Collected Customs Duties: A Comparative Analysis of the Protection Applied by the US and the EU

Jacques Gallezot (INRA-INAPG and CEPII, France) and *Vincent Aussilloux* (European Commission)

Working Paper   06/16

Collected customs duties:
A comparative analysis of the protection applied by the US and the EU

Jacques Gallezot* and Vincent Aussilloux**

September 2006

Keywords: trade protection, custom duties, trading regimes

Summary

Relating the collected customs duty to the value of imports enables to estimate a rate of applied duty that takes into account all the pricing components and their utilisation. Indeed, this ad-valorem equivalent integrates the complex dimensions of customs duties, the measures of exemption and suspension, and those concerning preferential regimes. Processing collected duties for all the products reveals that the 1.5% rate of duty actually applied in 2003 is the same for the EU and the US. Nevertheless, it appears that the US taxes more the LDCs and the developing countries than the EU. Thus, setting aside those products which enter free of duty, the rate of taxation applied by the US is 15% and 6.2% respectively with regards to LDCs and developing countries, whereas in the EU's case it is only 3.7% and 4.1%. For the US market the sectors that are the most highly taxed upon importation are those of textiles, apparel and clothing, cotton and articles of leather, whereas for the EU it is more agricultural and food products (fruits and preserves, meats, sugars and cereals).

---

* Jacques Gallezot, UMR Economie publique, INRA–INAPG, Grignon, and CEPII, Paris
** Vincent Aussilloux, European Commission, DG-Trade

Collected customs duties:
A comparative analysis of the protection applied by the US and the EU

The main objective of the World Trade Organization (WTO) is the removal of trade barriers, and the ambition of the Doha round of negotiations is to open up even more the markets of the Organization's member countries. It is the occasion for fierce discussions on finding a multilateral consensus over additional reductions of trade barriers. The central issue in this debate is estimating the level of protection of markets and more specifically the customs duties.

At the WTO, however, discussions centre on notified customs duties that comply with the Most Favoured Nation (MFN) clause. These are « ceiling » customs duties, defined by product, and that countries have committed not to increase. In many respects this type of duty can differ from the duties actually applied, and even more so from actual market access conditions when other types of trade barriers come into play. Thus, the existence of non-tariff barriers leads to an underestimation of the level of protection, whereas the existence of an applied duty that is lower than the bound duty or the existence of a preferential agreement leads to an overestimation of the actual protection based solely on bound duties.

The aim of this article is to introduce a comparison of EU and US taxation from the point of view of collected duties. This means taking into account the customs duty that is actually applied in all its dimensions (exceptions, suspensions, preferential duties, quotas, MFN duties, etc while letting apart non-tariffs obstacles) and emphasizing what is actually collected as tax, which constitutes the tax revenue.

1. Merits and limitations of measuring collected duties

Duties notified to the WTO constitute a commitment undertaken by Members to not exceed a level of protection which must also comply with the MFN clause. In fact, the MFN duty actually applied can be far lower, as is the case for a great number of developing countries which have notified to the WTO

ceiling duties of a very high level. This difference provides further flexibility in multilateral negotiations (H. Bchir et al, 2005) insofar as the tax reductions only concern notified duties. As a result, the difference between the notified multilateral duty and the duty actually applied dilutes the actual reach of a greater market opening.

A customs duty's form of expression is often complex, the simplest being a tax in percentage of the good's value (*ad-valorem* duty). However, this tax is also often expressed in specific duties (tax in monetary amount per unit of measure of the good, for example 30 euros per 100kg), or by a combination of the two. This situation makes comparative analyses or operations of aggregation very delicate. As a result, attempts to reduce the highest duties, which is one of the objectives of current multilateral negotiations, have run into this difficulty. This debate has notably sustained the WTO Members' work during the course of 2005, in order to prepare the Hong Kong meeting and reach an agreement on a common method for translating all duties into "*ad-valorem* equivalents". Although rather technical, this is an important result of the negotiations. Furthermore, this transformation of specific or complex duties into AVEs is a methodological advance that allows the simple classification of goods in different rate bands. Nonetheless, the duty applied upon a product's entry onto the market continues to be expressed as a specific or complex tax[1].

In addition to this difficulty of translating duties into ad valorem equivalents, there is the fact that certain tariff measures concern only a limited volume of imports. Such quotas are usually associated with non-tariff barriers (certificates, licences, conditions of allocation ...). This is the reason why the system of quotas is sometimes used only partially.

Concerning the openness of certain markets, the reality differs even more from the regulations discussed at the WTO if the numerous preferential agreements are taken into account. Indeed, the last few years have seen the number of such agreements become widespread between member countries

---

[1] A duty expressed in amount per unit of measure will give a very different AVE estimate depending on the product's price. The AVE will be higher if this price is low. Given the great variability of prices for a same product, depending on the origin and sometimes the period, the annual ad-valorem equivalent can only be very rough.

and more particularly between the developed countries and developing or less developed countries. These preferential agreements, aimed more at the regional level, nevertheless comply with WTO rules by keeping within the framework of developing free trade areas (Article XXIV of GATT). This is why the actual degree of openness of certain markets can prove to be far greater than it appears, even if the multilateral impact of this openness is limited. Under a preferential regime, however, it must be proved that the imported products actually originate from countries that have a preferential agreement as defined by the rules of origin of the agreement. This is the reason why exporters, faced with this constraint of having to comply with rules of origin, sometimes prefer to give up this advantage (Gallezot and Bureau, 2004, Brenton and Manchin, 2002)

Analyzing collected duties has the advantage of integrating simultaneously and in a homogenous and comprehensible manner (in monetary amounts) all the dimensions of a tariff regime, however complex: the level and structure of ad valorem duties and of specific duties, seasonal variations in agricultural duties, anti-dumping duties, trade preferences, the utilisation rate of these preferences, eventual additional elements, etc. Thus, relating the collected duty to the value of imports enables to estimate a more comprehensive *ad valorem* equivalent of the actual rate of applied duty by integrating all the applied duty's components.

