andean (Free)
	Argentina	20%	17%	Mercosur (Free)
	Brazil	35%	17%	Mercosur (Free)
	Poland	67%[2]	67%[2]	CZ (Free)
	Philippines	40%	5%	
	Russia	([5])	25% bnlt i 0.2/kg	
	Korea	18%	5%	
	Taiwan	([5])	5%	
	Hungary	6.4%	6.4%	EU, CZ, SK, SL, RO, BG, GSP (Free)
Other pet and animal food: 2309.90 Other animal feed	Mexico	36%	3%-23%	NAFTA (Free-6%)
	Brazil	13.5%-35%	5%-17%	Mercosur (Free)
	China[4]	5%-7%	5%-7.8%	
	Taiwan	([5])	Free	
	Argentina	20%	5%-17%	Mercosur (Free)
	Korea	4.2%-18%[2]	5%[2]	

[1] Selected preferential tariffs in table P-2 do not include preferential rates for products subject to a TRQ.
[2] Certain products in this subheading are subject to a TRQ and are included in table P-3.
[3] Certain products are subject to the yellow corn price band, whereby an additional duty is added to the MFN tariff on the basis of movements in international prices. See chapter 13 for details.
[4] Tariff rates for China are those provided in the U.S.-China WTO Accession Agreement. 2000 MFN applied tariffs are the tariffs provided in the Agreement that are binding as of Jan. 1, 2000, while final bound tariffs are those that are binding as of Jan. 1, 2004.
[5] Final bound rates are not applicable for markets that are not WTO members.

Table P-2—*Continued*
Pet food: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

Sources: Tariffs for developing and other potential markets were collected from numerous sources. All bound tariff rates were obtained from World Trade Organization (WTO), *The Results of the Uruguay Round*, CD-ROM, 1996. Tariffs for Latin American countries were obtained from the Free Trade Area of the Americas (FTAA) Hemispheric Trade and Tariff Database, found at Internet address *http://alca-ftaa.iadb.org/eng/NGMADB_E.HTM.* Tariffs for several Asian markets were obtained from the Asia Pacific Economic Cooperation (APEC) Tariff Database, found at Internet address *http://www.apectariff.org*. Tariffs for Korea were obtained from Korea Customs Research Institute, *Tariff Schedules of Korea 2000*. Tariffs for China are those found in Embassy of the United States of America, Beijing, *Agreement on Market Access Between the People's Republic of China and the United States of America*, Nov. 15, 1999. Tariffs for India were obtained from D.N. Kohli, *Customs Tariff of India: 2000-2001 Budget Edition* (New Delhi, India: Cen-Cus Publications, 2000). NAFTA tariffs for Mexico were obtained from USDA, FAS, *Mexico's NAFTA Tariff Schedule for 2000*, Mexico City, GAIN Report No. MX0044, Mar. 31, 2000. Tariffs for Hungary were obtained from Internet address *http://www.vaminfo.hu/tariffnet/default.php*. Tariffs for Poland were obtained from Internet address *http://www.clo.skg.pl/taryfa/taryfa.asp.* Tariffs for Russia were obtained from 2000 Russian Tariff Schedule. Other tariffs were obtained from the United Nations Conference on Trade and Development (UNCTAD), Trade Analysis and Information System (TRAINS) CD-ROM, 2001.

Table P-3
Pet food: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
EU	Animal feed preparations[3]	20,000	<1	<1	<1	FC	2309.90.31	Free	**i** 23/t
							2309.90.41	Free	**i** 55/t
	Animal feed preparations[4]	100,000	12	33	29	FC	2309.90.31	Free	**i** 23/t
							2309.90.41	Free	**i** 55/t
	Animal feed preparations[5]	2,800	100	100	100	LD	2309.90.31	7%	**i** 23/t
							2309.90.41	7%	**i** 55/t
							2309.90.51	7%	**i** 102/t
Colombia	Pet food	59	100	100	100	LD	2309.10	20%	20%
Korea	Milk replacer	515.5	99	([6])	([6])	LD	2309.90.10.91	5.5%	74.2%
	Supplemental animal feed	3,429.8	100	([6])	([6])	LD	2309.90.20.10	5%	52.8%
							2309.90.20.20	5%	52.8%
							2309.90.20.99	5%	52.8%
							2309.90.90.00	5%	52.8%
Poland	Animal feed	69,800	100	100	100	AT	2309	67%	67%
Venezuela	Animal feed	2,254	100	100	100	AT	2309	20%	20%

[1] TRQ group refers to the description of products provided for in each country's notification of TRQ commitments as reported to the WTO.
[2] The WTO Secretariat has the following categories of TRQ administration methods that are applicable to pet food:

FC-First-come, first-served; no shares are allocated until the quota is filled.
LD-Licenses on demand, generally on a first-come, first-served basis.
AT-Applied tariffs; no shares allocated to imports that are allowed to supply unlimited quantities at the in-quota rate (within the quota).

