IMPACTS OF THE DOHA ROUND ON KOREA’S AGRICULTURAL TARIFF PROFILE

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Keywords
tariff, tiered formula, modality, market access, Doha Round, Korea

Abstract
The purpose of this paper is to simulate the proposed modality in market access and estimate its potential impacts on Korea’s tariff profile. By accommodating a tiered formula for tariff reduction, the modality attempts to harmonize tariffs across products and countries. When no flexibility in tariff cuts is taken into account, Korea would face up to 68 percent reduction in tariffs in an average term (the baseline). The provision of sensitive products in which the tariff cuts are allowed to deviate from the tiered formula by two-thirds at a maximum is likely to bring about 11 percentage points of maximum tariff saving effects compared with the baseline case. Besides, Korea would be able to maximize savings in tariff reductions by 25 percentage points by designating special products. It is therefore crucial for the country to secure the right to use the provision of special products as a developing member country. Finally, it is shown that tariff cuts for tropical products would be a stiff challenge since they include many important products including rice, red pepper, Korean citrus and sesame oil.

Ⅰ. Introduction

Major achievements of the Uruguay Round Agreement on Agriculture (URAA) include the abolishment of quantitative barriers to agricultural trade and multilateral disciplines on domestic agricultural policies (Josling 2003). In addition,
the Article 20 of the URAA provides a mandate to continue the process of fundamental reform in terms of substantial progressive reduction in support and protection.

The agricultural negotiations which started from 2000 on the basis of this mandate were further stimulated by the launch of the Doha Development Agenda (DDA), or the Doha Round, in the next year. The Doha Ministerial Declaration confirmed the commitment toward comprehensive negotiations aiming at substantial improvements in market access, gradual reduction of all forms of export subsidies, and substantial reductions in trade-distorting domestic support (WTO 2001).

Despite intensive work for negotiations, the DDA has not come to an end (as of mid-March 2008). The July Framework Agreement adopted in 2004 paved the way for continued negotiations and revitalization of the round after a series of unsuccessful efforts to agree on modalities. But the July package contained only directions and principles for reducing support and protection. A couple of significant agreements came out during the Hong Kong Ministerial Conference in 2005. At the meeting, WTO ministers agreed to eliminate export subsidies by 2013 and allowed duty-free and quota-free imports from the Least Developed Countries (LDC).

The first draft of agricultural modality in 2007, which was circulated by Falconer, the chairperson of the agricultural negotiations, gathered a momentum for a serious engagement in the negotiations by member countries. This was made possible because it suggested formulas for reducing tariffs and trade-distorting subsidies. Nevertheless, the text lacked full details of thorny issues, including special products and a special safeguard mechanism for the developing countries, and other fringe topics.

Despite having more than 200 parentheses or options to resolve the revised text in early 2008, the first draft comprehensively deals with pending issues and provides a basis for concluding the talks. It tables workable rules on three pillars, market access, domestic support and export competition such that member countries are able to weigh the balance of commitments and the extent of reforms to make.

Previous studies have extensively covered market access issues raised during the agricultural negotiations (Lim et al. 2006a; Lim et al. 2006b; Suh et al. 2007; Suh and Lim 2005). But they were largely limited to descriptive and analytical approaches to on-going negotiations then. They were, therefore,
scenario analyses based on hypothetical tariff cutting formulas and criteria.

The purpose of this paper is to simulate the proposed formulas for cutting tariffs in the chair’s revised modality paper and estimate its potential effects on the tariff profile for Korea. In doing so, it analyzes core elements of market access and addresses strategic options that the country may consider to take.

II. A Summary of the Modality for Tariff Reductions

1. Tiered Formula for Tariff Cuts

The chair’s revised text for tariff cuts adopted the so-called tiered formula by which higher final bound tariffs are subject to larger reduction rates. This tiered approach is incorporated in part to harmonize tariff levels across products and countries as well.

Table 1 displays reduction rates for each range of bound tariffs. Developed countries reduce up to 73 percent of bound tariffs over a five-year period. The minimum average cut on tariffs is set at 54 percent. The special and differential treatment for developing countries includes 2/3 of the cut for developed countries over the implementation period of 8 years. The maximum overall average cut on tariffs is 36 percent for developing countries.