Nonetheless, collected duties measure the overall effects of taxation without translating the whole protection. As the level of imports depends on the level of protection, the existence of tariff peaks may for example explain why there are no imports in such a case, resulting in the lack of collected duties. This problem of the endogeneity of taxation and levels of trade is not a precise limit specific to the analysis of collected duties. This bias can be found in most models simulating the trade impact of effects resulting from a modification of taxes under prohibitive tariffs. More generally, the difficulty lies in translating from taxes the levels of market protection, particularly when it comes to getting an aggregated estimate of the level of duties of a country or of an economic sector. In this case, the simple arithmetic mean of duties is tantamount to considering that all products have the same

importance, while the imports-weighted average takes into account the importing country's preferences and the geographic orientation of exports. None of the methods are without inconveniences, in other words without bias.

2. Rate of duties actually applied by the EU and the US.

In 2003 the final accounts of the EU budget (at 15) show a customs revenue of 10 714 million euros for customs duties and 880 million Euros for agricultural duties[2]. However, a 25% levy by member states, which corresponds to "collection costs", reduces at the source the total amount of this EU budget contribution (11 594 million euros). In fact, duties collected by the EU in 2003 amount to 14 492 million euros. As a result, relating the amount of collected duties to the EU's overall imports, which in 2003 amounted to 933 346 millions euros (Eurostat)[3], gives a corresponding tax rate of 1.5%.

For the US, the statistics on collected duties published by the USITC[4] show an amount of 18 253 millions dollars, for an amount of total imports of 1 226 915 millions dollars. The US tax rate on imports amounts therefore to 1.5%, and is thus equivalent to the EU's.

If this *ad-valorem* tax equivalent puts the US and the EU on an equal footing, such a figure, as noted by W.Gresser (2002a), offers little interest, the essential point being how these taxes are levied on the exports of partner countries and which products are the most affected by such a tax level. However, if researching US collected duties does not pose any major difficulties, the situation is very different for the EU.

---

[2] Sources: (http://www.europa.eu.int/int/eur-lex/budget/data/D2003_v1) Europa Eur-Lex, Budget 2003, Title 1, own resources. Agricultural duties are collected on imports of agricultural products that fall under a common market organization, and include sugar and isoglucose levies, as provided for within the framework of the common organization of the « sugar » market. Customs duties come from the application of the common customs tariff on the customs value of goods imported from third countries.

[3] According to Eurostat total imports in 2003 amounted to 943 879 million euros. However, these imports take into account trade exchanges that fall under outward processing activities (statistical procedure 3) to the tune of 15 048 million euros. The tax base for these trade exchanges only concerns the re-imported added value, following processing activities undertaken outside the EU. An added value flat rate of 30% has been considered here.

[4] See: http://dataweb.usitc.gov/

3. Analysis of EU collected duties

With regards to taxation, EU Member States retain their national prerogatives and there exists no European statistics on collected duties beyond the global amount transmitted to the Union's budget[5]. The operation carried out in this study relies, therefore, on an evaluation of levies based on the declaratory administrative files of companies when clearing customs (Single Administrative Document, SAD) and on customs regulations addressed at the most detailed level (TARIC). To our knowledge there exists no detailed evaluation of European collected duties. In order to undertake this evaluation, it is necessary to mobilize the concerned administrative files and to rectify those tax declarations that do not comply with regulations (Box 1). This operation, relatively cumbersome with regards to the processing of information, benefits from the experience already acquired through previous research papers on estimating the utilisation rate of trade preferences (Gallezot, 2003, Gallezot and Bureau, 2005-1). Analysing the conditions of preference utilisation is important as third countries, in addition to multilateral market access conditions (MFN duties or quotas) to the EU or US markets, benefit from preferential agreements that may or may not be used.

Box: methodology for the analysis of collected duties

Declarations made by importing companies form the basis of European trade statistics, and records for that operation are based on customs declarations using the Single Administrative Document (SAD). In addition to data (value, quantity, origin, additional units, etc.) that will be processed by national statistical offices and transferred to Eurostat, the declaration includes information about the chosen tariff regime. To be more specific, it is a declaration made under the importer's responsibility

This information relating to the requested preferences (SAD Box 36) must be checked to ensure that it complies with regulations. In order to do so, information from the declarations (SAD) must be cross-referenced with tariff data (TARIC). The objective of this statistical processing is to verify and

---

[5] No detailed customs tax statistics are forwarded by the Member States to the DG Budget, and neither to the DG Trade or DG Taxud.

eventually rectify these information. Only 3% of information on imports of agricultural and food products from the SADs in 2003 concerned "non-active", non-compliant or non-defined measures (code ZZZ and XXX in the administrative files). Furthermore, the fact that SAD data do not display these prior contradictions does not necessarily mean that they comply with the legislation, as false declarations may still persist. The rectification is carried out by only correcting data that does not comply with regulations, and conditionally to preferential regimes' probability of allocation based on information that complies with regulations. This operation is made easier by the fact that the experience of the 15 EU Member States has been preserved in the processing. Overall, only 0.1% of the value of total EU imports in 2003 could not be corrected. On the basis of this result, it is possible to obtain a precise and verified allocation of import flows by tariff regime and by third country.

Utilising the TARIC database allows to estimate the collected duty's amount according to the good's regime and value. The corresponding forms of taxation (*ad-valorem*, specific, complex, additional or suspensive) are then applied according to the origin of the product, and the total volume of the duty collected by the EU is matched to the amount levied by all the Member States (DG Budget).