[3] Animal feed preparations are defined as preparations containing a mix of malt sprouts and barley screening before the malting process (possibly including other seeds) with barley cleanings after the malting process and containing, by weight, at least 12.5 percent or more of protein (for 2309.90.31) or at least 12.5 percent or more of protein and not more than 28 percent starch (for 2309.90.41).
[4] Animal feed preparations are defined as preparations containing a mix of malt sprouts and barley screenings before the malting process (possibly including other seeds) with barley cleanings after the malting process and containing, by weight, at least 15.5 percent or more of protein (for 2309.90.31) or at least 15.5 percent or more of protein and not more than 23 percent starch (for 2309.90.41).
[5] Animal feed preparations are defined as preparations containing, by weight, less than 10 percent milk products and less than 10 percent by weight of starch (2309.90.31) or between 10 percent and 30 percent by weight of starch (2309.90.41), or over 30 percent by weight of starch (2309.90.51).
[6] Not available.

Table P-3—*Continued*
Pet food: Tariff-rate quotas for the United States and major markets, 1998-2000

Sources: Product categories, TRQ quantities, and fill rates were obtained from the WTO Document Dissemination Facility, found at Internet address *http://docsonline.wto.org/gen_search.asp*. TRQ administration methods were obtained from WTO, Tariffs and Other Quotas: Background paper by the Secretariat AIE/SI/Rev. 1, May 26, 1998. Tariff rates were obtained from country tariff schedules.

Table P-4
Pet food: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market(s)	Products	Nature of measure
SPS barriers	Numerous (particularly EU and Central Europe)	Pet food (2309.10)	Potential for restrictions on the use of SRMs (specific risk materials) used in pet food, such as meat and bone meal, due to concerns over BSE ("mad cow disease"). Regulations concerning use of SRMs constantly changing.
	Australia	Pet food (2309.10)	Pet food imports that use poultry products could potentially be restricted due to the perceived risk of infectious bursal disease.
Technical barriers to trade (certification, registration)	Numerous (particularly Latin America)	Pet food (2309.10)	Extensive information required to register pet food products, including a detailed percentage breakdown of ingredients used. Requests often reveal proprietary information.
	Numerous	Pet food (2309.10)	Product standards, health certificates, and testing limits vary widely by country.
High taxes	Numerous, particularly Latin American and Caribbean countries	Pet food (2309.10)	High taxes are present in a number of Latin American markets, particularly Argentina, Brazil, and a number of Caribbean countries.

Sources: USITC staff interviews, Mar.-June 2001; USITC staff correspondence, Mar. 15, 2001.

APPENDIX Q
OTHER MISCELLANEOUS FOOD AND BEVERAGE PRODUCTS

Table Q-1
Other miscellaneous food and beverage products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
Coffee and tea: 0901.11 Coffee not roasted	United States	Free	1					
	Canada	Free	1					
	EU-15	Free	1					
	Japan	Free	1					
0901.21 Coffee roasted	United States	Free	1					
	Canada	Free	1					
	EU-15	7.5%	1					EUPREF (Free-1.5%); TR, AL, HR, BA, MK, YU, ACP, OCT, GSPE, GSPL (Free); GSP (ex. BR) (2.6%)
	Japan	12%	1					JPREF (10%); JLDC (Free)
0901.22 Coffee roasted, decaf	United States	Free	1					
	Canada	Free	1					
	EU-15	9%	1					EUPREF (Free-1.8%); MED (sel.), ACP, OCT, GSPE, GSPL (Free); GSP (ex. BR) (3.1%);
	Japan	12%	1					JPREF (10%); JLDC (Free)
0902.30 Tea, black fermented in tea bags and other	United States	Free	1					
	Canada	Free	2					
	EU-15	Free	1					
	Japan	12%-20% (17%)	3					JPREF (12%); JLDC (Free)

Table Q-1—*Continued*
Other miscellaneous food and beverage products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
2101.11 Coffee extracts, essences (instant)	United States	Free	2					
	Canada	Free	2					
	EU-15	9%	2					EUPREF[2] (numerous); BG (3.2%); ZA (3.7%); CH (pt.), LI (pt.), MX, ACP, OCT, GSPE, GSPL (Free); GSP (ex. AR, BR, TH) (3.1%)
	Japan	8.8%-24% (15%)	3					JPREF (pt.) (15%); JLDC (pt.) (Free)
2101.12 Coffee extracts, essences containing sugar	United States	8.5%[3]	1			([3])		NAFTA, A, E, IL, J, (Free)
	Canada	Free	1					
	EU-15	11.5%	1			9% plus EA	1	EUPREF[2] (pt.) (sel.) (Free-8.4% or EA); MED (ex. TR), GSPE (Free or EA); GSP (ex. AR, BR, TH) (8% or 6.3% plus EA); ACP, OCT, GSPL (Free)
	Japan	8.8%-29.8% (24%)[4]	8			([4])		JPREF (pt.) (15%); JLDC (pt.) (Free)

