2

Agricultural Market Access

Agricultural trade is important for both Switzerland and the United States. Switzerland relies heavily on foreign agricultural production for domestic consumption and agrarian inputs for its world-renowned exports. In 2003, the value of Swiss agricultural imports surpassed the value of domestic production, measured at consumer prices. On a per capita basis, Switzerland ranks among the highest importers of agricultural products.[1] Meanwhile, agricultural and food products make up almost 8 percent of US merchandise exports to world markets.[2]

Despite the prospects for specialization, agricultural trade between the United States and Switzerland remains well below potential. In 2004, the United States and Switzerland exchanged agricultural goods with a total value of less than $400 million—only 2 percent of total trade between the two countries. This figure is low compared with agricultural trade between either country and other partners, notably the European Union. It is also less than the volume of agricultural trade between the United States and Switzerland in the recent past (see table 2.1).

Drilling below the aggregate two-way trade data, Swiss agricultural exports to the United States expanded sharply in recent years. If current rates are sustained, Swiss agricultural exports might double between 1999 and 2006. An FTA would encourage this trend, by removing barriers and

1. The source of data on production is the OECD PSE/CSE database. Estimates of Swiss agricultural imports are based on WTO Statistics Database.

2. The USDA Foreign Agricultural Service is the source of estimates of US agricultural exports, while USITC Dataweb was consulted for estimates of US total exports.

Table 2.1 Agriculture in US-Swiss bilateral trade, 1999–2004
(millions of US dollars)

	1999	2000	2001	2002	2003	2004
Agricultural bilateral trade						
US exports	421	352	546	492	251	152
Swiss exports	138	149	145	167	199	229
Trade balance	283	203	400	325	52	–77
Total bilateral trade						
US exports	8,365	9,942	9,835	7,782	8,660	9,268
Swiss exports	9,596	10,174	9,574	9,382	10,668	11,643
Trade balance	–1,232	–231	261	–1,600	–2,008	–2,374
Share of agriculture in bilateral trade (percent)[a]	3	2	4	4	2	2

a. (US + Swiss agricultural exports) / (US + Swiss total exports).

Source: US Department of Commerce (2005) and FAS (2005).

placing Swiss farmers and food processing companies on a level playing field with agricultural producers that already enjoy preferences in the US market—for example, Australia and Canada. On the other hand, US agricultural exports to Switzerland declined steeply in recent years, dropping from $550 million in 1999 to just $150 million in 2004. Part of the reason for the decline is the disagreement over certification and labeling that involves genetically modified organisms (GMOs) and animal hormones. For reasons that go well beyond agricultural trade with Switzerland, the United States does not certify "GMO-free" soy meal or "hormone-free" beef exports.

Meanwhile, because of consumer preferences, Switzerland has increased its purchases of European agricultural products. Between 1998 and 2003, the share of EU produce in Swiss agricultural imports rose from 69 to 76 percent (table 2.2). Meanwhile, the US share dropped from 6 to 4 percent. The Swiss-EU Agreement on Trade in Agricultural Products and the Revision to Protocol 2 of the 1972 FTA between Switzerland and the European Community may amplify these trends.[3] From the US perspective, an FTA with Switzerland could level the playing field with respect to EU and other suppliers in the Swiss market.

Agriculture will be the most difficult negotiating area in bilateral talks. Both countries maintain high barriers, both at and behind the border, to protect "sensitive" products. That many Swiss and some US farm goods

3. The agreement was signed in June 1999 and entered into force in June 2002. Duties on many products were not eliminated immediately: Free trade in cheese will not come into effect until June 2007.

Table 2.2 Swiss agricultural imports (millions of euros)

Partner country/area	1998	2000	2002	2003
EU-15	3,311	3,800	4,270	4,337
United States	276	329	281	239
Brazil	117	145	149	155
Rest of world	1,085	1,055	1,008	994
Total	*4,789*	*5,329*	*5,708*	*5,725*
Share of Swiss agricultural imports (percent)				
EU-15	69	71	75	76
United States	6	6	5	4
Rest of world[a]	25	23	20	20

a. Includes Brazil.

Source: FAS (2005).

simply cannot be produced at today's prevailing world prices will complicate agricultural negotiations.[4] Therefore, the stakes go beyond market access, and raise the social question of externalities associated with agriculture. It is well known that Switzerland relies on border barriers more heavily than most countries to ensure the preservation of rural areas.

This chapter is divided into five sections. The first two identify existing barriers to agricultural trade in each country. The third and fourth sections review the previous negotiating experiences of the United States and Switzerland, focusing on agricultural market access. Finally, the fifth section recommends possible elements of an FTA regarding the agricultural sector.

United States: Barriers to Agricultural Trade

The United States ranks among the world's largest producers, exporters, and importers of agricultural products; correspondingly, US agricultural policy reflects a variety of objectives and interests. While the United States is a very open economy, certain agricultural sectors enjoy exceptional levels of protection. It is well known that tobacco, peanuts, dairy products,

4. Commenting on Swiss agricultural conditions, a paper issued by the Swiss Federal Office for Agriculture states, "Produire aux prix du marché mondial ne serait donc guère possible aujourd'hui en Suisse"—Nowadays, it would not be possible to produce at world prices in Switzerland (Swiss Federal Office for Agriculture 2005). In the United States, producers of rice, peanuts, sugar, wool, lamb, butter, and cheese would all have difficulty meeting world market prices.

sugar-based products, and chocolates are shielded by high tariffs, tariff-rate quotas (TRQs), or both. Agricultural protection is also conferred through other instruments, such as antidumping (AD) measures and safeguards, as in the case of fruit juices and certain vegetables. In addition, foreign reports indicate that US sanitary and phytosanitary (SPS) measures are sometimes implemented for protectionist reasons (explored in chapter 3). Over the last decade, however, US bilateral FTAs have liberalized some protected sectors, especially now that the longer transition periods are beginning to expire.

Tariffs

According to the World Trade Organization (WTO 2004c), in 2002, the simple average applied most favored nation (MFN) tariff, including ad valorem equivalents, was 5.2 percent on all merchandise and 9.8 percent on agricultural products.[5] Chapter appendix tables 2A.1 and 2A.2 summarize tariffs and identify the highest tariff peaks in the US agricultural profile. The agricultural figure is strongly affected by extraordinarily high tariffs on tobacco products, peanuts, and sugars, as well as high tariffs on dried and fresh vegetables, beef, most dairy products, and beverages. About 12 percent of all merchandise tariffs are not ad valorem, but specific or compound duties. Many of these apply to agricultural imports, such as dairy products, fruits and vegetables, and meats (chapter appendix table 2A.1).[6]

Average US agricultural tariffs in unilateral preference schemes and bilateral FTAs are lower than MFN rates. In 2002, average US applied agricultural tariffs, by the WTO definition, were 9.8 percent for countries granted MFN status, 8.4 percent for countries in the Generalized System of Preferences (GSP), 6.2 percent for less developed countries (LDCs), 4.4 percent for Israel and Canada, and 2.7 percent for Mexico (table 2.3).

With the exception of bilateral trade with Mexico and Chile, US bilateral FTAs do not promise full elimination of agricultural barriers.[7] Under the US-Canada FTA, certain agricultural products remain indefinitely subject to reduced tariff rates. Likewise, in the US-Israel FTA, reduced tariffs remain on about 220 lines for dairy products and peanuts. Under the US-

5. The figure for agriculture is based on the WTO definition of that category. The analogous figure using the ISIC definition is lower, at 5.6 percent.

6. The United States International Trade Commission (USITC) publishes ad valorem equivalents on its website (USITC 2005c).

7. It should be mentioned as well that the US-Bahrain and the US-Singapore FTAs do not contemplate exceptions to free trade in agricultural products. However, these US partners are essentially city-states, with very little agricultural production.

Table 2.3 US MFN and preferential tariffs by partner country or group, 2002[a] (percent)

Country or group	Average tariffs		
	All products	Agriculture	Nonagriculture[b]
Canada	0.7	4.4	0.0
Israel	0.7	4.4	0.0
Jordan	2.7	6.2	2.1
Mexico	0.6	2.7	0.2
AGOA[c]	2.4	6.0	1.8
ATPDEA	2.6	6.0	1.9
CBERA	2.4	5.9	1.8
CBTPA	2.3	5.9	1.6
Less developed countries	2.7	6.2	2.1
Generalized system of preferences	3.7	8.4	2.8
Most-favored nation	5.1	9.8	4.2

Groups: African Growth and Opportunity Act (AGOA), Andean Trade Promotion and Drug Eradication Act (ATPDEA), Caribbean Basin Economic Recovery Act (CBERA), and Caribbean Basin Trade Partnership Act of 2000 (CBTPA).

a. If a tariff line is not eligible for the preferential program, the rate used in the calculation of averages is the GSP or MFN rate.
b. Excludes petroleum products.
c. Calculations made for LDC AGOA beneficiaries, as they constitute the majority of beneficiaries.

Source: WTO (2004c).

Jordan FTA, new TRQs were created to give certain Jordanian agricultural exports additional access to the US market.[8]

Many of Switzerland's top agricultural exports to the United States face comparatively high tariffs. Existing exports of chocolates, cheeses, and certain food preparations are subject to tariffs ranging between 5 and 10 percent (chapter appendix table 2A.3). Moreover, US tariffs or TRQs may play a role in the negligible size of Swiss exports to the United States for seven of Switzerland's top 10 exports to the world (the seven items are listed in table 2.4). US tariffs are particularly high for concentrates of coffee (9.4 percent) and tobacco (11.4),[9] and the combination of high tariffs (8 percent) and quotas may impede Swiss exports of certain chocolate products (HTS 1806.32 and 1806.90). In addition, some US high tariffs identified in chapter appendix table 2A.2 (e.g., dairy items and sugars) may stifle potential Swiss exports.

8. Exceptions are discussed in more detail in the section on phaseouts in US bilateral FTAs.

9. Note that tariffs and quotas for HTS 2402 are significantly lower than they are for other tobacco products (e.g., HTS 2401 and 2403), where they sometimes reach 150 percent.

Table 2.4 Swiss agricultural exports that fare poorly in the US market[a]

HS code	Product	Rank in Swiss agricultural exports to world	Average US tariff (percent)	Tarrif rate quotas
2402.20	Cigarettes containing tobacco	3	11.4	No
1806.32	Chocolate in blocks/slabs/bars, weighing 2kg	4	8.1	Yes[b]
2309.10	Dog or cat food	5	0.0	No
1806.90	Chocolate not included in 1806.20–1806.32	6	8.2	Yes[b]
4403.20	Wood, in the rough	7	0.0	No
2101.11	Extracts, essences, and concentrates of coffee	8	9.4	No
4410.32	Particle board of wood	9	0.0	No

a. Swiss exports of the product are not in the top 30 Swiss agricultural exports to the United States.
b. TRQs on 1806.32.04, 1806.32.14, 1806.90.15, and 1806.90.25.

Source: UN Statistics Division, 2005.

Tariff-Rate Quotas

The United States applies two distinct TRQ regimes, namely the US Section 22 TRQ regime and the preferential TRQ regime. The US Section 22 TRQ regime applies to all US trade partners, unless a special quota has been negotiated on a bilateral basis or applied in a unilateral preference scheme. The preferential TRQ regime applies to FTA partners or countries benefiting from unilateral preferences, notably in the Caribbean and Africa. These two regimes may be applied concurrently on products originating in a single country, as was proposed for beef imports from countries under the Central American Free Trade Agreement (CAFTA) and dairy imports from Australia.[10] We first explain the Section 22 TRQ system and then the preferential system.

The highest US ad valorem equivalent (AVE) tariffs on agricultural imports are generally US Section 22 TRQs and usually take the form of specific rates (chapter appendix table 2A.4). Certain out-of-quota tariffs are prohibitive, such as those in tobacco (350 percent), peanuts (140 percent), and butter and oil substitutes (98 percent). High out-of-quota rates also apply to dairy products, cotton waste, infant formulas, and cane or beet sugars or syrups. According to a Congressional Budget Office report (CBO 2005),

10. How the two regimes interact is not always clear, and the question of interpretation of certain provisions has already come up in the context of US FTAs.