4. An overall rate of levy that is identical for the US and the EU.

The processing of collected duties, based on budgetary data as highlighted in the introduction, shows that the customs duties' rate of levy on imports is equivalent for the US and the EU (table 1). Overall, it can be noted that in the American and European schemes the rates of collected duties are well below the level of MFN duties. This situation can be explained by taking into account preferential regimes and all suspensive measures.

By considering the collected duties according to the different MFN tax thresholds, it can be noted that there is little difference between the EU and US rates of levies with regards to MFN duties that are below 15% (table 1). However, for the highest MFN duties (above 15%) the EU's rate of levy is on the whole higher (13.4% compared to 10.6% for the US). For these imported products subjected to

high duties, the average corresponding MFN duties are 32% for the EU and 27.8% for the US. Thus, for products that are highly taxed on the multilateral level there are preferential agreements that lead, for the EU and US, to distinctly lower applied rates of duties (about 50% less than the MFN duty). It must be remembered that the higher the duties, the lower the imports, and this even leads in instances of prohibitive duties to an absence of imports and therefore of collected duties. Thus, the restrictive effects of duties actually applied are relatively distorted. Nevertheless, it can be considered that if a high duty generates a collected duty, the restrictive effect of the tax is established.

Table 1: EU and US collected duties in 2003

Bands of MFN duties %	EU					USA				
	Number lines Tariffs	Import 1000 E [1]	Collected 1000 E [2]	AVE % [2]/[1]	MFN %	Number lines Tariffs	Import 1000 $ [1]	Collected 1000 $ [2]	AVE % [2]/[1]	MFN %
0	2214	459126568	0	0,0	0	3117	564109796	0	0,0	0
0.1 - 4.9 %	3721	238025958	2618284	1,1	2,5	3487	468632681	6010791	1,3	2,8
5 - 15%	3271	211202847	8393935	4,0	8,3	2733	125101168	4939436	3,9	8,3
> 15%	936	24991013	3340828	13,4	32,3	637	69164094	7346788	10,6	27,8
Total	10142	933346386	14353047	1,5	6,6	9974	1227007740	18297015	1,5	5

AVE : Ad-valorem equivalent
Sources : SAD(Eurostat) TARIC(DG Taxud) USITC

5. The US taxes LDCs and developing countries more than the EU

The rate of collected duties in 2003, according to countries' development category, reveals that US taxes on the poorest countries' exports are higher than those of the EU. Thus, the rate of duties actually applied by the US on LDCs and developing countries is 5.3% and 1.9% respectively, compared to only 1.7% and 1.8% for the EU (table 2). Setting aside those products which enter MFN free of duty, the rate of taxation applied by the US with regards to LDCs is 15%, whereas in the EU's case it is only 3.7%. The consequences of the « Everything But Arms » (EBA) European initiative are almost certainly related to this situation. Nevertheless, the EU's rate of applied duties with regards to LDCs is still higher than zero. This can be explained by remaining quotas regarding sugar, rice or

bananas which are progressively dismantled vis-à-vis LDCs with an end date in 2009. This may also

be related to the current rules of origin[6]. As shown by Curran et al. (2006), utilisation rates of

preferences accorded to developing countries are high – generally above 90 percent. This indicates that

criticisms of the EU's preferences due to its 'restrictive' rules of origin are mis-placed.[7] Where there

does seem to be an issue with utilisation is in clothing, but difficulties seem to be concentrated in non-

knitted clothing (HS 62). Knitted clothing (HS61) and other made up textiles (HS63) have relatively

high rates of utilisation. It is likely that the double transformation origin rule (requiring clothing to be

made up from yarn) may be an issue in this underutilisation in HS62. The need to take into account the

development needs of beneficiaries will be one of the issues considered in the revision of the rules of

origin currently being considered within the EU (CEC, 2005).

Table 2: EU and US collected duties according to countries' development category

Countries	UE					US				
	Import	Dutiable	Collected	AVE		Import	Dutiable	Collected	AVE	
Categories				applied	dutiable				applied	dutiable
year 2003	1000 E	1000 E	1000 E	%	%	1000 $	1000 $	1000 $	%	%
	[1]	[2]	[3]	[3]/[1]	[3]/[2]	[1]	[2]	[3]	[3]/[1]	[3]/[2]
Developed	443440146	247528231	5691887	1,3	2,3	613255383	196664543	6173933	1,0	3,1
Developing	477016468	205699886	8440062	1,8	4,1	602696680	186175514	11535892	1,9	6,2
LDCs	12889772	5898451	221099	1,7	3,7	11055682	3921895	587191	5,3	15,0
Total	933346387	459126568	14353047	1,5	3,1	1227007745	386761952	18297016	1,5	4,7

Sources : SAD(Eurostat) TARIC(DG Taxud) USITC

In general, the rate of taxation applied by the EU is much more balanced with regards to the

development categories of countries than that of the US. As a result, for dutiable products (excluding

relief) the differences between rates of levies by import origin are smaller in the case of the EU (2

points compared to 12 for the US) and penalize less developing countries and LDCs. By considering

the MFN duties that are higher than 5%, it can be noted that duties actually applied by the EU

correspond to an even bigger preferential margin for LDC exports (table 3). The average rate of MFN

duties applicable on LDC exports to the EU is 12.2%, whereas the rate of duties actually applied is

---

[6] Gallezot and Bureau (2005).
[7] C.f. for example Brenton and Manchin (2002).

3.4%, and conversely the poorest countries' exports to the US face a rate of levy (12.5%) which is close to the average rate of MFN duties (13.9%).