Table Q-1—*Continued*
Other miscellaneous food and beverage products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
2101.20 Tea extracts, essences containing sugar	United States	Free or 8.5%[3]	2			([3])		NAFTA, E, A* (pt.), A (pt.), IL, J (Free)
	Canada	Free	1					
	EU-15	6%	2			6.5% plus EA	1	EUPREF[2] (pt.) (sel.) (Free-2.2% or Free-4.4% plus EA); MED, ACP, GSP (ex. AR, BR, TH), GSPE (Free or EA); OCT, GSPL (Free)
	Japan	8%-29.8%[4] (16.8%)	6			([4])		JPREF (pt.) (8%); JLDC (pt.) (Free)
Spices: 0904.12 Pepper black crushed or ground	United States	Free	1					
	Canada	3%	1					NAFTA, CL, CCC, LDC, IL, GSP (Free)
	EU-15	4%	1					EUPREF (sel.), MED (sel.), ACP, OCT, GSP (ex. BR), GSPE, GSPL (Free)
	Japan	Free or 3%	2					JPREF, JLDC (Free)

Table Q-1—*Continued*
Other miscellaneous food and beverage products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
0904.20 Pepper other ground or crushed including, cayenne, paprika, red pepper	United States	Free-5¢/kg (3¢/kg)	6					CA, E, IL, J, A (pt.), A* (pt.) (Free); MX (Free-2.2¢/kg)
	Canada	Free or 3%	2					NAFTA, CL, CCC, IL, LDC, GSP (Free)
	EU-15	Free-9.6% (Free)	5					EUPREF (sel.), MED (sel.) (Free); ZA (Free-6.9%); GSP (ex. BR) (Free-8.1%); GSPE, ACP, OCT, GSPL (Free)
	Japan	Free-6% (Free)	4					JPREF, JLDC (Free)
0910.91 Other, spice mixtures	United States	1.9%	1					NAFTA, A, IL, J, E (Free)
	Canada	Free or 3%	2					NAFTA, CL, CCC, IL, LDC, GSP (Free)
	EU-15	Free-12.5%	2					ZA (2.1%); MX (3.2%); EUPREF (sel.), MED (sel.), ACP, OCT, GSPE, GSPL (Free); GSP (ex. BR) (4.3%);
	Japan	Free-3.6%	2					JPREF, JLDC (Free)

Table Q-1—*Continued*
Other miscellaneous food and beverage products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
0910.99 Origanum and other	United States	Free-3.4% (1.9%)	4					NAFTA, A, IL, E, J (Free)
	Canada	Free or 3%	2					NAFTA, CL, CCC, LDC, IL, GSP (Free)
	EU-15	Free-12.5% (Free)	3					ZA (2.1%); GSP (ex. BR) (4.3%); EUPREF (sel.), GSPE, ACP, OCT, MED (sel.), GSPL (Free)
	Japan	Free-3.6% (Free)	4					JPREF (pt.), JLDC (pt.) (Free)
Soups, sauces, and condiments: 2103.10 Soy sauce	United States	3%	1					A, E, J, IL, NAFTA (Free)
	Canada	9.5%	1					NAFTA, CL, CCC (Free); AU, NZ (7%)
	EU-15	7.7%	1					EUPREF[2] (sel.) (Free-6%); MED, ACP, OCT, GSPE, GSPL (Free); GSP (ex. AR, BR, TH) (5.3%)
	Japan	7.2%	1					JPREF (6%); JLDC (Free)
2103.30 Mustard	United States	Free	1	2.8¢/kg	1			A, E, J, IL, NAFTA (Free)
	Canada	3% or 9.5%	2					NAFTA, CCC, LDC (pt.), GSP (pt.), CL (Free)

Table Q-1—*Continued*
Other miscellaneous food and beverage products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
	EU-15	Free or 9%	2					EUPREF[2] (sel.) (Free-7%); MED, ACP, OCT, GSPE, GSPL (Free); GSP (ex. AR, BR, TH) (6.3%)
	Japan	7.5% or 9%	2					
2103.90 Other sauces and condiments	United States	Free-7.5% (6.4%)[5]	6			([5])		A, E, J, IL, NAFTA (Free)
	Canada	8%-11% (9.5%)	3					NAFTA, LDC (pt.), GSPL (pt.), IL, CL (Free); AU (pt.), NZ (pt.) (5.5%-7%)
	EU-15	Free-7.7%	3					EUPREF[2] (Free-7%); MED, ACP, OCT, GSPE, GSPL (Free); GSP (ex. AR, BR, TH) (5.3%)
	Japan	7.2%-12.8% (10.5%)	6					JPREF (pt.) (6%); JLDC (pt.) (Free)
2104.10 Soups	United States	3.2%	1					A, E, IL, J, NAFTA
	Canada	6%	1					NAFTA, CCC, IL (Free); CL (6%)
	EU-15	11.5%	2					EUPREF[2] (Free-11%) MED (sel.), ACP, OCT, GSPE, GSPL (Free); GSP (ex. AR, BR, TH) (8.5%)
	Japan	7%-8.4%	2					JPREF (7%-8.4%); JLDC (Free)