<table>
<thead>
<tr>
<th>Bound tariff (%)</th>
<th>Reduction rate (%)</th>
<th>Bound tariff (%)</th>
<th>Reduction rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 20</td>
<td>48~52</td>
<td>&lt; 30</td>
<td>32~35</td>
</tr>
<tr>
<td>20~50</td>
<td>55~60</td>
<td>30~80</td>
<td>37~40</td>
</tr>
<tr>
<td>50~75</td>
<td>62~65</td>
<td>80~130</td>
<td>41~43</td>
</tr>
<tr>
<td>75 &lt;</td>
<td>66~73</td>
<td>130 &lt;</td>
<td>44~49</td>
</tr>
</tbody>
</table>

Source: WTO (2008)

1 Among many issues in market access, this section is intended to address only those rules that are directly connected with tariff reductions. In other words, it excludes other market access issues such as tariff quota administration, methods to calculate domestic consumption, and special safeguards.

Tariff ceilings are not explicitly mentioned; but when more than 4 percent of tariff lines exceed the tariff level of 100 percent after tariff reduction commitment, the country should further expand tariff quota volumes. Many importing countries including Korea view this clause as indirect tariff ceilings.

2. Sensitive Products

A developed country is able to designate sensitive products up to 6 percent of dutiable tariff lines, while a developing country has the right to designate sensitive products up to 8 percent. Tariff cuts for sensitive products are allowed to deviate from the tiered reduction formula by one-third, one-half or two-thirds of the reduction. For example, when designated as a sensitive product, a bound rate of 270 percent for red pepper would be lowered to 144, 176, or 207 percent, respectively given the developed countries’ tiered rate of 70 percent.

In exchange for the allowed deviation from normal cuts, what’s required is to expand tariff quota expansion in terms of domestic consumption. Table 2 shows a positive relationship between the levels of deviation and tariff quota expansion. For example, the two-thirds deviations need up to 6 percent of domestic consumption as additional tariff quota.

<table>
<thead>
<tr>
<th>Deviation</th>
<th>Developed Countries</th>
<th>Developing Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/3</td>
<td>3.0 ~ 5.0</td>
<td>2.0 ~ 3.3</td>
</tr>
<tr>
<td>1/2</td>
<td>3.5 ~ 5.5</td>
<td>2.3 ~ 3.7</td>
</tr>
<tr>
<td>2/3</td>
<td>4.0 ~ 6.0</td>
<td>2.7 ~ 4.0</td>
</tr>
</tbody>
</table>

Source: WTO (2008)

3. Special Products

Developing countries have the right to self-designate special products on the basis of three criteria, food security, livelihood security and rural development and an illustrative list of indicators. It suggests minimum and maximum entitlements of 8 percent and 20 percent of tariff lines, respectively.
Table 3 summarizes rather complex treatment for special products. The minimum entitlement can be eligible for either no cut or some reductions. The rest special products are likely to be guided by 8 to 25 percent cuts.

Table 3. Treatment for Special Products

<table>
<thead>
<tr>
<th>Share of Tariff Lines (%)</th>
<th>Tariff Cut (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum 8</td>
<td>No cut or some cuts</td>
</tr>
<tr>
<td>Additional 6</td>
<td>8-15</td>
</tr>
<tr>
<td>Additional 6</td>
<td>12-25</td>
</tr>
</tbody>
</table>

Source: WTO (2008)

4. Other Issues

Other topics that have something to do with tariff reductions are the liberalization of trade in tropical products and tariff escalation. The text lists 94 tropical products at HS 6 digit levels. The number of tropical products is further expanded from the list of the Uruguay Round.

Table 4 describes two options for treatment of tropical products, which must be applied on top of the tiered formula application. Thresholds for bound tariffs are either 10 percent or 25 percent above which the tariff would be reduced by up to 85 percent and others are to be lowered to 0.