Table 3: EU and US collected duties for the most highly taxed products

MFN>5% Countries Categories	UE				US			
	Import 1000 E	Collected 1000 E	AVE (%) Collected	AVE (%) MFN	Import 1000 $	Collected 1000 $	AVE (%) Collected	AVE (%) MFN
Developed	113107306	4216241	3,7	10,7	68083155	2390565	3,5	10,9
Developing	116557047	7296853	6,3	11	121498531	9311185	7,7	11,7
LDCs	6529507	219054	3,4	12,2	4683577	584475	12,5	13,9
Total	236193860	12620486	5,3	10,9	194265263	12286225	6,3	11,4

Sources : SAD(Eurostat) TARIC(DG Taxud) USITC

It is the Asian exporting countries which contribute the most to the US and the EU's tax revenue (table 4). The first two contributors, for both the EU and the US, are China and Japan. South Korea and Taiwan come in third and fourth position respectively. From the point of view of the importance of collected duties, the first 50 contributing countries represent approximately 95% of the total tax revenue of the US (96.3%) and the EU (94.8%), and cover almost 90% of US (90.4%) and EU (84.9%) imports.

Beyond this relative concentration of exporting countries, the table highlights more precisely the countries whose exports are the most taxed. In the US case, the stylized facts already emphasized by W. Gresser (2002b) can be noted, particularly with the situation of Bangladesh (LDC) which is as much taxed as France even though it exports 15 times less than France does to the US market (56th importer and 15th contributor to the American tax revenue). This situation reflects a particularly high tax rate which exists in the American system in relation to developing countries such as Cambodia (15.6%), Vietnam (12.2%), Sri Lanka (13.9%), Pakistan (10.6%), or Nicaragua (8%). Although it concerns a smaller number of developing countries and does not affect LDCs[8], this situation also exists in the European system, for example in relation to Sri Lanka, Ecuador or Panama. The

---

[8] The case of Burma being, as for the US, linked to this LDC's exclusion from the advantages of preferential regimes due to its situation with regards to human rights.

American and European actual taxation with regards to developing countries can be explained, notably, by the differentiated level of protection according to the type of product exported.

Table 4: EU and US collected duties for the first 50 contributing countries in 2003

EU Import From Countries 2003	Import 1000 E [1]	Collected 1000 E [2]	Import Rank	Collect Rank	GNI Rank	Rate % [2]/[1]
China	94357400	2572532	2	1	152	2,7
Japan	61678220	1907786	3	2	6	3,1
U.S.A.	129002376	1606651	1	3	5	1,2
South Korea	22840978	664663	11	4	56	2,9
Brazil	17055994	469426	13	5	108	2,8
India	12890658	435304	18	6	184	3,4
Thailand	10704373	420301	23	7	121	3,9
Norway	40112884	322559	6	8	2	0,8
Taiwan	19814018	306001	12	9	36	1,5
Indonesia	9532938	304981	25	10	160	3,2
New Zealand	2785218	289042	48	11	49	10,4
Hong Kong	8989504	282723	26	12	11	3,1
Turkey	23580168	264383	10	13	112	1,1
Argentina	5737190	229849	36	14	87	4,0
Switzerland	52800836	220831	4	15	3	0,4
Singapore	13333786	217656	17	16	21	1,6
Vietnam	4453482	215098	38	17	188	4,8
Ecuador	1100772	197388	65	18	134	17,9
Costa Rica	2371402	191925	52	19	89	8,1
Poland	31048392	171001	7	20	80	0,6
Malaysia	13623932	167367	15	21	99	1,2
Colombia	2241874	159290	53	22	125	7,1
Russian Federation	42082092	156956	5	23	116	0,4
Hungary	25587896	131882	9	24	77	0,5
Canada	13432773	127063	16	25	18	0,9
Slovakia	12221152	126841	19	26	88	1,0
South Africa	14119485	121926	14	27	111	0,9
Bangladesh	3564276	120808	40	28	196	3,4
Czech rep.	29359486	100377	8	29	75	0,3
Australia	8160346	99520	27	30	23	1,2
Pakistan	2921231	80015	47	31	182	2,7
Mauritius	1062164	78088	66	32	95	7,4
Panama	458733	77604	93	33	91	16,9
Philippines	6227932	68998	31	34	148	1,1
Sri Lanka	1323570	66837	62	35	157	5,0
Chile	4813678	64508	37	36	86	1,3
Macao	681941	61258	78	37	30	9,0
Cameroon	1710330	50214	57	38	175	2,9
Iceland	1603449	49524	59	39	8	3,1
Romania	11076273	46485	21	40	124	0,4
Mexico	5752274	40603	35	41	74	0,7
Ukraine	3147346	37682	43	42	163	1,2
United Arab Emirate	3496730	37186	41	43	48	1,1
Guyana	187860	35827	119	44	156	19,1
Croatia	2547038	35596	50	45	81	1,4
Morocco	6030968	34869	33	46	143	0,6
Uruguay	563266	34207	82	47	84	6,1
Bulgaria	3662547	33618	39	48	127	0,9
Tunisia	5971370	32755	34	49	122	0,5
Myanmar	379420	32365	96	50	200	8,5
Total Selection [1]	792602021	13600369				
Total EU 2003 [2]	933349386	14352672				
Selection in % ([1]/[	84,9	94,8				