TRQs affect slightly fewer than 200 tariff lines, but the simple average for out-of-quota duties on them stands at nearly 50 percent. However, since over-quota imports are found in more than 70 percent of products subject to TRQs, the United States argues that the TRQ system does not generally act as a quantitative restriction. We do not find this argument convincing.[11]

In-quota imports are typically subject to lower duties in line with average duties for the whole agricultural sector.[12] They are administered by first-come-first-served and country-based historical license systems. Several trading partners have objected to "certain built-in rigidities in the import-licensing system" and other features of quota administration (European Commission 2004a, 18).[13]

Switzerland has been granted exclusive access under three US Section 22 TRQs on Swiss Emmental, Gruyere, and other varieties of cheese. Nevertheless, other Swiss exports of cheese and dairy products, chocolate, and sugar-based products are probably constrained by the TRQ system (see chapter appendix table 2A.4 and table 2.4).

US bilateral agreements maintain protective barriers on sensitive products through special TRQs. Often in bilateral FTAs, preferential TRQs replace US Section 22 import quotas for imports originating in the partner country. Preferential TRQs typically allow duty-free access to in-quota imports, while in most cases, over-quota tariffs are gradually eliminated over a specified transition period. However, barriers are retained in many US bilateral FTAs.[14]

In both Section 22 and preferential regimes, the United States reserves the right to apply price- or volume-based safeguards, which take the form of additional tariffs on over-quota imports. These have been invoked in recent years.

Safeguard Measures

The United States applies two distinct safeguard regimes, namely those pursuant to Article 5 of the WTO Agreement on Agriculture (which enables safeguards under Section 22 of the Agricultural Adjustment Act) and

11. TRQs partly explain the low share of imports of dairy products (less than 3 percent) in domestic consumption (WTO 2004c).

12. The CBO (2005) report estimates the simple average in-quota tariff for TRQ lines at around 10 percent.

13. For example, foreign governments have requested clarification of the role of the Commodity Credit Corporation (CCC) in administering tariff quotas. It seems that in the past, the CCC has exchanged commodities already held in stock for certificates for quota eligibility. Canada has complained about "un-authorized" imports of refined sugar entering the United States against Canada's portion of the refined sugar in-quota level (USDA 2005a).

14. For more information, see the sections on phaseouts in US bilateral FTAs.

special bilateral safeguard regimes.[15] Article 5 safeguards are invoked on imports from WTO partners, while special safeguards are applied to imports from bilateral FTA partners. The two regimes cannot be applied concurrently on a product originating in a single country.

Article 5 safeguard measures may be applied for an initial period of four years, and then extended. In practice, however, the United States applies safeguards for a maximum of three years (WTO 2004c). Safeguard measures can take the form of tariffs, quotas, TRQs, and import licenses, and they can be based on import price or volume.[16] Chapter 99 of the 2005 US Tariff Schedule lists safeguard measures on beef; sheep meat; milk and cream; butter; dried milk and cream; certain dairy products; cocoa powder and chocolate; infant formulas; rough cotton; peanuts, peanut butter, and peanut paste; and sugars, syrups, and molasses. Measures are also levied on multiple cheeses—blue mold, cheddar, American-type, Edam and Gouda, Italian, Swiss, and Emmental (HS code 0406.90.97; see USITC 2005b, chapter 99, 55–81). The top Swiss agricultural export to the United States, certain food preparations containing over 10 percent of sugars (HS code 2106.90.97), is currently subject to Article 5 safeguard measures.

As a general rule, the United States does not invoke WTO safeguard measures on goods originating in bilateral FTA partner countries.[17] Thus, in December 2001, President Bush excluded Mexican, Canadian, Israeli, and Jordanian steel from its safeguard regime. Third countries, including Switzerland, challenged this exclusion. The WTO Appellate Body held that bilateral FTA partners can be excluded from a safeguards remedy, but that the products from excluded countries must not be counted in the findings of injury—contrary to what happened in the steel case (WTO 2002a).[18]

The United States reserves the right to apply special safeguards to products originating in FTA partner countries, including agricultural

15. Current safeguard measures are listed in Chapter 99 of the US Tariff Schedule (USITC 2005d). US notifications of safeguard measures to the WTO are also available online; see WTO (2002c).

16. Price-based safeguards are applied on a shipment-by-shipment basis. Importers of goods in an over-quota tariff line must declare a price range applicable to the product. If the price range corresponds to a level that triggers a safeguard duty, additional charges are levied. Volume-based safeguards have been invoked in the past for products for which the United States did not have a TRQ system. Some of these measures were terminated after they were challenged in WTO proceedings (WTO 2004c).

17. At the time of writing, US bilateral FTA partners are Israel, Canada, Mexico, Jordan, Singapore, Chile, Morocco, Australia, and CAFTA-DR members.

18. In WTO (2000a), the Appellate Body concluded that the US practice of including certain countries in determining injury while excluding others from the application of the measure was inconsistent with the Agreement on Safeguards. WTO (2002d) further clarifies that the competent authorities must "establish explicitly" that imports from the sources covered by the measure must by themselves satisfy the conditions for applying safeguards, and WTO (2003c) reaffirms this interpretation.

products subject to preferential TRQs.[19] The special agricultural safeguard provision, a standard clause in US FTAs, allows additional tariffs to be applied (sometimes automatically) when over-quota imports pass certain thresholds of price or quantity; these often target dairy products, beef, and fruits and vegetables and their products.[20] Typically, the special safeguard provision is a transition measure, but in some instances, the United States and its partner countries have agreed to continue it post-transition. In a similar spirit, US unilateral preference schemes include "competitive need" provisions, whereby products can lose eligibility when imports exceed certain thresholds.

Antidumping and Countervailing Duties (AD and CVD)

Though AD measures are typically associated with certain manufactured products, the United States applies them on agricultural and food imports. In fact, AD measures on agriculture and food are applied to a greater extent than their share in total US imports. In recent years, US AD measures have targeted honey, sugar, frozen apple and orange juices, raspberries, fresh garlic, preserved mushrooms, live swine, and canned pineapple fruit.[21] However, as of December 2004, no product originating in Switzerland was subject to AD measures.

Other Measures

In addition to tariffs, TRQs, duties, and AD and CVD measures, the United States upholds other policies that amount to barriers in agricultural trade, ranging from domestic support in the form of subsides and other programs, to custom procedures.[22]

Domestic Support

The Organization for Economic Cooperation and Development (OECD 2003) concludes, "Agricultural policy in the United States is characterized by levels of support below the OECD average."[23] It also notes a long-term

19. For a full description of the actual application of special safeguards in US bilateral FTAs, see the later section on phaseouts.

20. See Chapter 99 of the 2005 US Tariff Schedule.

21. See WTO document G/ADP/N/126/USA.

22. Sanitary and phytosanitary issues and standards are explored at length in chapter 3.

23. Domestic support is rarely a topic treated in bilateral FTAs. We do not anticipate that it will be addressed in negotiations between Switzerland and the United States. Therefore, our discussion does not delve into details.

Table 2.5 Production, consumption, and support of the agricultural sector, 2004

	Switzerland (billions of Swiss francs)	United States (billions of US dollars)
Total value of production (at farm gate)	7.3	225.4
Total value of consumption of domestic produce (at farm gate)[a]	8.9	206.6
Total value of agricultural imports[b]	8.9	47.4
Total support estimate (TSE)	7.8	108.7
Producer support estimate (PSE)	7.2	46.5
Of which market price supports	4.0	16.2
General services support estimate (GSSE)	0.5	34.1
Share of production (percent)		
TSE	87.0	53.0
PSE	81.0	23.0
Of which market price supports	45.0	8.0
GSSE	0.1	0.2

a. Does not include imports.
b. 2003 CIF import values.

Sources: OECD (2004e), USDA (2004f), and USDA Grain Report E34042, 2004. Exchange rates were obtained from the IMF.

tendency toward reduced support payments; however, support under the Farm Act of 2002 is higher, and the extent of market orientation is lower, than when the preceding Farm Act of 1996 was in force.

Most US subsidy payments are channeled directly to individual producers, reflected in the OECD producer support estimate (PSE) indicator in table 2.5. However, government expenditures on marketing promotion and infrastructure also constitute important sources of support (see general services support estimate in table 2.5). After two years of substantial decline, the PSE increased sharply in 2004 to about $46 billion, but remained below the record values of government assistance to individual producers posted in 1999 and 2000. It should be noted that PSE figures include the price-raising consequences of market-access barriers, as well as direct subsidy payments.

Through different means and at different levels of commitment, the United States supports the production of cereals, rice and upland cotton, oilseeds, peanuts, pulses, sugar, milk and dairy products, lamb meat, white wool, mohair, and honey (table 2.6). Based on 1999 figures, which are now dated, the WTO estimated that US trade-distorting domestic support was approximately $25 billion annually (WTO 2004c, 107).

Table 2.6 Producer support estimates (PSE), for top 10 products, 2003

Rank	Product	Value	Share
Swiss value (millions of Swiss francs)			
1	Milk	2,902	0.39
2	Beef and veal	1,209	0.16
3	Pigmeat	1,003	0.13
4	Wheat	225	0.03
5	Poultry	202	0.03
6	Sugar	142	0.02
7	Other grains	114	0.02
8	Eggs	106	0.01
9	Oilseeds	98	0.01
10	Maize (corn)	63	0.01
	Total	7,529	1.00
US value (millions of US dollars)			
1	Milk	10,992	0.28
2	Maize (corn)	4,316	0.11
3	Oilseeds	4,095	0.11
4	Soybeans	4,095	0.11
5	Wheat	2,657	0.07
6	Sugar	1,354	0.03
7	Beef and veal	1,197	0.03
8	Rice	744	0.02
9	Other grains	733	0.02
10	Poultry	677	0.02
	Total	38,878	1.00

Source: OECD, PSE/CSE database 2004.

Export Subsidies

Agricultural export subsidies have received limited or no attention in US bilateral FTAs. Recent FTAs, such as US-Chile, US-Australia, CAFTA, and US-Morocco, include the reciprocal commitment not to subsidize agricultural sales in the partner country's home market, unless subsidies are necessary to meet the export subsidies of a third party, notably, the European Union. We anticipate that the Swiss-US FTA will follow the norm and either ignore export subsidies altogether or contain a similar "non-aggression" clause. However, since export subsidies clearly distort markets, we present a brief overview of their magnitudes and trends.

Under the WTO Agreement on Agriculture, the United States committed to discipline export subsidies to total outlays not exceeding $594 million per annum. In addition, the United States pledged to reduce that

amount over time, identifying 13 agricultural product groups in its schedule that receive export subsidies, including cereals, oilseeds, dairy products, and vegetables.

The actual amount of export subsidies granted yearly by the US government is much lower than the agreed cap. According to the latest figures reported to the WTO, the United States distributed $32 million in 2002, a significantly lower figure than the $147 million estimate for 1998. While export subsidies under $150 million are insignificant compared with total US agricultural exports, subsidies can be important for particular commodities. The WTO (2004c) mentions that, in 2000, "91 percent of total exports of skim milk powder were subsidized."

While perhaps not technically export subsidies—the characterization is still debated—US export finance, insurance, and guarantee programs also play a role in promoting exports. Export finance and kindred systems provide short-, medium-, and long-term credit lines, guaranteed by the Commodity Credit Corporation (CCC). The value of officially supported export credits stood at $3.4 billion in 2002. According to the WTO (2004c, 111), "government-guaranteed export financing confers an export advantage, because the interest rates charged does [*sic*] not reflect the actual risk of the transaction, but rather the credit rating of the underlying guarantee." Few government-financed exports are shipped to Switzerland; typical destinations are South America, Mexico, Turkey, and South Korea.