Table 4. Treatment for Tropical Products

<table>
<thead>
<tr>
<th>Option</th>
<th>Bound Tariff (%)</th>
<th>Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>≤ 25</td>
<td>Reduce to 0</td>
</tr>
<tr>
<td>2</td>
<td>25 &lt;</td>
<td>85 percent cut</td>
</tr>
<tr>
<td>2</td>
<td>&lt; 10</td>
<td>Reduce to 0</td>
</tr>
<tr>
<td>3</td>
<td>10 ≤</td>
<td>66-73 percent cut and tariffs in the top band will be reduced by tariff escalation tariff cut for the band raised by 2 percent.</td>
</tr>
</tbody>
</table>

Source: WTO (2008)

Regarding tariff escalation, the modality draft provides a list of primary and processed products. Their numbers are 23 and 65 at HS 4 or 6 digit levels,
respectively. Tariff cuts for the processed products fall in the next highest band in the tiered formula reduction. A reduction rate of a processed product in the top band is equal to either 1.3 times the cut or 6 points larger than the cut. But the resulting gap between the primary and processed products would be within 5 percentage points. The treatment for tariff escalation does not apply to sensitive products, and developing countries in a position to do so are encouraged to adopt this modality.

III. Characteristics of the Bound Tariffs

1. Tariff Landscape for Korea

Korea has 1,452 tariff lines at the HS 10 digit level. Rice is only non-tariffication product accounting for 16 tariff lines. There are 29 products with zero tariffs and the number of products over 100 percent of tariffs including rice accounts for almost 10 percent of the total tariff lines.

Figure 1 shows a snapshot of the current tariff structure. Maniocs have the highest tariff at 887 percent followed by pellets, groats and meal, and other cereals with 800 percent tariffs. Various Korean ginseng products are also protected by high tariffs of 754 percent. Other mega tariff products include sesame seeds, green and red beans, soya beans, sweet potatoes, ginger, sweet corn, starches, green tea, garlic and red pepper.

It is worth to note that Korea has the tariff quota (TRQ) system for 63 products whose imports are governed by the established quota and in-quota and out-of-quota tariffs. Covering 190 tariff lines, most TRQ products are regarded as sensitive products. Some of significant TRQ products include garlic, red pepper, onions, orange, ginseng, Korean citrus, milk powder, barley, green tea, starches, sesame seeds, soya beans, potatoes and pine nuts.

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3 For the case of developed countries, the cut rates become either 66~73 percent or 72~79 percent.
4 The 1,452 tariff lines are registered on the country’s Implementation Schedule. As such, the following analysis will be based on the established tariff lines. But Korea increased the number of tariff lines to 1,469 in 2007.
5 Some of significant TRQ products include garlic, red pepper, onions, orange, ginseng, Korean citrus, milk powder, barley, green tea, starches, sesame seeds, soya beans, potatoes and pine nuts.
that of out-of-quota rates is 335 percent. This sheds light on the fact that why TRQ products are deemed to be important in the trade talks.

Applied tariffs are generally equal to the bound tariffs such that there is no overhang tariff phenomenon in Korea. In addition, the bound tariffs are mostly in the form of ad valorem tariffs except 76 products which are allowed to apply the higher rate between ad valorem and specific tariffs. Major products that have been applied by specific tariffs include sesame seeds, jujubes, garlic, brackens and white silk.

2. Comparative Characteristics

Figure 2 compares average and maximum bound tariffs among key member countries. The average bound tariff for Korea is 63.2 percent at a HS 10 digit level, which turns out to be close to the average of non-OECD countries. But compared with other key member countries, Korea’s average tariff level appears to be large. For example, the mean rates for United States and the European Union are 11 percent and 23 percent, respectively. The OECD average is 36

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6 When excluded zero tariffs and the 16 tariff lines for rice, the only non-tariffication product, the average tariff goes up by 1.3 percentage points.
percent and Japan has the level of 42 percent. India keeps about two times larger mean tariff than Korea’s.

As for maximum tariffs, Japan records the highest rate of 1,706 percent for milk powder. Japan also has the largest gap between the highest and the mean tariffs followed by Korea, Canada and the United States. Unlike Korea, many countries have ‘water’ in their tariffs.  