USA Import From Countries 2003	Import 1000 $ [1]	Collected 1000 $ [2]	Import Rank	Collect. Rank	GNI Rank	Rate % [2]/[1]
China	140245728	3693426	2	1	152	2,6
Japan	118386640	2101662	4	2	6	1,8
Germany	66433064	1164262	5	3	17	1,8
South Korea	36858500	939426	7	4	56	2,5
Taiwan	31325400	806331	8	5	36	2,6
Italy	24048484	771527	12	6	26	3,2
Hong Kong	8707221	751527	26	7	11	8,6
Indonesia	8612448	483739	27	8	160	5,6
India	12516236	465912	19	9	184	3,7
Vietnam	3586652	437523	44	10	188	12,2
Thailand	14167777	435320	17	11	121	3,1
United Kingdom	42364440	432934	6	12	10	1,0
Philippines	9972674	393146	25	13	148	3,9
France	28862378	320942	9	14	20	1,1
Bangladesh	1990248	302299	56	15	196	15,2
Pakistan	2530064	267031	50	16	182	10,6
Turkey	3773818	264836	39	17	112	7,0
Sri Lanka	1781666	248081	59	18	157	13,9
Brazil	16470262	247253	15	19	108	1,5
Macao	1347561	236675	61	20	30	17,6
Malaysia	25307758	229344	11	21	99	0,9
Guatemala	2931464	203773	48	22	128	7,0
Cambodia	1261987	196379	63	23	204	15,6
Mexico	136581888	193405	3	24	74	0,1
Canada	222322704	170167	1	25	18	0,1
Spain	6387246	152004	29	26	44	2,4
Switzerland	10465252	145649	22	27	3	1,4
Sweden	11134839	138853	20	28	9	1,2
Belgique-luxembou	10365258	120304	23	29	15	1,2
Netherland	10954076	110438	21	30	14	1,0
Australia	6376734	107920	30	31	23	1,7
Russian Federation	8129880	102729	28	32	116	1,3
El Salvador	2002999	83127	55	33	117	4,2
Honduras	3210374	82269	46	34	154	2,6
Singapore	14251659	79339	16	35	21	0,6
Egypt	1124626	75078	64	36	135	6,7
AUSTRIA	4312971	65107	36	37	13	1,5
New Zealand	2288300	64683	53	38	49	2,8
Saudi Arabia	17103616	62709	13	39	68	0,4
Nicaragua	699629	55646	69	40	164	8,0
Dominican Republi	4315864	54888	35	41	114	1,3
Portugal	1865887	52006	58	42	61	2,8
United Arab Emirat	1121572	49536	65	43	48	4,4
Colombia	6312807	43368	31	44	125	0,7
Argentina	3015224	41385	47	45	87	1,4
Denmark	3653212	39002	42	46	7	1,1
Myanmar	256415	38463	95	47	200	15,0
Brunei	334320	35420	89	48	59	10,6
Venezuela	16596961	34057	14	49	93	0,2
Bahrain	378090	30053	86	50	55	7,9
Total Selection [1]	1109044873	17620953				
Total USA 2003 [2]	1227007745	18297016				
Selection in % ([1]/[	90,4	96,3				

Countries selection in grey for GNI rank >100 and rate of collected duties over imports >5%
Sources : SAD(Eurostat) TARIC(DG Taxud), USITC, UN Statistics Division

6. A substantial levy on textiles for the US and on food products for the EU

The first 40 groups of products (HS 2), from the point of view of collected duties, represent 94% of EU and 96% of US customs duties revenues (table 5). Although the order of the first four products that contribute to the American or European tax revenue differs slightly, they are the same: vehicles other than railways (HS 87), articles of apparel and clothing accessories (knitted and others, HS 62 and HS 61), video and sound electric and electronic machinery and equipment (HS 85).

However, products on the European or American markets are affected differently by the intensity of the applied duties' level of taxes. Except for the dairy sector which remains protected on both markets, the other sectors differ more strongly. For the US market, the sectors that are the most highly taxed upon importation are more those of apparel and clothing (HS 62 and HS 61), textiles (HS 63 and HS 60), fibres and synthetic filaments (HS 54 and HS 55), cotton (HS 52) and articles of leather (HS 42). All these sectors combined represent in total 48% of all US collected duties, with an average rate of applied duties of 11%[9]. For the EU, on the other hand, it is more agricultural and food products which are the most highly taxed, and in particular the sectors of fruits and preserves (HS 8 and HS 20), meats (HS 2), sugar (HS 17), cereals (HS 10 and HS 19) and edible preparations (HS 21). All these agri-food sectors combined represent 18% of European collected duties, with an average rate of applied duties of 12%[10].

---

[9] On entering the US market, the most highly taxed sectors represent 8 777 175 000 $ in collected duties and 82 602 488 000$ worth of imports, for a total of collected duties of 18 297 016 000$ in 2003 (Table 5).

[10] On entering the EU market, the most highly taxed sectors represent 2611438000 Euros in collected duties and 21971352000 Euros worth of imports, for a total of collected duties of 14352672000 Euros.