Customs Procedures

Foreign reports on US barriers have frequently voiced concerns over US licensing systems, invoice requirements, customs fees, and other charges.[24] More recently, foreign governments have objected to higher transaction costs and delays associated with the Homeland Security Act of 2002.[25]

---

24. Title 19 of the US Code contains provisions on fees for custom services (WTO, 2004c). Fees include the Harbor Maintenance Act (with an ad valorem levy of 0.125 percent).

25. This Act established new and stricter customs procedures, and given the perceived threat of terrorism, these procedures are not subject to negotiation in an FTA. Under the Container Security Initiative (CSI), the US Customs Service, renamed the Customs and Border Protection Service (CBP), now operates container screening checks in ports of departure, 24-hour pre-shipment vessel cargo declarations, and supply chain guidelines for businesses desiring to export goods to the United States. The CBP has selected the main ports of continental Europe—Rotterdam, Antwerp, Le Havre, and Genoa, among others—to participate in a CSI-related program that uses new technology to speed up pre-shipment inspection. Switzerland benefits from this program. According to the CBP, no complaints of cargo delayed due to the CSI system have been received (WTO 2004c). Foreign reports, however, highlight the unilateral nature of US measures, as well as business concerns (European Commission 2004a). On the other hand, it has been argued that there are some offsetting gains in efficiency arising from efforts to meet the new US security requirements.

Table 2.7 Swiss agricultural production, 1997–2003
(millions of Swiss francs)

Branch	1997–99	2003[a]	Share 2003 (percent)
Total vegetable production	4,817	4,067	45
Cereals	715	428	5
Fruits	575	534	6
Plants and flowers	923	790	9
Potatoes	207	178	2
Sugar beets	152	151	2
Vegetables	472	536	6
Wine	366	388	4
Total animal production	5,241	4,933	55
Bovines	1,003	1,016	11
Eggs	184	184	2
Milk	2,665	2,360	26
Porcines	1,124	1,082	12
Poultry	169	202	2
Total agricultural production	10,058	9,000	100

a. Provisional figures.

Source: WTO (2004b).

Switzerland: Barriers to Agricultural Trade

As far as agriculture is concerned, Switzerland ranks among the most highly protected countries in the industrial world, with levels comparable to Japan, Korea, and Norway. Swiss barriers to agricultural trade result from policies designed to ensure the conservation of rural areas, promote the decentralized use of territory through income generation, and contribute to food security through national self-sufficiency in agriculture (see table 2.7 for Swiss agricultural production).

Historically, trade protection has been the most important (but not the only) instrument Switzerland has chosen to achieve these multifunctional goals. Apart from agricultural self-sufficiency, the other goals of Swiss agricultural policy could be achieved, at least according to the United States, by alternative policy measures. Box 2.1 briefly reviews the multifunctional debate, summarizing US and Swiss positions. In any event, Switzerland implements its trade barriers mostly through tariffs and TRQs, supplemented by other trade barriers, such as domestic subsidies, standards, and technical regulations.[26] US officials have stated repeatedly that Switzerland

26. In some instances, standards and technical regulations (SPS measures) are more restrictive than tariffs and quotas.

Box 2.1 Multifunctional nature of agriculture

The multiple functions of agriculture attract attention when trade liberalization is negotiated, within both the WTO and bilateral agreements. Debate centers on the links between agricultural production and associated noncommodity values. Since Swiss and US positions differ substantially, Swiss-US FTA talks may be an opportunity to find common ground on selected aspects of the wider debate.

Both countries agree that agriculture contributes to society beyond the value of food and fiber produced. Externalities include the maintenance of open space, environmental benefits such as erosion control and wild animal habitats, the preservation of a cultural heritage and rural communities, and the assurance of food supply ("food security," in Swiss terminology). Article 104 of the Swiss Constitution stipulates that domestic agriculture should provide a "substantial contribution" to the food consumed by the Swiss population, the conservation of rural areas, and the decentralized use of territory. Between 1992 and 2002, 60 percent of all calories consumed in Switzerland were in fact produced domestically. Apart from the food security issue, the agricultural policies of both the United States and Switzerland foster externalities through various policies that run the gamut from subsidies to regulation to trade barriers.

Switzerland fears that full liberalization would lead to a substantial drop in domestic prices and undermine external benefits. By contrast, the United States believes that the multifunctional benefits of agriculture can be achieved by targeted and transparent policies that have little trade-distorting impact. As a general rule (with exceptions) the United States argues that subsidies should be limited to "green box" measures that are not coupled with agricultural production or price levels. Moreover, the United States believes that public food stocks, not self-sufficiency goals, best ensure food security.

is a "difficult market" for many US agricultural products. US agricultural producers trying to sell into the Swiss market often face high tariffs; in addition, they must compete with third-country firms that enjoy preferential access and overcome negative public attitudes toward biotechnology (USTR 2005b).

Tariffs

Estimates of the simple average tariff equivalent for Swiss agricultural imports in 2004 range from 28.6 percent (using major division 1 of the International Standard Industrial Classification, or ISIC) to 36.2 percent (WTO definition), as table 2.8 and chapter appendix table 2A.5 show. Switzerland's tariff peaks are concentrated in the agricultural sector. Even the ISIC estimate of 28.6 percent is nearly triple the corresponding level of US

Table 2.8 Summary of Swiss MFN tariffs, 2004

Product description	Applied rates: Number of lines	Applied rates: Lines used[a]	Applied rates: Average tariff (AVE, percent)	Applied rates: Standard deviation (percent)	Imports, 2003 (million of dollars)
Agriculture[b]	1,947	1,613	36.2	87.9	6,336
Beverages and spirits	104	100	23.2	40.5	1,226
Coffee and tea, cocoa, sugar, etc.	413	345	29.7	48.0	1,428
Cut flowers and plants	77	73	23.3	69.4	463
Dairy products	55	52	77.4	113.7	236
Fruits and vegetables	488	427	34.1	64.4	1,287
Grains	82	54	42.8	63.5	150
Live animals and products thereof	150	131	109.0	229.4	528
Oil seeds, fats, oils, and their products	350	217	34.4	49.5	237
Tobacco	15	13	10.0	11.0	200
Other agricultural products	213	201	6.6	23.9	580
Nonagriculture[c]	6,233	6,137	2.3	4.1	85,452
By stage of processing					
Fully processed products	4,465	4329	9.7	48.2	71,237
Raw materials	1,255	1052	18.6	54.4	6,207
Semiprocessed products	2,479	2388	4.5	17.2	17,759
Total	8,199	7,769	9.3	42.5	95,204

a. Lines with no ad valorem equivalents are excluded.
b. WTO definition.
c. Excludes petroleum.

Source: WTO (2004b).

applied MFN tariffs on agricultural imports (9.3 percent). Switzerland's highest average tariffs are applied to animals and products thereof, dairy products, and grains (table 2.8). However, various high peaks are also found for certain vegetables (e.g., lettuce and carrots), fruits and fruit juice, oilseeds, and vegetable oils (chapter appendix table 2A.6).

The WTO tariff definition is expressed in AVE terms, since Switzerland applies specific tariffs and TRQs. It is worth noting that, when dealing with specific tariffs, exchange rate fluctuations affect the analysis of AVE levels: For example, when the Swiss franc is strong, specific tariffs translate into higher AVE figures.

Despite high tariff and quota barriers, many agricultural products enter Switzerland at reduced rates, often close to zero, depending on when they are imported or what their final use is. According to Confoederatio Helvetica (2005a), eligible agricultural products include live swine, animal products, fruit cereals, fodder goods, oilseeds, and edible oils.[27] The purpose of the low rates is to boost the competitiveness of Swiss food processing and pharmaceutical firms, which otherwise would be hampered by costly inputs. Yet Swiss retail prices substantially exceed the average prices for most agricultural products found in neighboring countries (chapter appendix table 2A.7).

Reducing these price differentials to be consistent with Article 104 of the Swiss Constitution has preoccupied Swiss agricultural policy since the early 1990s. Article 104 requires that domestic agriculture provide a "substantial contribution" to the food needs of the Swiss population, the conservation of rural areas, and the decentralized use of territory. Since 1990, Swiss agricultural producers have contributed about 60 percent of the total caloric intake of the Swiss population. The contribution is higher for animal products than those of vegetable origin (94 percent versus 45 percent).

According to the Swiss Federal Office for Agriculture, Agricultural Policy 2011 will consist essentially of policies that contribute to reducing price differentials at both the producer and consumer levels. This will be done by reallocating subsidies toward direct payments rather than production-based or price-based supports, reducing tariffs on animal feed, and implementing measures to make Swiss producers more competitive.[28] Improving the productivity of Swiss farmers and reducing costs are seen as "the only means of attenuating the risks related to the reduction of border protection" (Swiss Federal Office for Agriculture 2005). The new agricultural policy is expected to provide some maneuvering room for Swiss officials as they tackle the challenging negotiating agenda in the Doha Development Round as well as bilateral negotiations with the European

27. The complete list of eligible products is listed in the 20-page annex of the ordinance (Confoederatio Helvetica 2005a).

28. For example, tariffs on fodder cereals are scheduled to decrease from Sfr 43 to Sfr 36/quintal.

Table 2.9 US agricultural exports to the European Union that fare poorly in the Swiss market[a]

HS code	Product	Rank in US agricultural exports to European Union	Average tariff, 2001	Tariff-rate quotas
1201.00.00.40	Soybeans, broken or not	1	21.5	No
2303.10.00.10	Corn gluten feed, in pellets or not	4	14.0	Yes[b]
1001.90.20.55	Wheat and meslin, except seed, nesoi	8	118.7	Yes[c]
0802.11.00.00	Almonds, fresh or dried, in shell (kg)	10	0.0	No
0101.10.00.00	Purebred breeding horses and asses, live	17	n.a.	Yes[d]

nesoi = not elsewhere specified or included
n.a. = not available

a. US exports of the product are not in the top 30 of US agricultural exports to Switzerland.
b. See quota 28 in table 2.5.
c. See quota 26 in table 2.5.
d. See quota 01 in table 2.5.

Source: FAS (2005).

Union, the United States, and major agricultural producers such as the Southern Cone Common Market (Mercosur) and the Southern African Customs Union (SACU).

So far, Switzerland has not used its extensive network of bilateral FTAs, including agreements with its European Free Trade Association (EFTA) partners and the European Union, to reduce the average level of agricultural protection, though the Bilateral Agreement on Agriculture and recent modifications to Protocol 2 of the 1972 FTA between the European Union and Switzerland significantly liberalized certain products.[29]

Despite high tariffs, many existing US agricultural exports are subject to low tariffs. In fact, about half of US top 30 agricultural exports to Switzerland enter duty free or pay nuisance tariffs (chapter appendix table 2A.8). Meats, asparagus, wine, and bovine semen are subject to stiff tariffs. This analysis, however, doesn't take into account the prohibitive effect of the highest peaks. For example, many top US agricultural exports to the European Union and the world, such as wheat, corn, and soybeans, fare quite poorly in the Swiss market: Table 2.9 shows that high tariffs and quotas partly explain the low volumes registered for exports of these products to Switzerland.

29. See the section below on phaseout schedules in Swiss bilateral FTAs.

Tariff-Rate Quotas

Switzerland currently applies 28 TRQs to 282 tariff lines (WTO, 2004b). Chapter appendix table 2A.9 lists the broader product categories, not the specific tariff lines.[30] The simple average in-quota and out-of-quota tariff rates on products subject to TRQs are 11.2 percent and 118.8 percent respectively. Switzerland has among the highest average out-of-quota TRQ rates in the world. Cut flowers lead the way (336 percent), followed by durum wheat (200 percent), pork and poultry (153 percent), grapes and grape juice (143 percent), vegetables (125 percent), cereals (120 percent), and grains (113 percent).

In recent years, utilization rates of TRQs scheduled in the WTO have increased, reaching or surpassing 100 percent in most categories, especially cereals for making bread and dairy products. Red meats and fresh vegetables have also experienced out-of-quota imports.