Table Q-1—*Continued*
Other miscellaneous food and beverage products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
2209.00 Vinegar	United States			0.5¢/proof liter	1			A, E, IL, J, NAFTA (Free)
	Canada	9.5%	1					NAFTA, CCC, LDC, GSP (Free)
	EU-15			**i** 3.84/hℓ- **i** 6.4/hℓ	4			
	Japan	7.5%	1					JPREF (4.8%); JLDC (Free)
Other food products: 1206.00 Sunflower seeds	United States	Free	1					
	Canada	Free	1					
	EU-15	Free	3					
	Japan	Free	1					
2104.20 Other homogenized preparations	United States	2.5%	1					A, E, IL, J NAFTA (Free)
	Canada	11%	1					NAFTA, CCC, LDC, IL, CL (Free); GSP (6%)
	EU-15	14.1%	1					EUPREF[2] (sel.) (5.3%-8.7%); MED, ACP, OCT, GSPE, GSPL (Free); GSP (ex. AR, BR, TH) (9.1%)
	Japan	12%	1					JPREF (9.6%); JLDC (Free)
2106.90 Other edible preparations	United States	4.8%-6.4% (6.4%)[3, 4, 6]	3	13.1¢/kg or 7.85¢/ℓ[3, 4, 6]	5	4.2¢/kg-17¢/kg plus 1.9%[3, 4]	3	A, E, IL, J, NAFTA (Free, pt.)
	Canada	Free-10.5% (8%)[4]	9	([4])		C$0.70/ℓ plus 19%[4]	1	NAFTA (pt.) (Free); AU (pt.), NZ (pt.) (8%), CL (pt.) (Free-10%)

Table Q-1—*Continued*
Other miscellaneous food and beverage products: Tariff rates for the United States and other major developed markets, 2000

HS item/product description	Market	2000 applied MFN tariff ranges						2000 selected preferential tariffs[1]
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs		
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines	
	EU-15	12.8%	1	i 0.4/100kg- i 42.7/100kg	4	8.3% plus i 78.3/100kg OR 17.3% MIN i 1%/vol hl OR 9% plus EA	3	EUPREF (sel.), MED (sel.), ACP, GSP, GSPE (numerous); OCT, GSPL (Free)
	Japan	Free-29.8% (21.3%)[4, 5]	22	¥76.50/kg[4, 5]	1	52.5% or ¥49.70/kg, whichever is greater OR 29.8% or ¥23/kg, whichever is greater[4]	3	JPREF (pt.) (Free-20%); JLDC (pt.) (Free)

[1] Selected preferential tariffs in table Q-1 do not include preferential rates for products subject to a TRQ.
[2] Certain countries receive preferential TRQs.
[3] Certain items in this subheading are subject to TRQs on sugar and are included in table G-3.
[4] Certain items in this subheading are subject to TRQs on dairy products and are included in table F-3.
[5] Certain items in this subheading are subject to TRQs and are included in table Q-3.
[6] The rate applied for juices of any single fruit or vegetable or mixtures of juices are the same applied to natural juices found in HS 2009.

Sources: Tariffs for the United States were obtained from USITC, *Harmonized Tariff Schedule of the United States (2000)*, USITC Publication 3249 (rev. 3) (Washington, DC: U.S. Government Printing Office, 2000). Tariffs for Canada were obtained from Canada Customs and Revenue Agency, *Customs Tariff: Departmental Consolidation 2000*. Tariffs for the EU were obtained from *Official Journal of the European Communities, L 278, Vol. 42,* Oct. 28, 1999 and the integrated tariff of the European Communities (TARIC), found at Internet address *http://www.taric.com/scripts/eNetTaric.dll/home?c=.* Tariffs for Japan were obtained from Japan Tariff Association, *Customs Tariff Schedules of Japan 2000*.

Table Q-2
Other miscellaneous food and beverage products: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
Coffee and tea: 0901.11 Coffee not roasted	Mexico	36%	23%	NAFTA, CL (Free); BO (14%)
	Korea	54%	2%	
	China[2]	20%	20%	
	Taiwan	([3])	4.5%	
	Saudi Arabia	([3])	12%	
	Israel	3.4%	3.7%	US (Free)
0901.21 Coffee roasted	Mexico	72%	72%	NAFTA (6%)
	Korea	29.5%	8%	
	China[2]	30%	35%	
	Taiwan	([3])	4.5%	
	Saudi Arabia	([3])	12%	
	Israel	3.4%	3.7%	US (Free)
	India	150%	15%	
0901.22 Coffee roasted decaf	Mexico	72%	72%	NAFTA (6%)
	Korea	29.5%	8%	
	China[2]	30%	35%	
	Taiwan	([3])	9%	
	India	150%	15%	
0902.30 Tea black fermented	Korea	60.7%	40%	
	Mexico	72%	23%	NAFTA, CL (Free)
	Argentina	35%	13%	Mercosur (Free)
	Israel	6.8%	Free	
	Taiwan	([3])	25%	
	India	150%	15%	
	China[2]	15%	30%	

Table Q-2—*Continued*
Other miscellaneous food and beverage products: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
2101.11 Coffee extracts, essences (instant)	Korea	([4])	8%	
	Mexico	([4])	141%	NAFTA, CL (Free)
	Israel	([4])	Free	
	Saudi Arabia	([3])	12%	
	Australia	([4])	Free	
	Taiwan	([3])	10%	
	China[2]	50%	50%	
	India	([4])	35%	
2101.12 Coffee extracts, essences containing sugar	Mexico	([4])	141%	NAFTA, CL (6%)
	Venezuela	([4])	20%	Andean (Free)
	Israel	([4])	Free	
	Taiwan	([3])	10%	
	Korea	([4])	8%	
	China[2]	50%	50%	
	India	([4])	35%	
2101.20 Tea extracts, essences containing sugar	Mexico	$0.32/kg bnlt 140.4%	23%	NAFTA (6%); CL (Free)
	Philippines	40%	10%	
	Venezuela	40%	20%	Andean (Free)
	Thailand	40%	30%	
	Israel	4%	Free or NIS 0.36/kg	
	China[2]	50%	50%	
	India	150%	35%	