Table 5: Main products contributing to the European and US import tax revenue

HS 2 digits	Description (short) EU	Import 1000 E [1]	Collected 1000 E [2]	Import Rank	Collected Rank	Rate % [2]/[1]
87	VEHICLES OTHER THAN RAILWAY OR TRAMWAY ROLLING-STO	54859084	2099374	4	1	3,8
62	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, NOT	28717212	1376221	7	2	4,8
85	ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THERE	117310352	1217692	3	3	1,0
61	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, KNIT	21185276	993672	9	4	4,7
8	EDIBLE FRUIT AND NUTS; PEEL OF CITRUS FRUITS OR ME	9341701	972010	22	5	10,4
29	ORGANIC CHEMICALS	24984380	601700	8	6	2,4
64	FOOTWEAR, GAITERS AND THE LIKE; PARTS OF SUCH ARTI	10668847	554332	18	7	5,2
84	NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICA	123650952	526962	2	8	0,4
2	MEAT AND EDIBLE MEAT OFFAL	3570559	519735	37	9	14,6
39	PLASTICS AND ARTICLES THEREOF	17655066	435420	12	10	2,5
17	SUGARS AND SUGAR CONFECTIONERY	1698345	359786	63	11	21,2
10	CEREALS	2239413	316318	55	12	14,1
3	FISH AND CRUSTACEANS, MOLLUSCS AND OTHER AQUATIC	9840057	284603	19	13	2,9
20	PREPARATIONS OF VEGETABLES, FRUIT, NUTS OR OTHER F	3196680	241541	45	14	7,6
90	OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING	33400034	239583	5	15	0,7
76	ALUMINIUM AND ARTICLES THEREOF	9708781	216391	20	16	2,2
4	DAIRY PRODUCE; BIRDS' EGGS; NATURAL HONEY; EDIBLE	1314544	216006	69	17	16,4
95	TOYS, GAMES AND SPORTS REQUISITES; PARTS AND ACCES	10864065	199347	17	18	1,8
63	OTHER MADE-UP TEXTILE ARTICLES; SETS; WORN CLOTHIN	5057014	192861	31	19	3,8
42	ARTICLES OF LEATHER; SADDLERY AND HARNESS; TRAVEL	5855862	167729	28	20	2,9
16	PREPARATIONS OF MEAT, OF FISH OR OF CRUSTACEANS, M	3078336	167481	47	21	5,4
19	PREPARATIONS OF CEREALS, FLOUR, STARCH OR MILK; PA	682733	120572	80	22	17,7
40	RUBBER AND ARTICLES THEREOF	9296678	112222	23	23	1,2
73	ARTICLES OF IRON OR STEEL	11910994	108506	16	24	0,9
54	MAN-MADE FILAMENTS	2877846	89339	50	25	3,1
38	MISCELLANEOUS CHEMICAL PRODUCTS	6100958	89132	26	26	1,5
94	FURNITURE; BEDDING, MATTRESSES, MATTRESS SUPPORTS	16811876	87023	13	27	0,5
32	TANNING OR DYEING EXTRACTS; TANNINS AND THEIR DER	3096986	86688	46	28	2,8
21	MISCELLANEOUS EDIBLE PREPARATIONS	1241921	81476	70	29	6,6
22	BEVERAGES, SPIRITS AND VINEGAR	3527545	81365	38	30	2,3
82	TOOLS, IMPLEMENTS, CUTLERY, SPOONS AND FORKS, OF B	3991088	79984	34	31	2,0
72	IRON AND STEEL	13887896	78822	14	32	0,6
70	GLASS AND GLASSWARE	3623684	77831	36	33	2,1
7	EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS	2759842	77218	52	34	2,8
28	INORGANIC CHEMICALS; ORGANIC OR INORGANIC COMPOUND	5129534	75658	30	35	1,5
27	MINERAL FUELS, MINERAL OILS AND PRODUCTS OF THEIR	144610624	74154	1	36	0,1
15	ANIMAL OR VEGETABLE FATS AND OILS AND THEIR CLEAVA	2384454	71159	53	37	3,0
52	COTTON	3307629	70681	42	38	2,1
37	PHOTOGRAPHIC OR CINEMATOGRAPHIC GOODS	1550097	67119	65	39	4,3
91	CLOCKS AND WATCHES AND PARTS THEREOF	3817260	58698	35	40	1,5
Total Selection (1000 E)		738805847	13486411	-	-	1,8
Total EU (1000 E)		933349386	14352672	-	-	1,5
Selection in %		79,2	94			

HS 2 digits	Description (short) USA	Import 1000 $ [1]	Collected 1000 $ [2]	Import Rank	Collected Rank	Rate % [2]/[1]
62	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, NO1	33134660	3684548	8	1	11,1
61	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, KNI1	29683020	3526032	9	2	11,9
87	VEHICLES OTHER THAN RAILWAY OR TRAMWAY ROLLING-STO	176294752	2434323	1	3	1,4
85	ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THERE	156239584	1099250	3	4	0,7
84	NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICA	169231584	830630	2	5	0,5
42	ARTICLES OF LEATHER; SADDLERY AND HARNESS; TRAVEL	7300445	740641	25	6	10,1
39	PLASTICS AND ARTICLES THEREOF	22717410	521994	13	7	2,3
63	OTHER MADE-UP TEXTILE ARTICLES; SETS; WORN CLOTHIN	6669288	428671	26	8	6,4
94	FURNITURE; BEDDING, MATTRESSES, MATTRESS SUPPORTS	29658244	280943	10	9	0,9
29	ORGANIC CHEMICALS	38002504	267652	6	10	0,7
69	CERAMIC PRODUCTS	4286574	241170	34	11	5,6
71	NATURAL OR CULTURED PEARLS, PRECIOUS OR SEMI-PREC	28151200	240415	12	12	0,9
27	MINERAL FUELS, MINERAL OILS AND PRODUCTS OF THEIR	145355168	223255	4	13	0,2
90	OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING	38559508	215451	5	14	0,6
73	ARTICLES OF IRON OR STEEL	15133229	198133	17	15	1,3
82	TOOLS, IMPLEMENTS, CUTLERY, SPOONS AND FORKS, OF E	5158576	196928	29	16	3,8
70	GLASS AND GLASSWARE	4528456	180340	32	17	4,0
91	CLOCKS AND WATCHES AND PARTS THEREOF	3290109	177554	40	18	5,4
72	IRON AND STEEL	10217271	172530	22	19	1,7
40	RUBBER AND ARTICLES THEREOF	11337622	165593	20	20	1,5
20	PREPARATIONS OF VEGETABLES, FRUIT, NUTS OR OTHER F	3180081	150157	41	21	4,7
95	TOYS, GAMES AND SPORTS REQUISITES; PARTS AND ACCES	21036440	133235	14	22	0,6
52	COTTON	1817413	127731	55	23	7,0
54	MAN-MADE FILAMENTS	1834690	112280	54	24	6,1
4	DAIRY PRODUCE; BIRDS' EGGS; NATURAL HONEY; EDIBLE	1350306	105389	64	25	7,8
44	WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL	16558313	97936	16	26	0,6
96	MISCELLANEOUS MANUFACTURED ARTICLES	2898887	97678	42	27	3,4
83	MISCELLANEOUS ARTICLES OF BASE METAL	5358251	94316	27	28	1,8
32	TANNING OR DYEING EXTRACTS; TANNINS AND THEIR DER	2468855	84033	48	29	3,4
60	KNITTED OR CROCHETED FABRICS	1025506	83416	76	30	8,1
38	MISCELLANEOUS CHEMICAL PRODUCTS	5320942	77855	28	31	1,5
55	MAN-MADE STAPLE FIBRES	1137466	73856	71	32	6,5
65	HEADGEAR AND PARTS THEREOF	1357377	73683	63	33	5,4
76	ALUMINIUM AND ARTICLES THEREOF	9541731	63502	23	34	0,7
24	TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES	1297765	63167	66	35	4,9
16	PREPARATIONS OF MEAT, OF FISH OR OF CRUSTACEANS, M	2773228	61949	44	36	2,2
21	MISCELLANEOUS EDIBLE PREPARATIONS	1789370	60262	56	37	3,4
67	PREPARED FEATHERS AND DOWN AND ARTICLES MADE OF FE	1233728	59958	69	38	4,9
37	PHOTOGRAPHIC OR CINEMATOGRAPHIC GOODS	2145020	56532	51	39	2,6
92	MUSICAL INSTRUMENTS; PARTS AND ACCESSORIES OF SUCH	1362510	51478	62	40	3,8
Total Selection (1000 $)		1020437083	17554466	-	-	1,7
Total USA (1000 $)		1227007745	18297016	-	-	1,5
Selection in %		83,2	95,9			