Swiss TRQs may affect 4 out of the top 30 US agricultural exports. These products are bovine semen, meat of horses and mules, bovine meat, and asparagus. Moreover, many of the top US exports to the European Union fare rather poorly in bilateral trade between the United States and Switzerland. Some of these products—wheat, poultry, cereals, and grains—also face prohibitive out-of-quota barriers. Swiss TRQs are administered by different allocation systems, such as *prise en charge*, auctions, and first-come-first-served systems.[31] In recent years, some US exporters, such as potato producers, have complained about the allocation of quotas. On the other hand, the auctioning of the white wine quota from 1996 to 2000 led to considerable increases in the US share of the white wine market, a product that is relatively expensive.

Safeguards, Antidumping Measures, and Countervailing Duties

Switzerland does not have any AD, CVD, or safeguard measures in place, nor do they intend to establish any.[32] But it reserves the right to impose special safeguards (SSG) for all imports subject to TRQs when domestic prices fall below, or import quantities exceed, certain thresholds.[33] This

30. The list of the 282 tariff lines affected by TRQs is available at www.tares.ch.

31. The *prise en charge* system requires traders to purchase domestic production to use the quota on foreign imports (e.g., potato products, milk powder, and poultry). Recent reforms have replaced the *prise en charge* system with the first-come-first-served system in some instances (e.g., eggs) or the auctioning system (e.g., beef, pork, and poultry).

32. See WTO (2004b). While AD and CVD measures are theoretically possible, Swiss legislation enabling penalty duties has not been updated since the Tokyo Round.

33. One legal basis is Article 7 of the Customs Law, which allows any tariff modification when the "national interest is at stake." Other articles allow temporary increases in agricultural tariff products, consistent with international agreements. The Switzerland Ministry of Economy is the competent Swiss authority for AD and CVD investigations (WTO 2004b).

prerogative has not been invoked since 2000, and only once before then, for pork meat.

Other Barriers

Like the United States, Switzerland employs considerable domestic support and export subsidies that amount to barriers to trade. In addition, it also uses price controls, export refunds, and import prohibitions, which are likely to be a part of FTA negotiations.

Domestic Support Measures

According to an OECD (2003) report, "Agriculture in Switzerland is characterized by high support levels and limited market orientation."[34] In 2004, producer support was estimated at 68 percent of gross receipts from agriculture, more than twice the OECD average and double the EU level. Switzerland ranks among the top OECD countries in per capita support to agricultural producers. From 1995 to 2003, the per capita PSE estimates were €293 for the European Union, €122 for the United States, and €683 for Switzerland.

As estimated by the OECD, the level of producer supports stood at 7.2 billion Swiss francs in 2004 (see tables 2.5 and 2.10). Of that amount, government support totaled about 4 billion Swiss francs; the remaining amount essentially reflected transfers from consumers to producers through high prices induced by tariff and quota protection. Agricultural support in Switzerland remained broadly unchanged between 1995 and 2001, but increased in dollar terms after 2001 due to the appreciation of the Swiss franc.[35] Since the reorientation of agricultural policy in 1992, Switzerland has progressed in switching domestic subsidies from production-based and price-based payments to direct producer-based payments.[36] Between

34. Domestic support is rarely treated in bilateral FTAs, and we do not anticipate it will be addressed in negotiations between Switzerland and the United States. Therefore, our discussion does not delve into details.

35. Agricultural support in Switzerland largely consists of product-specific market-price supports, mainly through border barriers and producer-specific subsidies (payments based on historical entitlements, the so-called ecological payments distributed on the basis of planted area or number of animals). As shown in tables 2.6 and 2.10, in 2003, support through market prices represented about 60 percent of total support to individual farmers, while support for historical entitlements and planted area/number of animals made up 30 percent. The milk subsector receives the largest share of support, about 40 percent of the total, while beef and pig meat also command large entitlements of 16 and 13 percent respectively. See table 2.7 for estimates of agricultural production in Switzerland.

36. Direct payments not related to production or price targets are less distorting, as they allow for more room for market forces in setting domestic supply and demand. They also pave the way for reducing border barriers.

Table 2.10 Composition of producer support estimate, 2003[a]
(average percentage share in total value of PSE)

Type of payment	Switzerland	United States	OECD
Market price supports[b]	57	38	62
Based on output	5	8	4
Based on area planted/ animal numbers	13	5	16
Based on historical entitlements	17	13	4
Based on input use	4	19	9
Based on input constraints	2	5	3
Based on overall farm income	0	6	2
Miscellaneous	3	0	0
Countercyclical[c]	—	6	—
Producer support estimate	100	100	100

a. Provisional figures.
b. Market price supports reflect the impact of tariffs on domestic prices.
c. Reported only for US data.

Source: OECD, PSE/CSE database 2004.

1992 and 2004, direct payments jumped from 29 to 71 percent of total subsidies.

Price Controls, Export Refunds, and Export Subsidies

Government intervention through target prices has now been replaced by market-determined prices, bolstered by restrictive TRQs.[37] The price compensation scheme provides "export refunds" to compensate domestic food processors for the high input costs resulting from agricultural protection. Dairy and milling products when exported in processed agricultural products falling under HS chapters 15–22, sugar confectionery, preparations of cereals, and other food preparations are eligible, and comprise most of the top 20 Swiss agricultural exports to the United States.

According to the WTO (2004b), total export subsidies granted by the Swiss government to agricultural producers declined 30 percent between 1996 and 2000, dropping to 318 million Swiss francs (roughly $190 million).

37. The WTO *Trade Policy Review* notices that the *Ordonnance sur les produits agricoles* (Confoederatio Helvetica 2003) maintained a complex system of price brackets for certain agricultural goods, including duty-inclusive imports. The system currently applies to animal feed and seeds.

More recent data from the Swiss Federal Office for Agriculture (2005) confirms the decline, with export subsidies reaching 200 million Swiss francs in 2004. Part of the decrease in Swiss agricultural export subsidies can be traced to the implementation of the Swiss-EU Bilateral Agreement on Agriculture, which eliminated export subsidies for cheese trade between the parties.

The draft version of Agricultural Policy 2011 indicates that export subsidies will continue to decrease over the next five years.[38] The Swiss government is considering fully eliminating export subsidies distributed under the *loi sur l'agriculture* by 2009, which affects exports of cheese destined to non-EU countries, other dairy products, certain live animals, fresh and processed fruit products, and potatoes. Agricultural Policy 2011, however, will not affect export subsidies dispensed under the *Loi Chocolatière*.[39]

While the reported level of export subsidies is small compared with domestic support to agriculture, their relevance lies in the high ratio of export subsidies to the value of agricultural exports. Based on figures from 2000 that are now dated, the CBO (2005) estimated that the ratio of export subsidies to exports in Swiss agriculture was nearly 7 percent, making Switzerland the highest provider of export subsidies in the world, surpassing even the European Union (4 percent in 2000). Using 2004 data, however, the ratio of agricultural export subsidies to agricultural exports for Switzerland stood at 5 percent.

Given the affected trade volumes, Swiss agricultural export subsidies are not nearly as disruptive as those of larger players, such as the European Union. However, the 2004 WTO (2004b, 90) concludes that "Swiss export subsidies, when they were last notified in 1998 . . . were likely to distort world markets of mainly cheese." This conclusion was based on data preceding the Swiss-EU Bilateral Agreement on Agriculture that eliminated export subsidies on cheese trade between the parties.

Import Prohibitions

The Ordinance on Plant Protection prohibits imports, on the grounds of plant protection, of the following products: potatoes, potato plants, vines, fruit trees from non-European countries, and certain soils (Confoederatio Helvetica 2001).

Phaseout Schedules for Agricultural Barriers in US FTAs

This section describes US and partner country agricultural phaseout schedules, and correspondingly, agricultural market access commitments in

38. Revisions to Protocol 2 to the Swiss-EC FTA of 1972 could also limit Swiss export subsidies on a number of processed agricultural products sold in the European Union.

39. These export subsidies will be eliminated over the medium term.

selected FTAs. We consider the North American Free Trade Agreement (NAFTA), US-Australia, US-Chile, US-Morocco, and the Central American–Dominican Republic Free Trade Agreement (CAFTA-DR). The material is divided between the text of this chapter and Appendix A. The chapter text presents a general overview of market access commitments in the selected FTAs, focusing on tariffs, TRQs, and safeguards.[40] Appendix A gives a detailed description of phaseouts for 15 selected categories of agricultural products, and includes a summary table of concessions on selected products across the different FTAs (table A.1).

With the exception of US bilateral relations with Mexico and Chile, all other US bilateral FTAs fall short of full liberalization for both parties. Products that were excluded, or phased-out over more than 20 years in one or more agreements, include sugar, some dairy items, beef, wheat, poultry, eggs, margarine, ethanol, potatoes, and onions. In addition, US bilateral FTAs establish quantity- or price-based special safeguards for certain agricultural products. In a few cases, parties have agreed to extend, or review the possibility of extending, the application of special agricultural safeguards beyond the transition period.

NAFTA

NAFTA includes three sets of bilateral market access commitments: US-Mexico, US-Canada, and Canada-Mexico. We cover the first two relationships in that order. In general, Canada-Mexico commitments are similar to US-Mexico commitments, but they fall short of full liberalization.[41]

US-Mexico

When NAFTA went into effect in 1994, immediately more than half the value of bilateral US-Mexico agricultural trade became duty free. The remaining tariffs and nontariff barriers (NTBs) are being phased-out over transition periods of 5, 10, or 15 years. Once the 15-year transition period

40. The specific US sources are NAFTA Agricultural Fact Sheets (USDA-FAS); US-Australia Free Trade Agreement: Commodity Fact Sheets" (USDA-FAS); US-Central America-Dominican Republic Free Trade Agreement: Overall Agriculture Fact Sheet (USDA-FAS); US-Chile Free Trade Agreement: Commodity Fact Sheets (USDA-FAS); and US-Morocco Free Trade Agreement Agriculture Provisions (USTR). All sources are listed under references. Other sources consulted include The Australia-US Free Trade Agreement: Advancing Australian Agricultural Exports (Australian Department of Foreign Affairs and Trade); Principales Logros y Resultados (Department of Foreign Trade of Costa Rica); and Tratado de Libre Comercio Chile-Estados Unidos" (Chile Foreign Affairs Ministry). Chapter 3 discusses commitments on SPS matters in US and Swiss FTAs.

41. Important exceptions to full liberalization are in dairy products, poultry, eggs, and the sugar sector.

is ended, free trade between the US and Mexico will prevail for all agricultural products.[42]

Quota barriers affecting agricultural trade between the United States and Mexico were immediately converted to preferential tariffs or TRQs. NAFTA established preferential TRQs that provide in-quota duty-free access, while the initial over-quota tariffs are equivalent to the border protection of previous quantitative restrictions. The over-quota tariffs are phased out over 10- or 15-year periods.[43] The United States established NAFTA TRQs to replace US section 22 TRQs for imports of cotton, dairy products, certain fruit juices, peanuts, and sugar from Mexico. Mexico replaced its import licensing system with NAFTA TRQs on imports of corn, dry beans, milk powder, poultry, barley/malt, animal fats, potatoes, eggs, and some lumber products from the United States.[44]

NAFTA's agricultural safeguards are quantity-based. Once the threshold is met, the importing country may apply the tariff rate in place when the agreement went into effect, or the then-current MFN rate, whichever is lower. The threshold level grows at an annual rate of 3 percent throughout the transition period (see USDA 2004b for threshold details). A special agricultural safeguard provision is included in NAFTA for certain import-sensitive products: The United States may apply them on seasonal horticultural imports, for example, while Mexico may do the same on certain meats, vegetables, and fruits.[45]

US-Canada

Tariff elimination schedules in the Canada-US Free Trade Agreement (CUSFTA) remained in place for US-Canadian agricultural trade under NAFTA.[46] Many tariffs on agricultural products were eliminated over nine years after CUSFTA entered into force, but there are important exceptions for US imports of dairy products, peanuts, peanut butter, sugar, sugar-containing products, and cotton. Canadian over-quota tariffs remain in place for dairy, poultry, eggs, and margarine.

---

42. This is not the final outcome of Mexico's other bilateral FTAs, including, for example, the Mexico-EU FTA and Mexico's NAFTA relations with Canada.