![Graph of Average and the Highest Bound Tariffs in Agriculture](source)

IV. Effects of Tariff Cuts

1. The Baseline

Table 5 summarizes the consequence of applying the tiered formula for tariff cuts without taking account of any flexibility allowed, such as designating sen-

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7 Studying major agricultural products imported by importing countries, Podbury and Roberts (2003) claims that the average overhang tariff ranges from 37 percent to 75 percent.
sitive products and special products. Hence, this result can be considered as the baseline outcome.

The mean tariff after the cut would range from 21 percent to 38 percent, and the corresponding reduction rates are between 40 percent and 68 percent depending on the country status. These requirements are far larger than the reduction rates at the Uruguay Round, 24 percent and 36 percent, respectively.

<table>
<thead>
<tr>
<th>TABLE 5. Result of Tariff Cuts: The Baseline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial average tariff</td>
</tr>
<tr>
<td>------------------------</td>
</tr>
<tr>
<td>Average tariff (%)</td>
</tr>
<tr>
<td>Reduction rate (%)</td>
</tr>
</tbody>
</table>

Table 6 confirms that the application of the tiered formula is quite effective in addressing tariff peaks (over 100 percent of tariff) especially under developed country’s requirement. The number of tariff lines for tariff peaks would go down from 126 to 62 at the very least. Under a developing country’s status, Korea may be able to keep about 8 percent of its tariff lines as high tariffs.

<table>
<thead>
<tr>
<th>TABLE 6. Tariff Peaks: The Baseline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial position</td>
</tr>
<tr>
<td>------------------</td>
</tr>
<tr>
<td>Number of tariff line</td>
</tr>
<tr>
<td>Proportion in the total tariff line (%)</td>
</tr>
</tbody>
</table>

Nevertheless, many tariff peaks would be subject to drastic cuts. Figure 3 represents the tariffs before and after reductions for selected products. The lowest tariffs of red pepper and garlic after reduction would be 82 percent and 110 percent, respectively. The ginseng’s tariff would drop from 754 percent to 230 percent with a maximum cut.
2. Sensitive Products

As suggested by previous researches, this study assumes rice, barley, red pepper, garlic, onion, beef, pork, chicken, milk powders, Korean citrus, ginseng, sesame seeds, chestnuts and others to be designated as sensitive products (Lee et al. 2006, Sung 2006, Han 2006, Lee et al. 2005, Suh et al. 2005, and Lim et al. 2003). Tariff deviations from the tiered formula are 1/3 at a minimum and 2/3 at a maximum.

It also assumes two scenarios for the case of developing country. In the first scenario, rice is assumed as the only special product. The second scenario presumes 2 percent of the tariff lines as special products which are subject to 5 percent of tariff reductions. The assumed special products are rice, red pepper, garlic and Korean citrus, consisting of 29 tariff lines.

For the developed country’s case, the application of the tiered formula toward the proportions of sensitive products amounting to 4 percent and 6 percent of the total tariff lines would yield average tariff rates between 22.1 and 29.8 percent (Table 7). These are equivalent to the reductions of 54 and 66 percent respectively, compared with the initial average tariff of 65 percent. A worthwhile point here is that Korea could meet the minimum reduction require-
ment, the 54 percent cut. Despite the allowed deviations, the average tariff would be cut by more than half. However, utilizing the flexibility of sensitive products could save the reduction rates by between 2 and 9 percent compared with the case of the baseline. The more sensitive products, the larger savings in tariff reductions. The greater deviations, the smaller tariff cuts.