Table Q-2—*Continued*
Other miscellaneous food and beverage products: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
Spices: 0904.12 Pepper black crushed or ground	Mexico	36%	23%	NAFTA, CL, BO, CR (Free)
	Korea	19.7%	8%	
	Saudi Arabia	([3])	12%	
	Australia	Free	Free	
	Taiwan	([3])	28%	
0904.20 Pepper other cayenne, paprika, red ground or crushed	Mexico	36%	23%	US (3.3¢/kg); Canada (Free)
0910.91 Spice mixtures	Mexico	36%	23%	NAFTA, CL (Free)
	Brazil	35%	13%	Mercosur (Free)
	Venezuela	40%	10%	Andean (Free)
0910.99 Origanum	Mexico	36%	23%	NAFTA, CL, CR (Free)
	Korea	19.7%	8%	
	Thailand	27% plus B3.78/kg	30% plus B4.20/kg	
Soups, sauces, and condiments: 2103.10 Soy sauce	China[2]	30%	30%	
	Taiwan	([3])	Free-20%	
	Korea	54%	8%	
2103.30 Mustard	Mexico	37%	23%	NAFTA (Free)
	Korea	54%	8%	
	Taiwan	([3])	NT$9/kg or 15%, whichever is higher	
	China[2]	20%	20%	
	Argentina	35%	19%-21%	Mercosur (Free)
	Chile	25%	9%	

Table Q-2—*Continued*
Other miscellaneous food and beverage products: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
2103.90 Other sauces and condiments	Mexico	37% or $0.27/kg bnlt 117%	23%	NAFTA (6%)
	Colombia	90%	20%	
	China[2]	30%-60%	30%-60%	
	Argentina	22%	19%-21%	Mercosur (Free)
	Brazil	22%	19%-21%	Mercosur (Free)
	Egypt	45%	30%	
	Israel	25%-112%	12%	EU (Free-8%); US, CA (Free)
	Taiwan	([3])	15%-42%	
2104.10 Soups and broths	Mexico	37%	13%	NAFTA (Free)
	China[2]	15%	39%	
	Taiwan	([3])	25%	
	Venezuela	40%	20%	
	Argentina	22%	19%-21%	Mercosur (Free)
	Brazil	22%	19%-21%	Mercosur (Free)
	India	55%	35%	
	Korea	18%	22.8%-30%	
2209.00 Vinegar	Mexico	37%	30%	NAFTA (Free)
	Korea	8%	8%	
	Brazil	35%	23%	Mercosur (Free)
Other food products: 1206.00 Sunflower seeds	Mexico	36%	Free	
	China[2]	Free-15%	Free-15%	
	Turkey	Free-27%	Free-28.5%	
	Hungary	Free	Free	
2104.20 other homogenized preparations	Mexico	37%	13%	NAFTA (Free)
	Korea	54%	30%	

Table Q-2—*Continued*
Other miscellaneous food and beverage products: Tariff rates for major developing and other markets with the potential for expanded U.S. exports, 2000

HS item/product description	Market	Final bound tariffs	2000 MFN applied tariffs	2000 selected preferential tariffs[1]
2106.90 Other edible preparations	Mexico	22.5%-37% OR $0.165/kg bnlt 71% OR $0.36/kg bnlt 156%	13%-23% OR Free-15% plus $0.39586/kg	NAFTA (Free-4.5%)
	China[2]	10%-60%	10%-60%	
	Korea	22.9%-54%[5]	8%-30%[5]	
	Argentina	22%	17%-21%	Mercosur (Free)
	Brazil	22%-35%	17%-21%	Mercosur (Free)
	India	60%	35%-170%	
	Egypt	15%-30%	5%-30%	
	Israel	15%-120%	Free-19.7% OR NIS 0.11/kg-NIS 19.5/kg plus 10%-19.7%	EU (pt.), USA (pt.) (Free)
	Taiwan	([3])	1.25%-50%	

[1] Selected preferential tariffs in table Q-2 do not include preferential rates for products subject to a TRQ.
[2] Tariff rates for China are those provided in the U.S.-China WTO Accession Agreement. 2000 MFN applied tariffs are the tariffs provided in the Agreement that are binding as of Jan. 1, 2000, while final bound tariffs are those that are binding as of Jan. 1, 2004.
[3] Final bound rates are not applicable for markets that are not WTO members.
[4] Subheading was not broken out at the time of Uruguay Round binding.
[5] Certain products in this subheading are subject to a TRQ and are included in table Q-3.