Selection in grey for rate of collected >5%; Sources SAD (Eurostat), TARIC (DG Taxud), USITC.

7. Summary and conclusions

Relating the collected customs duty to the value of imports enables to estimate a rate of applied duty that takes into account all the pricing components and their utilisation. This ad-valorem equivalent of the duty actually applied is not without bias on the measurement of protection, because the importance of imports and collected duties remain dependant upon the level of taxes. Nevertheless, processing collected duties has the advantage of revealing the customs duties' actual level of levies. It emerges from this analysis that even if the EU and US rate of applied duties is equivalent (1.5%), the US taxes LDCs and developing countries much more than the EU. For the US market the sectors that are the most highly taxed upon importation are more those of textiles, apparel and clothing, cotton and articles of leather, whereas for the EU it is more agricultural and food products (fruits and preserves, meats, sugars and cereals). This assessment is important in relation to current WTO discussions, for it shows that concessions regarding agricultural market access cannot be dissociated from those concerning industrial products, as protection in both agriculture and industry persists for the poorest countries.

References

Bchir H., S. Jean, D. Laborde, 2005, "Binding overhang and tariff-cutting formulas", CEPII, Working Paper, 34p

Bourcieux E., 2004, "Comparaison des régimes tarifaires européen et américain selon l'approche appliquée par E. Gresser au cas américain", Note de dossier, EU Commission

CEC, 2005, "Rules of origin in preferential trading agreements – orientations for the future", COM (2005) 100 Final

Curran L., G. Frontini, L. Nilsson, 2006, "The potential for preference erosion on the EU market", Ninth Annual Conference on Global Economic Analysis, Addis Ababa, Ethiopia

Brenton P., M. Manchin, 2002, "Making EU Arrangements Work: The Role of Rules of Origin", Centre for European Policy Studies Working Document No. 183.

Eurostat, 2003, "Statistiques sur les échanges de biens. Guide de l'utilisateur", The Office for Official Publications of the European Communities, 2003 Edition.

Gresser E., 2002a, "America's Hidden Tax on the poor. The case for Reforming U.S. Tariff Policy", Progressive Policy Institute, March

Gresser E., 2002b, "Toughest on the Poor, Tariffs, Taxes, and the Single Mom", Progressive Policy Institute, September

Gallezot J., JC Bureau, 2005, "The trade effects of the EU's Everything but Arms Initiative", Mimeo, April, 110p.

Gallezot J., JC Bureau, 2004, "The utilisation of trade preferences by OECD countries: the case of agricultural and food products entering the European Union and United States", OECD, COM/AGR/TD/WP/(2004)/12, Déc,178 p. OECD publication.

Gallezot J., 2003, "Real Access to the EU's Agricultural Market", DG Trade Seminar "Agriculture, Trade and Development" Thursday, July 24th, Brussels (and "Economie Internationale" 20p).

OECD, 2005, "Trade Preference Erosion: Potential Economic Impacts", *TD/TC/WP(2004)30/REV1*.

US-ITC, 2004, "Value of U.S. Import for Consumption, Duties Collected, and ratio of duties to Values 1891 - 2003", Statistical Services Division, Office of Operations, US International Trade Commission, February 2004.