TABLE 7. Tariff Reductions for Sensitive Products: A Developed Country Case

<table>
<thead>
<tr>
<th>Proportion of sensitive products</th>
<th>4%</th>
<th>6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deviation from tiered formula cut 6%</td>
<td>1/3</td>
<td>2/3</td>
</tr>
<tr>
<td>Average tariff (%)</td>
<td>22.1~25.8</td>
<td>23.5~27.1</td>
</tr>
<tr>
<td>Difference in the reduction rate from the baseline (%)</td>
<td>2.0~2.2%</td>
<td>4.0~4.4</td>
</tr>
<tr>
<td>Tariffs for selected sensitive products (%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Red pepper</td>
<td>139~151</td>
<td>204~211</td>
</tr>
<tr>
<td>Garlic</td>
<td>185~202</td>
<td>272~281</td>
</tr>
<tr>
<td>Korean citrus</td>
<td>74~81</td>
<td>109~112</td>
</tr>
<tr>
<td>Ginseng</td>
<td>387~422</td>
<td>571~588</td>
</tr>
<tr>
<td>Sesame seeds</td>
<td>323~353</td>
<td>477~491</td>
</tr>
<tr>
<td>Beef</td>
<td>24~25</td>
<td>32~33</td>
</tr>
<tr>
<td>Milk powders</td>
<td>90~99</td>
<td>133~137</td>
</tr>
<tr>
<td>Onion</td>
<td>37~46</td>
<td>37~46</td>
</tr>
<tr>
<td>Potatoes</td>
<td>82~103</td>
<td>82~103</td>
</tr>
<tr>
<td>Barley</td>
<td>88~110</td>
<td>88~110</td>
</tr>
<tr>
<td>Natural honey</td>
<td>66~83</td>
<td>66~83</td>
</tr>
</tbody>
</table>

Note: Onion, potatoes, barley and natural honey are not sensitive products under the 4 percent criteria such that their tariffs are cut without the deviations.

Table 8 shows the tariff cut results under the scenario one for the case of developing country. The average tariffs would range from 38 to 44 percent, which are equal to 32 and 41 percent of reductions, respectively. If it is the latter case, Korea would have the right to lower the reduction rate to the maximum rate of 36 percent. Designation of sensitive products is likely to save tariff cuts by 3 to 9 percentage points. Interestingly enough, the saving effect in tariff cuts under the 8 percent criteria appears to be smaller than that of the 6 percent criteria in the developed country case. In addition, there is no tariff reduction effect from special products because rice, the only special product, does not have tariffs.
TABLE 8. Tariff Reductions for Sensitive Products: Scenario 1 for a Developing Country Case

<table>
<thead>
<tr>
<th>Proportion of sensitive products</th>
<th>5.3%</th>
<th>8%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deviation from tiered formula cut 8%</td>
<td>1/3</td>
<td>2/3</td>
</tr>
<tr>
<td>Average tariff (%) (^1)</td>
<td>37.9–40.3</td>
<td>40.0–42.2</td>
</tr>
<tr>
<td>Difference in the reduction rate from the baseline (%) (^2)</td>
<td>2.9–3.2</td>
<td>5.8–6.4</td>
</tr>
<tr>
<td>Tariffs for selected sensitive products (%) (^3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Red pepper</td>
<td>182–191</td>
<td>226–230</td>
</tr>
<tr>
<td>Garlic</td>
<td>243–254</td>
<td>302–307</td>
</tr>
<tr>
<td>Korean citrus</td>
<td>97–102</td>
<td>121–123</td>
</tr>
<tr>
<td>Ginseng</td>
<td>510–533</td>
<td>632–644</td>
</tr>
<tr>
<td>Sesame seeds</td>
<td>426–445</td>
<td>528–538</td>
</tr>
<tr>
<td>Beef</td>
<td>29–30</td>
<td>34–35</td>
</tr>
<tr>
<td>Milk powders</td>
<td>119–124</td>
<td>147–150</td>
</tr>
<tr>
<td>Onion</td>
<td>91–95</td>
<td>113–115</td>
</tr>
<tr>
<td>Potatoes</td>
<td>205–215</td>
<td>255–259</td>
</tr>
<tr>
<td>Barley</td>
<td>219–229</td>
<td>271–276</td>
</tr>
<tr>
<td>Natural honey</td>
<td>164–172</td>
<td>204–207</td>
</tr>
<tr>
<td>Condensed milk</td>
<td>50–52</td>
<td>50–52</td>
</tr>
<tr>
<td>Whey</td>
<td>30–31</td>
<td>30–31</td>
</tr>
<tr>
<td>Cheese</td>
<td>22–23</td>
<td>22–23</td>
</tr>
<tr>
<td>Potato starch</td>
<td>234–255</td>
<td>234–255</td>
</tr>
</tbody>
</table>

Note: 1) The average tariff refers to simple means of all tariff lines after applying reduction rates.
2) The difference refers to a gap of average tariff rates before and after reductions.
3) Onion, potatoes, barley and natural honey are now bounded by the 5.3 percent criterion. The 8 percent criterion is assumed to add condensed milk, whey, cheese and potato starch as sensitive products.