43. Over-quota tariffs lasting 15 years are applied to corn, dry beans, peanuts, and powdered milk.

44. Additionally, Mexico's import licenses on wheat, grapes, tobacco, certain cheeses, evaporated milk, and day-old chicks imported from the United States were replaced by tariffs, which were phased out over a 10-year period.

45. The special safeguards products for the United States are fresh tomatoes, eggplant, chili peppers, squash, watermelon, and onions; for Mexico, live swine, pork, potato products, fresh apples, and coffee extract.

46. The CUSFTA entered into force in January 1, 1989.

CUSFTA's "snap-back provision" allows both countries to invoke priced-based special safeguards on fresh fruits and vegetables for 20 years after the entry in force of the agreement.[47] Safeguard measures must satisfy two conditions: For each of five consecutive days, the import price of the product must be below 90 percent of the corresponding five-year average monthly import price; and the planted acreage for the product in the importing country must be no higher than the average planted acreage over the preceding five years (excluding the years with the highest and lowest acreage). If these conditions are met, a partner country may restore MFN duties on imports of the product.[48]

US-Australia

When the US-Australia agreement was ratified in 2004, Australia immediately eliminated nearly all its agricultural tariffs.[49] The United States eliminated almost two-thirds of its agricultural tariffs, and it will reduce a further 9 percent of tariff lines to zero within four years. It will liberalize duties on products that are subject only to tariffs (not TRQs) either immediately or in 4, 10, or 18 years. However, the agreement falls short of complete liberalization. Sugar was excluded altogether from the agreement, and tariffs on some dairy products, such as certain cheeses, will remain at base year rates throughout phase-out periods that will go beyond 18 years (for details, see USDA 2004c, Australia Department of Foreign Affairs and Trade 2005).

The United States will establish preferential TRQs with duty-free in-quota volumes on several products: beef, cotton, peanuts, avocados, tobacco, milk, powder and other milk products, cream, ice cream, butter and butterfat, and cheddar, American, Swiss, European, and other types of cheeses.[50] Over-quota tariffs will be phased-out over 18 years, except for certain dairy products, where the in-quota tariff-free level will grow at constant fixed rates after year 18 of the agreement.

Both countries agreed not to subsidize their agricultural exports to the partner's market but preserved "the right to respond" to third-country use

47. The snap-back provision remains in force until 2008.

48. Safeguards may remain in place 180 days, or until the price of the product exceeds 90 percent of the five-year price average, whichever comes first.

49. With the exception of dairy products, Australia's agricultural tariffs were already low. Australia, however, will preserve its single-desk (state-managed) arrangements for marketing Australian commodities such as sugar, rice, wheat, and barley; Australia will also maintain its "best practice" quarantine and food safety regime.

50. The Australian government will administer FTA dairy quotas through a system of certification not available under the existing WTO cheese quota system of access into the US market. Australia's administration of quotas allows the Australian dairy industry to retain the financial gains (quota rents) derived from additional FTA access.

of export subsidies that displace their own products in the partner's market. The agreement establishes a system of recourse to special agricultural safeguards, but they may not be applied concurrently on the same product with general FTA safeguards or WTO Article 19 safeguards. The United States may invoke automatic, price-based agricultural safeguard measures on imports of beef, vegetables, and fruits.[51] Beef is subject to both a volume-based safeguard during the transition period and the continuation of price-based safeguards in the post-transition period. The price-based safeguard trigger is based on US market prices, and there is no requirement that imported beef affect US prices. The threshold prices for commodities subject to safeguards are programmed into the US customs and border protection computers, which automatically assess the tariff uplift if the import value of the commodity falls below the trigger price established in the agreement. However, the United States has the option to waive application of the safeguard.[52]

US-Chile

By value, more than three-quarters of US agricultural exports to Chile will be duty free within four years of the agreement's entry into force (January 2004).[53] The analogous figure for Chile is nearly 85 percent.[54] The remaining tariffs will be phased-out over the course of 8, 10, or 12 years. Some 12-year phaseouts will apply a nonlinear formula. At the end of the twelfth year, all agricultural products, with no exceptions, will be duty free.[55] Sugar was not a problematic product in US-Chile negotiations, in large part because Chile does not export sugar (Rosales 2003). According to the USTR (2002b), "US farmers will have access to Chile that is as good as or better than the EU or Canada, both of which already have FTAs with Chile."[56]

---

51. The actual list of products includes beef, onions, garlic, canned fruits, grape juice, orange juice, and tomato paste and puree.

52. More information available at the Australian Department of Agriculture, Fisheries and Forestry, available at www.affa.gov.au.

53. For more information, see Rosales (2003).

54. It is worth noting that, by value, tariffs on 13.7 percent of Chilean agricultural exports to the United States will be eliminated according to the 12-year phaseout category.

55. This was not the case in Chile's other bilateral agreements.

56. Chile has committed to eliminate its price band mechanism as it relates to the United States over a 12-year transition period. Eliminating price bands was not part of the EU or Canadian FTAs with Chile. In the transition period, Chile also guarantees to treat the United States no less favorably than any other trading partner. The United States has agreed not to subsidize US agricultural exports to Chile, but preserves the right to respond to third countries' (e.g., European Union) use of export subsidies to displace US products in the Chilean market. See USDA (2003a) for more information.

The agreement provides for the establishment of preferential TRQs. In-quota volumes will be duty free and all quotas removed at the end of 12-year phaseouts. The United States may apply TRQs on Chilean beef, turkey, poultry, avocados, sugar, tobacco, processed artichokes, cheeses, condensed and powdered milk, butter, and other dairy products, including some chocolates. Chile may apply quotas to US exports of beef, poultry, turkey, and dairy products.

The agreement stipulates that special agricultural safeguards may not be applied concurrently for the same product as general safeguards under the FTA agreement or WTO safeguards under Article 19. It contemplates using price-based special safeguards in 50 tariff lines. The United States may apply safeguard measures on canned or processed fruits, grape juice, orange juice, artichokes, mushrooms, tomato products, garlic, spinach, broccoli, avocados, asparagus, and cherries from Chile. Chile may invoke safeguards on eggs, several varieties of rice, and wheat grains. Safeguards are automatically imposed once the price of imports drops below a certain threshold. Import prices will be calculated for each shipment. Any differential from the reference price will be used as a basis for assessing additional duties, as long as overall duties do not exceed the MFN rate. The United States and Chile may use this recourse only during the 12-year transition period.

US-Morocco

The United States and Morocco will provide preferential market access on all agricultural products. The agreement falls short of full liberalization, as the United States only achieved limited access to the Moroccan market on beef, wheat, certain pasta products, and poultry.[57] The United States, on the other hand, will phase-out all agricultural tariffs under the agreement, most within 15 years.

Besides immediate elimination, preferential tariff phaseouts will take place over periods of 5, 8, 10, 12, 15, and 18 years. Some US tariffs in the 18-year period will be phased-out using a nonlinear formula. Moroccan tariffs on certain US products will be phased-out using nonlinear formulas applied over 6, 18, 19, and 25 years (see USDA 2004d, US Department of State 2004a).

The US-Morocco FTA establishes preferential TRQs. In-quota volumes are zero duty, while out-of-quota tariffs are gradually eliminated over 15 years. The United States will apply TRQs on beef, dairy products,

57. Katherine Novelli, assistant USTR, said that for these products, Moroccan concessions to US producers consist of "extremely small quantities that could in no way disrupt the Moroccan market" (US Department of State 2004b).

peanuts, cotton, tobacco, sugar and sugar-containing products, tomato products, tomato sauces, dried onions, and dried garlic. Sugar and sugar-containing products are subject to a net surplus exporter methodology and an 18-year phaseout. Morocco established preferential TRQs for US beef, whole birds, leg quarters, durum and nondurum wheat, almonds, and apples. Moroccan TRQs on beef and wheat are quite limited. Moreover, in-quota volumes of wheat and beef will still be subject to duties. Out-of quota tariffs are not eliminated for some beef, wheat, and certain pasta products.[58]

The agreement contains an automatic "preference clause"[59] whereby US exporters of wheat, beef, poultry, corn, and soybeans obtain better market access than Morocco gives other trading partners, notably the European Union. As in the US-Chile FTA and CAFTA-DR, the United States has agreed not to subsidize US agricultural exports to Morocco but preserves "the right to respond" to third parties—again, such as the European Union—using export subsidies to displace US products in the Moroccan market.

Like other agreements, this agreement stipulates that special agricultural safeguards may not be applied with general FTA safeguards or WTO Article 19 safeguards concurrently for the same product. During the implementation period, Morocco may apply quantity-based safeguards on chickpeas, lentils, almonds, dried prunes, poultry, and turkeys. The margin of extra duty permitted by the agreement is calculated as a variable percentage of the difference between the MFN rate and the preferential rate under the agreement, and is phased-out over the transition period. The United States may apply price-based safeguards on certain fruits, vegetables, and fruit juices,[60] and can invoke them if import prices drop below certain thresholds. The extra duty applied is proportional to the price differential, but may not exceed MFN rates. Morocco and the United States will evaluate the need for post-transition safeguards on certain products, such as poultry.

---

58. Talking about the limited access provided to certain agricultural products, Katherine Novelli, assistant USTR, stated that "We have never agreed to limit our access in this way, but we did this willingly because we understand how vital it is to preserve rural income in Morocco and we wanted to also have a free trade agreement that covers all products . . . but do it in a way that would in no way have a negative impact on Morocco's farmers or its citizens" (US Department of State 2004b).

59. Annex 1 of the agreement states: "In the event that Morocco grants or maintains with respect to any other trading partner market access better than that granted to the United States under this Agreement for any good listed in subparagraph (b) below, Morocco shall immediately grant such better market access to the United States" (US Department of State 2004a).

60. The actual products are dried onions; dried garlic; preserved tomato products; tomato pastes/purees; canned asparagus; certain canned black olives; canned pears, apricots, peaches, and fruit mixtures; and orange juice.

CAFTA-DR

Under prior unilateral arrangements, notably the Caribbean Basin Initiative, the United States already allowed duty-free entry to over 99 percent of Central American exports, measured by tariff lines. However, the most sensitive products with the greatest export potential belonged to the remaining 1 percent of tariff lines.

Under CAFTA-DR, the United States will provide the same tariff treatment to each of the six countries, but its partners need not apply the same tariffs to the United States.[61] Tariff phaseouts will be immediate, or in 5, 10, 12, 15, 17, or 20 years. As a general rule, tariffs will be linearly reduced as they are phased-out. For a few products, tariff reductions will be backloaded, but tariffs will eventually be eliminated for all products, except sugar and ethanol for the United States, fresh potatoes and fresh onions for Costa Rica, and white corn for other Central American countries.[62]

The CAFTA countries will create preferential TRQs with duty-free access for all in-quota imports. The United States will establish different initial volumes for each country as well as different growth rates for in-quota volumes.[63] Exceptions aside, the longest phaseout for over-quota tariffs will be 20 years. The United States will apply TRQs on beef, dairy products, peanuts, ethyl alcohol, and sugar; CAFTA countries will apply TRQs on poultry, beef, rice, dairy products, and corn (USDA 2005b).

The United States has agreed not to subsidize US agricultural exports to CAFTA-DR countries, but it reserves the right to respond to third-country export subsidies that displace US products in Central American or Dominican markets. As in other agreements, CAFTA-DR stipulates that special agricultural safeguards may not be applied concurrently for the same product as general safeguards under the agreement FTA or WTO Article 19 safeguards. The special safeguards will be volume-based, activated by specific triggers. The sum of any additional import duties and other customs duties cannot exceed the lesser of the prevailing MFN applied rates, or the MFN rate applied before the agreement entered into force.

The United States may invoke safeguards on out-of-quota imports of peanuts, peanut butter, cheese, butter, ice cream, fluid fresh and sour cream, some milk items, and other dairy products. All CAFTA-DR countries can apply safeguards on US poultry products, dairy items, milled rice, rough

61. US quotas, however, are determined on a country-by-country basis.

62. In the United States, white corn is considered a food-grade corn, while yellow corn is primarily used for animal feed. The distinction is rather arbitrary, and price differentials partly explain the different usages of corn varieties.