US-ITC, Data on US imports and collected duties: http://dataweb.usitc.gov/

Table 6: EU and US collected duties for the 50 to 100 contributing countries in 2003

Country	Import 1000 E [1]	Collected 1000 E [2]	Import Rank	Collected Rank	GNI Rank	Rate % [2]/[1]
Israel	7143909	29837	28	51	28	0,4
Ivory Coast	2511224	28521	51	52	171	1,1
Slovenia	7139310	28269	29	53	62	0,4
Yugoslavia	1246972	27141	63	54	138	2,2
Saudi Arabia	11796464	26975	20	55	68	0,2
Fiji	108424	26519	133	56	118	24,5
Jamaica	459424	24428	90	57	110	5,3
Yugoslav Rep. of Macedon	632915	24290	79	58	131	3,8
Cuba	312260	23203	104	59	120	7,4
Liechtenstein	952571	23097	70	60	4	2,4
Swaziland	128444	22162	128	61	142	17,3
Dominican Republic	329490	19910	101	62	114	6,0
Cambodia (Kampuchea)	491537	19395	86	63	204	3,9
Libya	10325429	19196	24	64	79	0,2
Cyprus	733448	18730	75	65	50	2,6
Egypt	3077862	18270	44	66	135	0,6
Lithuania	2925561	17873	46	67	98	0,6
Belize	79133	16355	141	68	105	20,7
Namibia	458998	14797	92	69	132	3,2
Estonia	3035539	11407	45	70	82	0,4
Malawi	187006	11403	120	71	221	6,1
Venezuela	1719223	10097	56	72	93	0,6
Zambia	143290	10053	125	73	198	7,0
Belarus	1029244	9485	68	74	140	0,9
Botswana	1506686	9325	61	75	109	0,6
Trinidad and Tobago	450095	8388	94	76	71	1,9
Zimbabwe	484642	8130	87	77	167	1,7
Latvia	1950731	7920	55	78	97	0,4
Iran	6829692	7490	30	79	129	0,1
Algeria	10971411	7445	22	80	130	0,1
Kazakhstan	3436792	7055	42	81	133	0,2
Moldova	247720	6866	111	82	183	2,8
Malta	851039	6100	73	83	63	0,7
St. Lucia	23349	6087	158	84	96	26,1
Peru	2211099	5957	54	85	119	0,3
Kenya	786110	5477	74	86	197	0,7
Honduras	264439	5195	109	87	154	2,0
Bahrain	309844	5136	105	88	55	1,7
Barbados	38145	4656	155	89	66	12,2
Netherlands Antilles	102524	4394	135	90	51	4,3
Sudan	202654	4348	117	91	192	2,1
St Vincent	52789	3951	149	92	106	7,5
Paraguay	287686	3890	107	93	144	1,4
Tanzania	608037	3446	80	94	202	0,6
Uzbekistan	500600	3331	83	95	186	0,7
Laos	120032	3285	130	96	199	2,7
Kuwait	1692027	3088	58	97	27	0,2
Gibraltar	131404	2964	127	98	46	2,3
Aruba	105848	2868	134	99	58	2,7
Guatemala	250883	2626	110	100	128	1,0
Total Selection [1]	91383920	620831				
Total EU 2003 [2]	933349386	14352672				
Selection in % ([1]/[2])	9,8	4,3				

Country	Import 1000$ [1]	Collected 1000$ [2]	Import Rank	Collected Rank	GNI Rank	Rate % [2]/[1]
Mongolia	183420	28832	103	51	189	15,7
Chile	3729447	28680	41	52	86	0,8
Ireland	25763320	27463	10	53	16	0,1
Finland	3594213	27094	43	54	12	0,8
Bulgaria	432447	27060	77	55	127	6,3
South Africa	4857622	25563	33	56	111	0,5
Romania	670624	25560	71	57	124	3,8
Slovakia	980247	23720	66	58	88	2,4
Oman	592809	22658	74	59	69	3,8
Poland	1294878	22631	62	60	80	1,7
Mauritius	295884	22476	92	61	95	7,6
Hungary	2675582	22196	49	62	77	0,8
Nepal	171238	21300	107	63	213	12,4
Norway	5030323	19619	32	64	2	0,4
Greece	600913	16396	73	65	57	2,7
Qatar	331576	15979	90	66	53	4,8
Ecuador	2424197	14466	51	67	134	0,6
Morocco	393315	14320	83	68	143	3,6
Costa Rica	3315552	13987	45	69	89	0,4
Israel	12750957	13811	18	70	28	0,1
Fiji	172165	13523	106	71	118	7,9
Ukraine	278601	13393	93	72	163	4,8
Czech rep.	1385240	12031	60	73	75	0,9
Peru	2391173	10723	52	74	119	0,4
Maldives	94072	10284	115	75	115	10,9
Kuwait	2125244	10102	54	76	27	0,5
Lithuania	346972	10043	88	77	98	2,9
Uruguay	236243	9367	98	78	84	4,0
Haiti	331430	8904	91	79	187	2,7
Turkmenistan	79554	8446	121	80	159	10,6
Iraq	3762774	8305	40	81	151	0,2
Slovenia	476012	7592	76	82	62	1,6
Kazakhstan	396836	7073	81	83	133	1,8
Belarus	218206	6450	99	84	140	3,0
Yugoslav Rep. of Ma	61276	6448	126	85	131	10,5
Algeria	4433566	6429	34	86	130	0,1
Tunisia	98443	6341	114	87	122	6,4
Syria	241437	6065	97	88	146	2,5
Uzbekistan	83593	6044	118	89	186	7,2
Latvia	395305	5336	82	90	97	1,3
Liechtenstein	261867	5019	94	91	4	1,9
Moldova	39491	4821	134	92	183	12,2
Malta	368854	4735	87	93	63	1,3
Lesotho	393056	3592	84	94	177	0,9
Swaziland	162033	3213	110	95	142	2,0
Jordan	673290	2957	70	96	126	0,4
Zimbabwe	66570	2923	123	97	167	4,4
Estonia	170500	2843	108	98	82	1,7
Aruba	842201	2345	68	99	58	0,3
Kenya	248037	2311	96	100	197	0,9
Total Selection [1]	90922605	641469				
Total USA 2003 [2]	1227007745	18297016				
Selection in % ([1]/[2])	7,4	3,5				

Countries selection in grey for GNI rank >100 and rate of collected >5%

Sources : SAD(Eurostat) TARIC(DG Taxud), USITC, UN Statistics Division