The average tariffs under the scenario 2 increase a little to between 39 and 45 percent (Table 9). Only 1 percentage point difference between the two scenarios highlights the fact that rice accounts for more than half of special products. The consequent tariff reduction rates extend from 31 to 40 percent. Like the previous case, Korea would be able to modulate tariff cuts at 36 percent. The largest tariff saving effects by 11 percentage points have been accrued from designating 8 percent of sensitive products.
TABLE 9. Tariff Reductions for Sensitive Products: Scenario 2 for a Developing Country Case

<table>
<thead>
<tr>
<th>Proportion of sensitive products</th>
<th>5.3%</th>
<th>8%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deviation from tiered formula cut 8%</td>
<td>1/3</td>
<td>1/3</td>
</tr>
<tr>
<td>Average tariff (%)</td>
<td>39~41</td>
<td>40~43</td>
</tr>
<tr>
<td>Difference in the reduction rate from the baseline (%)</td>
<td>3.7~4.1</td>
<td>6.4~7.0</td>
</tr>
</tbody>
</table>

Tariffs for selected special products (%)

- Red pepper
- Garlic
- Korean citrus

Note: Explanation of 1) and 2), and tariffs for sensitive products are the same as Table 9. Having special products leaves room to add extra sensitive products, but they are not shown here.

3. Special Products

Table 10 shows three scenarios constructed by the number of special products and its corresponding tariff cuts. The proportions of special products rise from 8 to 14 and 20 percent, and thus the number of sensitive products is consequently extended. Designation of special products followed the example of sensitive products.

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Proportion in tariff line (%)</th>
<th>Tariff cut (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Minimum 8</td>
<td>0~5</td>
</tr>
<tr>
<td>2</td>
<td>Minimum 8</td>
<td>0~5</td>
</tr>
<tr>
<td></td>
<td>Additional 6</td>
<td>8~15</td>
</tr>
<tr>
<td>3</td>
<td>Minimum 8</td>
<td>0~5</td>
</tr>
<tr>
<td></td>
<td>Additional 6</td>
<td>8~15</td>
</tr>
<tr>
<td></td>
<td>Additional 6</td>
<td>12~25</td>
</tr>
</tbody>
</table>

As shown in Table 11, the mean tariffs after cuts result in 42 to 55 percent, equivalent extent of 15 to 35 percent cutting rates. The tariff saving effects amount to 9 to 25 percentage points which are two times larger than
the outcomes obtained from using sensitive products. Special products are playing a vital role to alleviate the extent of tariff cuts.

<table>
<thead>
<tr>
<th>TABLE 11. Tariff Reductions for Special Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scenario 1</td>
</tr>
<tr>
<td>Average tariff (%)</td>
</tr>
</tbody>
</table>

4. Tariff Escalation

Judged from the illustrated list of products by the WTO, Korea has relatively few applicable products because the country has protected the farm sector by imposing higher tariffs on raw agricultural products than processed goods. It is, therefore, ‘reverse’ tariff escalation that matters more in the case of Korea. Nevertheless, tomatoes, cucumber, peanuts, and sesame seeds are some noticeable products having a tariff escalation structure.

Table 12 informs the degree of tariff escalation for selected products. The gap between sesame seeds and oil turns out to be the largest by 70 percentage points followed by peanuts with 26 percentage points. Under the reduction by the tiered formula for a developed country’s case, 8 processed products including peach and peanuts fall into a grace gap that is within 5 percentage points. In addition, if Korea designates sesame seeds and oil as sensitive products, they can also be exempted from the application of this provision. In this sense, modality of tariff escalation would not affect the country to the extent that it has to counteract the likely adverse impacts.