63. Typically, lower growth rates for Central American countries and faster growth for imports from the Dominican Republic.

rice, onions, pork cuts, corn, and corn syrups. In addition, certain country-specific safeguards are remitted. For example, US fresh tomatoes and potatoes will face agricultural safeguards only in Costa Rica and Guatemala. Though the possibility of employing safeguards will expire at the end of the transition period, safeguard coverage can be extended beyond the tariff phaseout if all parties agree.

Phaseout Schedules for Agricultural Barriers in Swiss FTAs

As mentioned earlier, Switzerland has not used its extensive network of bilateral FTAs, including agreements with its EFTA partners and the European Union, to sharply reduce the average level of agricultural protection. While Switzerland has granted duty-free entry to 99.8 percent of nonagricultural goods in its bilateral agreements, the lowest FTA average preferential agricultural tariff, per the WTO definition, applies to EFTA partners: 34.5 percent, a slight reduction compared with an average MFN agricultural tariff of 36.2 percent (table 2.11). However, since April 2004, Swiss agricultural imports from LDCs are entitled to unilateral tariff reductions that range between 55 and 75 percent, thereby bringing the average AVE rate on these imports down to 24.1 percent. A complete phaseout of all tariffs and TRQs for LDCs has been decided in principle, along the lines of the EC's "Everything but Arms" initiative.

Swiss-EU Agreement on Trade in Agricultural Products

Though Switzerland and the European Union have a long record of trade agreements that extends as far back as 1972, for the most part, these agreements excluded agricultural liberalization.[64] However, in June 1999, Switzerland and the European Union addressed the issue in their Bilateral Agreement on Agriculture.[65] Entered into force in June 2002, this agreement aims to reduce tariff barriers and eliminate nontariff barriers arising, for example, from differences in sanitary measures. In May 2004, the scope of the agreement was expanded to include the 10 new members of the European Union. In this section, we discuss the agreement as it concerns

64. Protocol 2 of the 1972 Swiss-EC FTA included partial concessions on processed agricultural products (for the most part, products falling in HS chapters 19 through 22). This protocol subsequently underwent an important revision that entered into force in early 2005. We discuss this revision in more detail later.

65. The BAA was one of seven bilateral agreements signed by the European Union and Switzerland in June 1999. The others covered free movement of persons, overland transport, air transport, research, technical barriers to trade, and public procurement.

Table 2.11 Swiss preferential tariffs by country as AVEs, 2004
(percent)

	Agriculture		Nonagriculture	
Country or group	Average	Free lines out of total	Average	Free lines out of total
Bulgaria	35.2	21.2	0.0	99.8
Croatia	35.7	19.8	0.0	99.8
EFTA	34.5	25.0	0.0	99.9
European Union	34.6	22.0	0.0	99.3
Macedonia	35.1	22.2	0.0	99.8
Israel	34.7	25.2	0.0	99.8
Jordan	35.2	21.9	0.0	99.8
Mexico	35.4	25.1	0.0	99.8
Morocco	34.9	23.9	0.0	99.8
Faeroe Islands	36.1	17.2	0.0	99.8
Romania	35.2	21.1	0.0	99.8
Singapore	35.1	23.0	0.0	99.8
Turkey	34.8	25.6	0.0	99.8
West Bank and Gaza Strip	35.3	19.3	0.0	99.8
Generalized System of Preferences (GSP)	34.2	31.9	0.5	82.8
Less developed countries (LDCs)	24.1	45.8	0.0	99.8
Most-favored nation (MFN)	36.2	15.9	2.3	18.0

EFTA = European Free Trade Association

Note: AVE refers to ad valorem equivalent of specific tariffs and nontariff barriers.

Source: WTO (2004b).

tariff barriers and export subsidies. Chapter 3 discusses the agreement's treatment of sanitary measures, standards, and geographical indications (GIs). We also discuss the revisions to Protocol 2 of the 1972 Swiss-EC FTA in the context of the second series of bilateral negotiations between Switzerland and the European Union (Bilateral II).

The reduction in custom duties was limited to those agricultural products in which both parties have a particular interest. Switzerland gained full access in cheese, plus additional (but not full) access in other dairy products as well as fresh vegetables and fruits. The European Union also obtained full access in cheese and concessions on products exported during nonharvesting periods, and for foodstuffs that are either not produced

or produced in small quantities in Switzerland. The agreement did not reduce custom duties on fresh meat, wheat, and milk.

The agreement, however, is more forward-looking than implied by the narrow scope of coverage. It includes an evolutionary clause that calls for new tariff reductions "on a reciprocal preferential and mutually advantageous basis" (Switzerland Integration Office 2005a). The draft version of the Agricultural Policy 2011 implies that Switzerland might extend further preferential treatment to EU products over the medium term.[66] The document lists fresh milk, other milk products, and certain meat specialties as Swiss offensive interests in case the scope of product coverage is extended.

Cheese and Dairy

Trade in cheese products will be fully liberalized at the end of the five-year transition period (January 1, 2007). All tariff and quotas on cheeses of all kinds are eliminated at the end of the transition period. The parties also agreed to fully eliminate export subsidies affecting their cheese trade. Switzerland gains access on certain creams and yogurts through a duty-free TRQ of 2,000 metric tons. Out-of-quota shipments will be subject to the EU common external tariff. So far, Swiss producers have not taken full advantage of these concessions, as indicated by a quota utilization of 60 percent for yogurts and less than 50 percent for cheese. Switzerland did not make reciprocal commitments on these products.

Plants and Flowers

Switzerland gains unlimited free access for bouquets (HS 0603.10) and certain ornamental plants (HS 0602). The European Union gains free access to the Swiss market on ornamental plants and bouquets from October 26 until April 30, but only TRQ access for bouquets during other periods.

Fruits and Vegetables

Switzerland obtained several duty-free TRQs on many fresh or chilled fruits and vegetables,[67] and the EU common external tariff will apply to out-of-quota shipments of these products. In addition, Switzerland gained unlimited access for champignons and powders for certain fruit juices. So far, Swiss producers have not benefited from these concessions, as indicated by negligible quota-utilization rates. For its part, the European Union

66. The Swiss Federal Office for Agriculture (2005) characterizes invocation of the evolutionary clause as the most moderate scenario for its impact on Swiss agriculture. Two other scenarios considered include a comprehensive Swiss FTA with the European Union and full Swiss membership in the European Union.

67. Namely, seed potatoes, tomatoes, onions, cabbages, lettuce, carrots, beets, cucumbers, beans, eggplants, spinach, celeries, apples, apricots, pears, cherries, prunes, and raspberries.

obtained free and unlimited access on a variety of products,[68] certain nuts, and certain fruit products (with or without sugars or spirit), such as peach or citrus fruits. Switzerland established several duty-free TRQs for EU exports of apricots, strawberries, lettuce, and tomatoes, and maintained reduced tariffs on certain fruit products of apricots.

Dried Meat

Within one year of the agreement's entry into force, Switzerland obtained a duty-free TRQ of 1,200 metric tons on dried boneless meat of bovine animals. The European Union obtained a TRQ of 200 metric tons on dried boneless meat of bovine animals and a duty-free TRQ of 1,000 metric tons on boneless dried hams. Both concessions were conditional on the solution of outstanding bovine spongiform encephalopathy (BSE) issues, which have since been addressed by the Joint Committee on Agriculture. Swiss producers have rapidly taken advantage of the concessions, using the full preferential quota volume provided in the agreement.

Other Products

Switzerland granted the European Union a 50 percent tariff reduction on olive oil and a duty-free TRQ of 1,000 metric tons on EU exports of port wine. The European Union gained preferential access (though not full liberalization) on sweet wines and Retsina wine from Greece. The European Union did not grant reciprocal concessions on these products.

Revisions to Protocol 2 of the 1972 Swiss-EC FTA

Protocol 2 of the 1972 Swiss-EC FTA contained provisions regarding trade in processed agricultural products (e.g., chocolate, pasta, soups, sweets, and biscuits).[69] Under the protocol, Switzerland and the European Union granted duty-free treatment to the industrial component of the processed products and allowed a price compensation mechanism to offset price differentials in the agricultural raw materials.

In 2002, within the context of the second series of bilateral negotiations, Switzerland and the European Union agreed to revise the provisions under Protocol 2 to improve market access for processed agricultural products. The new protocol entered into force in February 2005.[70] The

68. Namely, citrus, kiwis, saffron, oranges, mandarins, melons, olives, certain processed tomato products, asparagus, and mushrooms.

69. This section is partly based on information provided by the Swiss Integration Office (2005).

70. Unlike many other bilateral agreements, these new provisions did not require public consultation in Switzerland, since they modified an existing agreement.

revisions simplified the price compensation mechanism and extended the scope of products covered under the agreement. Moreover, the revisions offer the potential for further liberalization. According to the Swiss Integration Office (2005c and 2005d), while Swiss concessions under the 1999 bilateral agreement amounted to an annual loss of nearly 115 million Swiss francs in tariff revenue, Swiss concessions under the new calculation of price differentials will amount to a loss of an additional 100 million Swiss francs.

The principle behind the price compensation mechanism, however, remains unchanged. The party with the higher price for agricultural raw materials (typically Switzerland) will be allowed to use a combination of tariffs and export subsidies to compensate producers of certain processed agricultural products for the use of higher-priced agricultural raw materials. However, under the revised protocol, only processed products based on specific raw materials—flour, dried milk, butter, and vegetable fat—will qualify for the mechanism. The revision also calculates the price-differential margin using bilateral rather than world prices as the benchmark. This change resulted in decreased tariffs faced by EU producers of processed agricultural products sold to Switzerland, and reduced export subsidies for Swiss processed agricultural products sold to the European Union. In exchange, the European Union agreed to fully eliminate tariffs and grant no further export subsidies for products listed under the revised protocol.

Many processed agricultural products still qualify for the compensating price mechanism under the revised protocol,[71] and several of these products receive exports subsidies under the *Loi Chocolatière*. Switzerland will grant duty-free treatment and eliminate export subsidies for all other processed food products listed under the revised protocol.[72]

Recommendations on Agricultural Market Access Barriers

It is useful to preview the calculations reported in chapter 8 on the possible gains in bilateral agricultural trade resulting from a Swiss-US FTA. Based on gravity model estimates, two-way agriculture trade might increase

71. Namely, butter and buttermilk, margarine, sugar confectionery, chocolate, malt extract, roasted cereals and corn flakes, preserved potatoes, nuts and peanut butter, tomato pastes and ketchup, pasta, biscuits, bread, cakes, pastries, ice cream, and ethyl alcohol.

72. Other processed agricultural products listed under the protocol are animal hairs and feathers, sweet corn, coffee, tea, mate, certain fresh and preserved vegetable products (HS 1401–1404 and HS 2001–08), certain oils and waxes, cocoa, mineral and other waters, beer, vermouths, spirits, and vinegar.

by as much as 140 percent if both partners totally eliminate their trade barriers. Based on computable general equilibrium model estimates, again assuming total elimination of market-access barriers, US exports to Switzerland of broadly defined agricultural products[73]—which are starting from a small base—might increase by more than five times, for a dollar increase of about $1.5 billion (see table 8.6). Similarly, Swiss agricultural exports to the United States—which start from a substantial base—might increase by about 100 percent, for a dollar increase of about $150 million (see again table 8.6). Of course, total elimination of agricultural trade barriers will not happen immediately, and phase-in periods will often be lengthy. Nevertheless, the prize, in expanded trade, is very large. We turn now to ambitious but still feasible recommendations for eventually eliminating many agricultural barriers.

The place to begin is to recognize that certain measures that indirectly limit imports are beyond the reach of a bilateral FTA, such as agricultural subsidies, whether the WTO "box" that categorizes them is amber, blue, or green. Subsidies will be reduced in size or shifted between boxes (e.g., from amber to green) only in the larger context of the WTO Doha Round. Based on precedent, neither EFTA nor US bilateral FTAs have any prospect of altering the size or changing the composition of agricultural subsidies.