Sources: Tariffs for developing and other potential markets were collected from numerous sources. All bound tariff rates were obtained from World Trade Organization (WTO), *The Results of the Uruguay Round*, CD-ROM, 1996. Tariffs for Latin American countries were obtained from the Free Trade Area of the Americas (FTAA) Hemispheric Trade and Tariff Database, found at Internet address *http://alca-ftaa.iadb.org/eng/NGMADB_E.HTM*. Tariffs for several Asian markets were obtained from the Asia Pacific Economic Cooperation (APEC) Tariff Database, found at Internet address *http://www.apectariff.org*. Tariffs for Korea were obtained from Korea Customs Research Institute, *Tariff Schedules of Korea 2000*. Tariffs for China are those found in Embassy of the United States of America, Beijing, *Agreement on Market Access Between the People's Republic of China and the United States of America*, Nov. 15, 1999. Tariffs for India were obtained from D.N. Kohli, *Customs Tariff of India: 2000-2001 Budget Edition* (New Delhi, India: Cen-Cus Publications, 2000). NAFTA tariffs for Mexico were obtained from USDA, FAS, *Mexico's NAFTA Tariff Schedule for 2000*, Mexico City, GAIN Report No. MX0044, Mar. 31, 2000. Tariffs for Hungary were obtained from Internet address *http://www.vaminfo.hu/tariffnet/default.php*. Tariffs for Poland were obtained from Internet address *http://www.clo.skg.pl/taryfa/taryfa.asp*. Tariffs for Russia were obtained from 2000 Russian Tariff Schedule. Other tariffs were obtained from the United Nations Conference on Trade and Development (UNCTAD), Trade Analysis and Information System (TRAINS) CD-ROM, 2001.

Table Q-3
Other miscellaneous food and beverage products: Tariff-rate quotas for the United States and major markets, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
United States	Mixed condiments	689	25	32	([3])	FC	2103.90.74-.76	7.5%	30.5¢/kg plus 6.4%
Korea	Ginseng[4]	46.7	43	([3])	([3])	PG	2106.90.3021	20%	787.8%
							2106.90.3029	20%	787.8%
Japan	Wheat and wheat products[5]	5,700,000	100	100	100	ST	2106.90.2140-.2151	25%	¥85/kg
	Barley and barley products[5]	1,369,000	100	100	100	ST	2106.90.2162-.2195	25%	¥64/kg
	Rice and rice products[5]	758,000	100	100	100	ST	2106.90.5172-.5183	25%	¥341/kg

[1] TRQ group refers to the description of products provided for in each country's notification of TRQ commitments as reported to the WTO.
[2] The WTO Secretariat has the following categories of TRQ administration methods that are applicable to other miscellaneous food and beverage products:

FC-First-come, first-served; no shares are allocated until the quota is filled.
ST-Imports undertaken by state-trading entities that allocate quota entirely or mainly to a producer group.
PG-Import shares are allocated to producer groups or associations, which control imports of the product.

[3] Not available.
[4] This category also includes products found under HS 1211 that are outside the scope of this study.
[5] This category also includes products found in Chapter 11 and Chapter 19 of the Harmonized Tariff Schedule, details of which can be found in table K-3 and table L-3.

Sources: Product categories, TRQ quantities, and fill rates were obtained from the WTO Document Dissemination Facility, found at Internet address *http://docsonline.wto.org/gen_search.asp.* TRQ administration methods were obtained from WTO, Tariffs and Other Quotas: Background paper by the Secretariat AIE/SI/Rev. 1, May 26, 1998. Tariff rates were obtained from country tariff schedules.

Table Q-4
Other miscellaneous food and beverage products: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Taxes	Brazil	All coffee imports	Numerous taxes, levies, and fees are applied to U.S. products. These additional charges differ from port to port in Brazil.
Labeling	Chile	Mustard (2103.30)	Label on mustard in Chile must specify all spices used in descending order, which can reveal proprietary information.
Food standards	Mercosur	Mustard (2103.30), mint sauce (2103.90)	Certain food additives and colorings are banned in Mercosur, although the application of these restrictions varies by market.
NAFTA rules of origin	Mexico	Roasted coffee	The National Coffee Association (NCA) argues that the NAFTA rules of origin are too restrictive in not allowing U.S. roasted coffee shipments from receiving preferential NAFTA duties in Mexico.
Safeguard quota	Mexico	Soluble coffee	The NCA views the safeguard quota as protecting the domestic Mexican industry from U.S. shipments of coffee extracts and essences (soluble coffee).
Import licenses	Mexico	Certain coffee products	The NCA stated that a TRQ on coffee products is administered by the Mexican Government agency SECOFI and the Mexican Coffee Association, which issue import licenses to the domestic industry based on domestic production and market clearing criteria. NCA also states that the TRQ is non-transparent.

Sources: USITC staff interview with Chilean importer, June 4, 2001; Robert F. Nelson, President & Chief Executive Officer, National Coffee Association of U.S.A., Inc., written submission to the Commission, Feb. 15, 2001; USITC staff interview with U.S. industry representative, June 4, 2001.