<table>
<thead>
<tr>
<th>TABLE 12. Selected Products of Tariff Escalation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw Product</td>
</tr>
<tr>
<td>HS Code</td>
</tr>
<tr>
<td>070200</td>
</tr>
<tr>
<td>070700</td>
</tr>
<tr>
<td>120210</td>
</tr>
<tr>
<td>120740</td>
</tr>
</tbody>
</table>
5. Tropical Products

The list of tropical products appears to be extensive in two points. Firstly, it has more products than the Uruguay Round list, such as mandarin, orange, rice powder and potatoes. Secondly, it suggests a number of sensitive products for Korea, including rice, red pepper, onion, Korean citrus, potatoes, ginger, nuts and green tea.

Table 13 provides tariff cut results for selected products in accordance with the two options. The extent of tariff reductions is far greater than any other discipline in market access. Thus, some importing members including Korea argue against the provision on the ground that the list embraces many products that have been grown extensively in non-tropical regions.

<table>
<thead>
<tr>
<th>HS Code</th>
<th>Product</th>
<th>Bound Tariff (%)</th>
<th>Option 1</th>
<th>Option 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>070190</td>
<td>Potatoes</td>
<td>304</td>
<td>46</td>
<td>22</td>
</tr>
<tr>
<td>070310</td>
<td>Onion</td>
<td>135</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>070960</td>
<td>Red pepper</td>
<td>270</td>
<td>41</td>
<td>19</td>
</tr>
<tr>
<td>071190</td>
<td>Other vegetables</td>
<td>360</td>
<td>54</td>
<td>26</td>
</tr>
<tr>
<td>071420</td>
<td>Sweet potatoes</td>
<td>385</td>
<td>58</td>
<td>28</td>
</tr>
<tr>
<td>080290</td>
<td>Nuts</td>
<td>567</td>
<td>85</td>
<td>41</td>
</tr>
<tr>
<td>080510</td>
<td>Oranges</td>
<td>50</td>
<td>8</td>
<td>15</td>
</tr>
<tr>
<td>080520</td>
<td>Mandarin</td>
<td>144</td>
<td>22</td>
<td>10</td>
</tr>
<tr>
<td>090210</td>
<td>Green tea</td>
<td>514</td>
<td>77</td>
<td>37</td>
</tr>
<tr>
<td>091010</td>
<td>Ginger</td>
<td>377</td>
<td>57</td>
<td>27</td>
</tr>
<tr>
<td>120210</td>
<td>Peanuts</td>
<td>231</td>
<td>35</td>
<td>17</td>
</tr>
<tr>
<td>151550</td>
<td>Sesame oil</td>
<td>630</td>
<td>95</td>
<td>45</td>
</tr>
</tbody>
</table>

Note: rice is not shown because it is a non-tariffication product.

8 The UR list covers 54 or 394 products at the HS 4 or 10 digit levels, respectively.
V. Conclusion

The tiered formula for tariff cuts in agricultural modality proposed by the chair of the agricultural negotiations is likely to be significant for addressing tariff peaks and bringing about tariff harmonization across products and member countries. Such bringing about drastic cuts in tariffs is a concern for many importing members including Korea, which hope to achieve gradual and continuous policy reforms for their agricultural sectors.

It is, therefore, important for importing countries to take full advantage of the flexibilities embedded in the modality. One is the provision of sensitive products which would help attenuate tariff cuts for important agricultural products. But its price tag is quota expansion. The question is to what extent the country has to give way quotas in return. Hence, tariff-quota equivalents or their trade-offs must be carefully examined before designating sensitive products.

The other is to ensure the right to use the provision of special products as a developing country. This reminds the overarching issue of Korea on whether its status as a developing member can be protected in this round. As shown, use of special products tends to yield the largest tariff saving effects amounting up to 25 percentage points over the baseline cuts. Or the net effects are two times greater than the case for sensitive products.

Even if Korea could save the developing country’s membership, it would face difficulty in taking full advantage of special products. The WTO is likely to press the country to do more. In fact, the revised modality text suggests developing members in a position to do so should make as much additional efforts in market access as developed members in the areas of tariff escalation and tropical products. In a nutshell, Korea has to make ready for stiff challenges in tariff reductions and make every effort to lessen the adverse impact of the Doha Round while accommodating transparent and predictable reforms in market access.
Reference


Conference. (In Korean).