Other market access barriers have a long history and are fiercely protected by domestic agricultural lobbies, however great the costs to society at large. In Switzerland, cows grazing at altitude fit this category.[74] In the United States, extremely restrictive cheese quotas are another classic example. Many previous trade agreements—the General Agreement on Tariffs and Trade (GATT), the WTO, and bilateral treaties—have failed to ease these barriers, which will certainly give Swiss-US FTA negotiators reason to pause. But past failures should not be an excuse for abandoning the quest. Rather, the most difficult agricultural products should be liberalized on very long timetables. Long phaseouts will give farm owners and workers time to find alternative land use and employment, and the government time to implement green payments as a means of income support. With

73. Namely, grains, oil seeds, fibers, other crops, animal products, wool, forestry, dairy, and food products.

74. A classic example, not of Swiss protection, but of German willingness to liberalize beef trade in a way that would pose no competitive threat in the German market, was the Swiss-German Commercial Treaty of 12 April 1904. A new German tariff concession was granted for "large dapple mountain cattle or brown cattle reared at a spot at least 300 meters above sea level and having at least one month's grazing each year at a spot at least 800 meters above sea level." Curzon (1965, 60) describes this provision as a "grotesque reclassification [designed to deprive Germany's other trading partners of] their most-favored-nation advantages [in existing trade agreements]."

these cautions in mind, we offer the following recommendations, starting with the United States and then Switzerland.

Recommendations for the United States

- The highest tariffs and most severe quotas in the US agricultural sector strictly limit imports of tobacco, peanuts, raw sugar, confectionary, cheese, and dairy (chapter appendix tables 2A.1, 2A.2, and 2A.3 and table 2.4). Apart from confectionary, cheese, and gourmet dairy, these measures have little commercial relevance to Switzerland because the products are neither present nor prospective Swiss exports. Nevertheless, to establish the right precedent, the United States should agree to phaseout all of its tariffs and quotas over a period of 20 years, while retaining special safeguards to deal with harm to US farmers during the transition period.
- Confectionary products are of considerable interest to Switzerland, but high tariffs and strict quotas limit US imports. For the next 10 years, Switzerland should be granted access for candy and confectionary that has sugar content over 10 percent, according to the best current FTA terms (the CUSFTA). Existing US quotas very possibly restrict imports of chocolate from Switzerland (chapter appendix table 2A.4). These should be aligned with quotas applied to candy imports from Canada. After 10 years, US duties on in-quota Swiss candy and confectionary should be removed, on a linear schedule, over the succeeding ten years. Quotas should be expanded by 10 percent of the base amount annually to double in 10 years. At that point, they should be abolished, so that within 20 years, Swiss candy and confectionary face no US market access barriers.
- Among agricultural exports, US market access barriers are highest for Swiss cheeses. Cheese tariffs generally range between 6 and 10 percent for in-quota imports (chapter appendix table 2A.3). These should be reduced to zero when the FTA is implemented.[75] The tariffs do transfer revenue from Swiss cheese producers to the US Treasury, but this sum is approximately $4.5 million annually, which the US Treasury can easily forego. Meanwhile, these tariffs have little protective effect, because US protection is largely accomplished by cheese quotas. For the three items listed in table 2A.3, quotas permit imports of 7,200

75. The US tariff on cheeses and substitutes with cows milk and butterfat, HTS 0406.90.97.00, is a relatively high $1.509 per kilogram. This HTS line item, which corresponds to common household cheeses that compete directly with US products, is also subject to safeguards.

metric tons annually. This figure should be increased by 10 percent of the base amount per year for the next 20 years, thereby tripling the quota to 21,600 metric tons. This corresponds to the phaseout for TRQs in CAFTA-DR, and is twice as fast as the agreed phaseout in the Australia-US FTA; however, rapid liberalization for Swiss cheese exports will play a central role in a balanced Swiss-US FTA. After 20 years, US quotas on Swiss cheese exports should be abolished, so that US cheese imports from Switzerland face no market access barriers. Similar tariff and quota terms should apply to other Swiss dairy exports.[76]

- Tobacco, peanuts, and other ultrasensitive agricultural products that have little or no commercial interest for Switzerland should be admitted on terms aligned with NAFTA and other US FTAs.[77] After 20 years, all US barriers should be abolished.
- Turning to the other extreme of protective barriers, among the top 30 products, the remaining Swiss agricultural exports to the United States face tariffs under 8 percent and are not limited by quotas (table 2A.3). Within five years, on a linear schedule, the United States should eliminate these duties on Swiss exports of these "other" agricultural exports—including products not listed in chapter appendix table 2A.3. An exception would be made when special circumstances bracket "other" exports in the same sensitive camp as tobacco, peanuts, raw sugar, confectionary, cheese, and dairy.
- To achieve a significant volume of trade, the United States and Switzerland will also need to reach a mutual recognition agreement as to the certification of "organic" products. These should benefit Swiss and US exports of dairy and other fresh items that were seen as potential Swiss exports and were scheduled in the Swiss-EU Bilateral Agreement on agriculture (e.g., fruits and vegetables).
- We acknowledge that the recommended phaseout of 20 years for the most important agricultural products is twice as long as the norm agreed to in the WTO Understanding on the Interpretation of Article

76. At present, dairy exports do not appear among the top 30 products exported by Switzerland to the United States. However, the potential US market for epicurean Swiss milk, cream, and butter is substantial; like cheese, these imports are strictly limited by high tariffs and strict quotas. Since common butterfat and milk powder are particularly sensitive for both countries, TRQ liberalization for these products might be back-loaded.

77. Chapter appendix table 2A.3 shows that exports of cigarettes (HS 2402) are the third-most important Swiss export to the world at the 6-digit HTS level. The US tariffs on these imports are high, and may be affecting trade, but they are not as high as they are for other tobacco-based products. In previous bilateral FTAs, the United States has dealt with tobacco through long TRQs.

XXIV. However, sensitive agricultural products, such as confectionary, cheese, and dairy, have been heavily protected since World War II, so a 10-year phaseout is unrealistically short. As explained in the text and appendix A, longer phaseouts are now customary in FTAs.

Recommendations for Switzerland

- Our recommendations are based on the proposition that Swiss citizens will accept that a free trade agreement with the United States commits both parties to eventual free trade in nearly all agricultural products. Exceptions will be strictly limited. In previous FTA negotiations, the United States has accepted (and imposed) indefinite protection on a very short list of agricultural items. Everything else is liberalized eventually, but often on long timetables. Special safeguards would be retained to redress harm to Swiss farmers during the transition period.
- The outer limit of agricultural exceptions in a Swiss-US FTA is probably defined by analogies to the exceptions and long phaseouts that the United States itself negotiated for sensitive products in prior FTA agreements (see appendix table A.1). NAFTA, the US-Australia FTA, and CAFTA-DR provide useful benchmarks for sensitivities, both in the United States and partner countries. In all three agreements, US liberalization of sugar is either very slow (with Mexico, 15 years and counting), or strictly limited (in CAFTA-DR, starting at 109,000 additional metric tons, relative to US annual consumption in excess of 9 million tons), or zero (in the Australia FTA). Cheese and dairy products are liberalized over very long periods (approximately 20 years) in the Australia FTA and in CAFTA-DR. Moreover, US imports are susceptible to hair-trigger safeguards. Finally, several FTAs liberalize US beef imports over long periods of time (approximately 15 to 18 years, most notably the Australia FTA), and again, imports are susceptible to hair-trigger safeguards.
- While all of Swiss agriculture is highly protected, beef and dairy appear to be the most sensitive products. Tariffs on the beef–dairy sector are high, and quotas are strict. The two are closely linked because in Switzerland, the same cows are often used for both dairy and meat. Domestic milk and butter sales both exceed beef sales in value. The sensitivity also reflects the multiple roles served by grazing cattle at high altitudes beyond their agricultural production, namely environmental care against mountain erosion and maintaining decentralized settlement in remote areas. Pork and poultry are almost as sensitive as the beef–dairy sector, though the "multifunctional" arguments are not nearly as strong.

- Swiss imports of dairy and meat products from the United States are quite modest, totaling under $30 million annually.[78] We recommend that Switzerland establish duty-free TRQs for US beef, most dairy items, and pork and poultry products that gradually expand to agreed percentages of the Swiss market over a 20-year time horizon. During this period, special agricultural safeguards would be available. At the end of the 20-year period, the market share caps would be subject to renegotiation.
- Corn, soybeans, and wheat are highly protected in the Swiss market. The Swiss-EU Bilateral Agricultural Agreement excludes them. Tariffs range high into double digits, and corn and wheat face quotas. Reflecting its own comparative advantage, the United States is very demanding on these products. Appendix table A.1 shows that the United States tries to obtain immediate free access, but did allow exceptions to Morocco and some CAFTA partners. The rationale for these exceptions does not apply to Switzerland.[79]
- In the case of Switzerland, however, protection for animal feeds (corn and soybeans) is closely linked to protection of livestock (cattle, pigs, and poultry). Therefore, we recommend that animal feed imports be liberalized, only somewhat faster (in line with Agricultural Policy 2011 recommendations) than liberalization of the beef–dairy, pork, and poultry markets. The idea is to reduce costs for livestock producers, but avoid a sharp dislocation in the relation between input prices (feedstuffs) and output prices (dairy and meats), so as to avoid excessively fast adjustment for grain farmers. Again, however, the goal should be substantial liberalization over 20 years, subject to special agricultural safeguards.
- Switzerland also applies TRQs to other agricultural products that are potentially interesting to US exporters—fruits, vegetables, wheat, and bread (chapter appendix table 2A.9). We recommend that all Swiss in-quota tariffs on US exports be decreased by 10 percent of the base level

78. For example, the US share of Switzerland's beef imports (HTS 0201 and 0202) decreased from $10.5 million in 2002 to $8.5 million in 2004, largely because of the beef hormone issue. Meanwhile, total Swiss imports of beef increased from $37 million to $58 million over the same period; Brazilian exports were particularly strong, rising from $20 million to $34 million. As a further comparison, the value of Swiss beef at the farm gate is about $365 annually, so total imports are less than 20 percent of domestic production.

79. For Morocco, the cited reason was that the Moroccan economy is heavily dependent on its agricultural sector to provide jobs and income; moreover, the Moroccan FTA was prompted by US concerns for stability and democracy in the Middle East. Exceptions under CAFTA reflect US recognition of the possible adverse impact of free trade on subsistence farmers.

each year, until they are phased-out in 10 years. We also recommend that the corresponding quotas assigned to US exports be expanded by 10 percent of the base amount each year, starting in year 10 and running until year 20—the same approach we suggest for US cheese imports. At the end of 20 years, the quotas should be abolished.

- That leaves a number of agricultural imports with varying tariff levels and no quotas. Most of the tariffs on the top 30 US exports are specific duties, expressed as Swiss francs per kilogram (chapter appendix table 2A.8). In many cases, the ad valorem equivalent exceeds 60 percent (chapter appendix table 2A.9). As before, we recommend that these tariffs be cut by 10 percent of the base amount annually until they are eliminated in 10 years.

- In previous negotiations, the United States has striven for at least equal preferential treatment that the FTA partner has previously granted to third parties, notably the European Union. Our recommendation on the "parity issue" is that Switzerland should, for the most part, immediately extend the same preference to the United States that it has already extended to the European Union. Exceptions to the principle of parity might be invoked when the United States cannot reciprocate the market access preference granted by Switzerland. However, these exceptions should apply to a limited number of products, such as cheese.

- We recognize that, for Swiss farmers, several of our recommendations may seem drastic, even though liberalization is phased over two decades. Hence, it is important to underline that we recommend special agricultural safeguards, with both price-based and volume-based triggers, so that the Swiss government can respond quickly to undue distress among its farmers and food processors. The FTA safeguards should be available for the entire 20-year transition period.