APPENDIX R
SUMMARY OF HEARING TESTIMONY

Summary of Hearing Testimony and Written Submission
Sarah Fogarty
Director, International Trade
The Grocery Manufacturers of America (GMA)

Ms. Fogarty testified about the impact of tariff and non-tariff barriers to trade in the processed food industry. She stated that over the past decade U.S. processed food exports have grown from 20 percent to 33 percent of total U.S. agricultural exports. Furthermore, processed foods create more economic activity than bulk foods. Every dollar in exports of processed foods generates $1.57 in economic activity and each $1 billion in exports supports 16,700 jobs. Comparatively, the same numbers for bulk foods are $0.81 and 12,700 respectively.[1] She discussed the Pringles plant in Tennessee, noting the number of jobs created, its large consumption of potato flakes, cotton seed and soybean oil, and the fact that, "the Tennessee plant exports one out of every three cans it makes."[2]

Ms. Fogarty noted that significant tariffs and non-tariff barriers impede trade in processed foods: "On average, tariffs in the processed food and beverage sector are among the highest of any sector. Although tariffs vary by product and country, tariffs in this sector are often 40 percent and sometimes exceed 100 percent."[3] Non-tariff barriers that hamper U.S. exports of processed foods include excessive export certificate requirements, diverse mandatory labeling requirements, and unscientific fortification standards. For example, Chile and Canada ban fortified breakfast cereal products made in the United States. The regulations with respect to the ban, however, are not science based. A wide variety of mandatory labeling schemes for biotechnology products hinder U.S. exports of processed foods. In addition to these barriers, Ms. Fogarty also stated that policies within the United States, such as the sugar program, reduce the competitiveness of U.S. processed food exports.

Lastly, Ms. Fogarty testified that the GMA supports trade negotiations that will lead to the reduction of trade barriers and improved market access for U.S. exports. The GMA supports tariff reduction, elimination of tariff-rate quotas and export subsidies, and further efforts to address non-tariff barriers to trade.

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[1] Sarah Fogarty, Director, International Trade, GMA, testimony before the USITC, May 22, 2001, transcript, p. 9.

[2] Ibid.

[3] Ibid., p. 10.

Summary of Hearing Testimony and Written Submission
Peggy Rochette
Senior Director of International Policy
National Food Processors Association (NFPA)

Ms. Rochette testified about the impact of non-tariff barriers on trade in processed food products. These barriers include regulatory standards that are not science based, lack of transparency, excessive documentation, ingredient restrictions, and import procedures. She explained that in the area of transparency many U.S. exporters are losing export sales because of last minute regulatory changes in foreign markets, despite the Uruguay Round Agreement's requirement for adequate notification of regulatory changes. Ms. Rochette stated that excessive documentation is a barrier to trade. "FDA officials recently estimated that the average export shipment of processed food products requires over 40 separate documents."[1]

Ms. Rochette expressed concern over labeling, which includes origin labeling, processed based labeling for biotechnology, and percentage ingredient labeling. Labeling requirements for each country are different, with some countries requiring specific language or symbols, all of which are costly and require extensive tracking and record keeping. Shelf-life standards, particularly in the Middle East, are another barrier to trade. Countries in this region place shelf-life standards far below the standards set by manufacturers. Ms. Rochette noted that, ". . . in the U.S. thermally processed baby food has a safe shelf life of 24 months. One Middle East nation deemed six months as an acceptable shelf life for baby food prohibiting sale unless three months of the shelf life remains."[2]

Lastly, Ms. Rochette testified about ingredient restrictions hindering trade in the processed food sector. Countries restrict the use of certain ingredients in some food products but allow them in other food products: ". . . additives that may be approved for snack foods; may not be approved for sweet biscuits."[3] She concluded that these barriers to trade are costly for manufacturers and consumers, and, ". . . discourage food companies from entering the export market and block specific products from certain markets."[4]

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[1] Peggy Rochette, Senior Director of International Policy, NFPA, testimony before the USITC, May 22, 2001, transcript, p. 15.

[2] Peggy Rochette, Statement of the NFPA, May 22, 2001, p. 6.

[3] Ibid., p. 8.

[4] Ibid.

Summary of Hearing Testimony and Written Submission
Patrick Nielson
Vice President, International Legal and Regulatory Affairs
Dole Food Company, Incorporated

Mr. Nielson testified that Dole Food Company is the largest producer and marketer of fresh fruit and vegetables in the world. Dole also markets flowers and processed food products, which include processed tropical fruit, fruit salad, pure pineapple juices, salads, and value added cut vegetables. The company has operations in the United States and in many other countries.

Mr. Nielson noted that high tariffs, quotas, and phytosanitary barriers are major impediments to Dole's worldwide trading activities. Dole pays about $100 million in tariffs annually, an amount equal to one-fiftieth of the company's total annual revenue. One area of particular concern to Dole is tariff escalation on pineapples and processed pineapple products, the company's hallmark product. For efficiency and cost reasons, Dole grows and processes pineapple primarily in developing countries. Major developed countries, including the United States, the EU, Japan, and Korea, however, maintain higher tariffs on processed pineapple products than on raw pineapples (tariff escalation), which, according to Mr. Nielson, penalizes the efficient pineapple processing that occurs in developing countries. The results are, "decreased efficiencies, increased costs, higher consumer costs and smaller returns to workers and investors. Tariff escalation perpetuates discrimination to locate and invest in processing operations in developing countries."[1] Mr. Nielson indicated that tariff escalation raises costs and lowers profits on Dole's operations in the United States which in turn limit activity in such areas as investment, food technology, and research and development. Mr. Nielson urged the United States to seek a reduction in tariffs on raw pineapple products and a reduction in the tariff escalation on processed pineapple products in the ongoing agricultural negotiations.

[1] Patrick Nielson, Vice President, International Legal and Regulatory Affairs, Dole Food Company Incorporated, testimony before the USITC, May 22, 2001, transcript, p. 24.

Summary of Hearing Testimony and Written Submission
Janet Nuzum
Vice President and General Counsel
International Dairy Foods Association (IDFA)

Ms. Nuzum testified that subsidies, tariffs, and non-tariff barriers impede trade in processed dairy foods. Although the U.S. dairy food industry has not historically been export-oriented, in recent years it has begun to focus more on export markets, where opportunities for growth are greater than in the United States.

Ms. Nuzum identified the U.S. sugar program as a trade barrier for U.S. dairy food producers. She noted that, "[dairy product] manufacturers use sugar and other sweeteners as an ingredient in many dairy foods. These processors and manufacturers are significantly disadvantaged by the U.S. sugar program that artificially restricts foreign supply and increases the cost of sugar in the U.S. market to two to three times the world market price."[1] By virtue of extensive domestic and export subsidies for the dairy sector in the EU, the EU accounts for the largest share of world dairy trade. Absent these dairy export subsidies, the U.S. dairy industry has little chance of obtaining a larger share of export markets.

Ms. Nuzum stated that most countries have high tariffs on dairy products. Tariff-rate quotas on dairy products are prevalent in many countries; in many instances the over-quota tariff rate is prohibitive. U.S. dairy product exports are also impeded by a variety of non-tariff barriers, including unreasonable packaging and labeling requirements, pre- and post-shipment testing and inspections, mandatory recipe and manufacturing information, shipments held at port of entry for lab testing or other sanitary examinations, unreasonably short shelf-life provisions, and limitations on international approved colors and food additives.

The IDFA believes that multilateral trade negotiations in the WTO provide the best and most important opportunity to strengthen international trade rules, reduce trade barriers, and open markets for U.S. dairy products.

[1] Janet Nuzum, Vice President and General Counsel, IDFA, testimony before the USITC, May 22, 2001, transcript, p. 31.

Summary of Hearing Testimony and Written Submission
Ken Klippen
Vice President and Executive Director of Government Relations
United Egg Producers and United Egg Association

Mr. Klippen testified about the impact of tariffs, export subsidies, and non-tariff barriers on trade in eggs. Although the United States is the third largest producer of eggs in the world, U.S. egg product exports have fallen by 27.3 percent and U.S. exports of table eggs have fallen by 54.8 percent since 1997. One of the primary reasons for this export decline is the loss of markets to subsidized exports, principally from the EU. High tariffs also hinder U.S. egg exports. "The mean ad valorem equivalent level of tariff barrier for all egg categories ranges globally from zero in Hong Kong to 18 percent in Japan, 22 percent in the European Union and 189 percent in non-EU western Europe."[1] Countries in southern Asia, Sub-Saharan Africa, and some non-EU western European countries have tariffs which effectively exclude U.S. eggs and egg products.

Non-tariff barriers hinder U.S. exports of eggs and egg products to the EU. These barriers include discriminatory labeling requirements, regulations involving egg washing, and caramel coloring in the inedible egg and other denaturants. According to Mr. Klippen, ". . . the denaturant issue alone plus lost sales costs the industry $6.66 million per year."[2]

In addition, Mr. Klippen explained that the U.S. Export Enhancement Program, which subsidized U.S. egg exports to certain markets between 1989 and 1993, ceased its support for table egg exports in 1995. This led to a decrease in table egg exports to Hong Kong and the United Arab Emirates because U.S. exporters were no longer able to compete with subsidized egg exports from the EU. In closing, Mr. Klippen reiterated that non-tariff barriers, export subsidies, and other barriers to trade are costly to the U.S. egg sector.

[1] Ken Klippen, Vice President and Executive Director of Government Relations, United Egg Producers and United Egg Association, testimony before the USITC, May 22, 2001, transcript, p. 39.

[2] Ibid., p. 42.

Summary of Hearing Testimony and Written Submission
Leonard Condon
Vice President for International Trade
American Meat Institute (AMI)

Mr. Condon testified about the impact of tariff and non-tariff barriers on trade in meat. Tariffs on meat in most countries are high. These tariffs significantly restrict global trade in meat. Mr. Condon noted that the European Union, ". . . protects its beef market with an in quota tariff of 20 percent on a limited quantity of frozen boneless beef. Quantities imported over that threshold must pay a duty from 132 to 177 percent. Switzerland charges 35 percent for a limited quota of fresh chilled beef and 376 percent on amounts in excess of the quota. Israel applies an in quota duty of 120 percent and an over quota tariff of 190 percent. Incredibly, Norway applies an in quota duty of 296 percent for frozen boneless beef and an over quota rate of 785 percent."[1]

Mr. Condon indicated that non-tariff barriers also restrict U.S. meat exports. These barriers include public health meat inspection requirements and sanitary requirements. He stated that the AMI has urged the new Administration to seek the global elimination of tariffs on meat in the next round of global trade talks.

[1] Leonard Condon, Vice President for International Trade, AMI, testimony before the USITC, May 22, 2001, transcript, p. 47.