- After 20 years, the agricultural sector would still have recourse to WTO safeguards. In addition, we recommend that the agreement should offer the possibility, upon mutual agreement, of extending special safeguards beyond the transition period for products that are still highly sensitive. If special safeguards are granted an extended life after the transition period, however, their use should be accompanied by trade compensation to the other party.

- Finally, to accommodate concerns strongly felt by the Swiss public, we recommend that "food security," appropriately defined, should be a legitimate ground for invoking special safeguards by either party, both during the 20-year transition period and beyond. However, when food security is cited as a ground for limiting imports under the FTA, trade compensation should be paid to the other party.

As this chapter shows, both the United States and Switzerland protect agriculture in multiple ways, using barriers that have no ostensible purpose aside from protecting the agricultural sector. To a considerable extent, these restrictions limit bilateral trade in basic agricultural goods and processed foods, and reducing them will be at the core of the Swiss-US FTA, because they stick out like Alpine peaks and hinder substantial volumes of commerce at great cost to both countries. Related to these, however, are SPS measures and GIs, which are discussed in the next chapter.

Appendix 2A

Table 2A.1 US applied MFN tariffs for agricultural products, 2002 (HS 2-digit)

HS chapter	Product description	Number of lines		Simple average (percent)[a]	Standard deviation (percent)
		Ad valorem	Non ad valorem		
1	Live animals	20	8	1.1	2.0
2	Meat, edible offal	54	45	6.1	8.1
4	Dairy products	125	126	12.4	5.0
5	Animal products nes	20	1	0.6	1.4
6	Live trees, plants	20	8	2.9	2.5
7	Edible vegetables	78	89i	9.0	7.4
8	Edible fruit, nuts	55	63	5.3	7.7
9	Coffee, tea, spices	40	7	0.7	1.7
10	Cereals	7	14	2.2	4.1
11	Milling products	19	19	4.2	4.2
12	Oil seed	37	24	8.2	34.0
13	Lac, gums, resins	14	1	0.7	1.3
14	Vegetable plaiting	11	2	1.1	1.6
15	Fats, animal and vegetable	37	31	3.6	5.3
16	Meat, fish, preparations	81	9	4.2	5.5
17	Sugars	32	34	6.4	2.9
18	Cocoa and cocoa preparations	44	34	5.8	3.6
19	Cereal, flour, starch	52	18	9.0	5.9
20	Vegetable, fruit, preparations	106	77	11.1	21.5
21	Miscellaneous edible preparations	50	39	7.8	5.4
22	Beverages, vinegar	37	36	1.5	4.8
23	Residues, wastes	24	13	1.8	2.7
24	Tobacco	27	29	90.7	156.3
41[b]	Raw hides and skins	122	na	2.4	1.6
43[b]	Furskins	22	na	2.3	2.1
50[b]	Silk	13	na	1.5	1.6
51[b]	Wool, animal hair	73	26	6.1	8.0
52[b]	Cotton	221	12	9.0	3.7
	Totals and averages	1,441	765	9.8	9.4

n.a. = not available; nes = not elsewhere specified. a. Includes ad valorem equivalents; b. All lines considered, including agricultural and nonagricultural products.

Source: WTO (2004c).

Table 2A.2 US tariff peaks in agriculture, 2002[a]

HS chapter	Product description	Number of tariff lines above 15 percent	Average peak[b]
52	Cotton (HS 5201–5203 only)	3	34.5
24	Tobacco and manufactured tobacco substitutes	14	187.5
23	Residues and prepared animal feed	1	17.0
22	Beverages, spirits, and vinegar	7	25.3
21	Miscellaneous edible preparations	23	33.8
20	Preparations of vegetables, fruit, nuts or other	24	36.2
19	Preparations of cereals, flour, starch, or milk	24	32.2
18	Cocoa and cocoa preparations	16	31.7
17	Sugars and sugar confectionery	12	49.0
16	Preparations of meat, fish, crustaceans, or other	5	36.5
15	Animal or vegetable fats, oils, and waxes	3	18.7
12	Oil seeds and oleaginous fruits and other	2	147.8
07	Edible fruit and nuts; peel of citrus fruit or melons	7	23.8
07	Edible vegetables and certain roots and tubers	16	22.1
04	Dairy items, of which	117	35.6
	Cheese	83	33.4
	Milk and cream	14	30.9
	Other dairy	20	47.8
02	Meat and edible meat offal	7	25.0

a. Tariff peaks are defined as tariffs above 15 percent on an ad valorem equivalent basis.
b. Average of all tariff lines above 15 percent, including on ad valorem equivalents.

Source: USITC (2005b).

Table 2A.3 US barriers on top 30 Swiss agricultural exports to the United States, 2004

Rank	HS code	Product description	Tariff rate (specific and ad valorem)	Quota (metric tons)	Swiss exports (millions of dollars)	Share (percent)	Cumulative share (percent)
1	2106.90.97	Food preparations, n/o 10 percent milk solids, o/10 percent sugar	13.2[a]	no	33.3	15	15
2	2101.11.29	Coffee, extracts, essences, and concentrates	Free	no	30.7	13	28
3	0406.90.95	Cheese and substitutes for cheese	10.0	1,720	20.1	9	37
4	0406.90.46	Swiss or Emmentaler cheese with eye formation	6.4	3,630	16.4	7	44
5	1806.90.90	Chocolate and preps w/cocoa, not for retail sale	6.0	no	12.0	5	50
6	1704.90.25	Cough drops, sugar confectionery, w/o cocoa	Free	no	8.1	4	53
7	3302.10.10	Mixtures of odoriferous substances	Free	no	7.9	3	57
8	2106.90.99	Other food preparations, not canned/frozen	6.4	no	6.4	3	59
9	1806.90.90	Chocolate and preps w/cocoa, not for retail sale	6.0	no	6.1	3	62
10	0406.90.97	Cheeses and substitutes with cow's milk and butterfat	23.2[a]	no	4.9	2	64
11	1806.31.00	Chocolate and other cocoa preparations in blocks/bars	5.6	no	4.1	2	66
12	1806.32.30	Chocolate, not filled, in blocks/bars	4.3	no	3.9	2	68
13	1905.31.00	Sweet biscuits	Free	no	3.7	2	69
14	1704.90.35	Sugar confections for consumption, w/cocoa	5.6	no	3.5	2	71
15	2104.10.00	Soups and broths and preparations thereof	3.2	no	2.9	1	72
16	0406.30.51	Gruyere cheese, processed, not grated/powdered	6.4	no	2.5	1	73
17	0406.90.90	Cheeses and substitutes for cheese	10.0	1,850	2.5	1	74
18	1905.90.10	Bread, pastry, cake, biscuits, and similar products	Free	no	2.2	1	75
19	1302.19.40	Ginseng; with anesthetic or therapeutic properties	1.0	no	2.1	1	76

(table continues next page)

Table 2A.3 US barriers on top 30 Swiss agricultural exports to the United States, 2004 *(continued)*

Rank	HS code	Product description	Tariff rate (specific and ad valorem)	Quota (metric tons)	Swiss exports (millions of dollars)	Share (percent)	Cumulative share (percent)
20	1803.10.00	Cocoa paste, not defatted	5.6	no	2.1	1	77
21	3301.12.00	Essential oils, of range	2.7	no	2.0	1	78
22	1302.19.90	Other vegetable saps and extracts	Free	no	2.0	1	70
23	2102.20.20	Yeasts, inactive (except dried brewers' yeast)	6.4	no	1.8	1	80
24	1806.32.90	Other chocolate, not filled in blocks/bars	6.0	no	1.7	1	80
25	3301.13.00	Lemon oil	3.8	no	1.7	1	81
26	0901.12.00	Coffee, decaffeinated, not roasted	Free	no	1.6	1	82
27	0901.21.00	Coffee, roasted, not decaffeinated	Free	no	1.6	1	83
28	1904.20.10	Preparations from cereal flakes, airtight containers	5.6	no	1.5	1	83
29	1515.90.20	Nut oils	Free	no	1.3	1	84
30	0712.90.74	Tomatoes, dried, in powder	7.8	no	1.3	1	84
		Subtotal of top 30 agricultural products			192.0	84	84
		All other agricultural products			36.7	16	100
		Total agricultural products			228.6	100	100

a. These figures are 2002 ad valorem equivalents, as the United States applies specific tariffs. Safeguards pursuant to Article 5 of the Agreement on Agriculture have been invoked for imports of these products. Information on additional rates is available in Chapter 99 of the 2005 US Tariff Schedule.

Sources: FAS (2005) and USITC (2005b).

Table 2A.4 US tariff-rate quotas, 2002[a] (metric tons unless otherwise stated)

Product description	Average out-of-quota tariff rate (percent)[b]	Bound import quota	Fill ratio (percent)[c]
Beef: Fresh, chilled, or frozen	26.4	696,621	83
Cream (hectolitres)	26.8	6,695	65
Evaporated/condensed milk	26.6	6,857	87
Nonfat dried milk	52.6	5,261	98
Dried whole milk	53.8	3,321	96
Dried whey/buttermilk	6.8	296	22
Butter	59.5	6,977	98
Butter oil/substitutes	98.0	6,080	100
Dairy mixtures	37.0	4,105	100
Blue cheese	39.0	2,911	97
Cheddar cheese	30.5	13,256	98
American-type cheese	58.4	3,523	99
Edam and Gouda cheese	50.3	6,816	98
Italian-type cheese	48.1	13,481	99
Swiss/Emmental cheese[d]	42.4	34,475	83
Gruyere process cheese[e]	46.7	7,855	86
Other cheese NSPF[f]	35.7	48,628	99
Lowfat cheese	32.9	5,475	65
Peanuts	139.8	52,906	100
Chocolate crumbs	15.1	26,168	79
Infant formula containing oligo saccharides	64.8	100	100
Place-packed stuffed olives	2.0	2,700	31
Green olives, other	2.7	550	69
Green whole olives	4.3	4,400	19
Mandarin oranges (Satsuma)	0.4	40,000	100
Peanut butter and paste	131.8	20,000	78
Ice cream (hectolitres)	30.4	5,668	57
Raw cane sugar	48.8	1,117,000	81
Other cane or beet sugars or syrups	49.8	22,000	151
Other mixtures over 10 percent sugar	19.6	64,709	99
Sweetened cocoa powder	18.8	2,313	15
Mixes and doughs	25.8	5,398	100
Mixed condiments and seasonings	13.1	689	45
Tobacco	350.0	150,700	75
Long staple cotton	3.0	40,100	13
Cotton, processed but not spun	29.0	3	100

NSPF = not specifically provided for

a. Listing of tariff with 2002 fill ratios above 10 percent. Quotas with 2002 fill rates below 10 percent applied to dried cream, low-fat chocolate, green olives, animal feed containing milk, four different types of cotton.
b. Average based on ad valorem rates or on ad valorem equivalents provided by the authorities.
c. Calculated as ratio of actual import volumes to bound import quota.
d. Switzerland is allocated 10.6 percent of bound import quota.
e. Switzerland is allocated 16 percent of bound import quota.
f. Switzerland is allocated 3.6 percent of bound import quota.

Source: WTO (2004c).

Table 2A.5 Swiss applied MFN tariffs for agriculture, 2004

HS chapter	Product	Total number of 2-digit lines	Average tariff (AVE, percent)	Standard deviation (percent)
1	Live animals	32	47.1	81.4
2	Meat, edible offal	99	143.6	280.1
3	Fish, crustaceans	106	0.2	0.6
4	Dairy products	62	72.0	107.8
5	Animal products	30	3.2	9.9
6	Live trees, plants	51	34.1	82.8
7	Edible vegetables	277	47.9	77.1
8	Edible fruit, nuts	112	14.6	38.5
9	Coffee, tea, spices	38	1.9	4.1
10	Cereals	82	42.8	63.5
11	Milling products	156	65.7	79.1
12	Oil seed	211	6.9	15.6
13	Lac, gums, resins	18	2.1	7.9
14	Vegetable plaiting	10	0.3	0.8
15	Fats, animal, and vegetable	175	48.7	54.7
16	Meat, fish, preparations	43	25.6	39.4
17	Sugars	56	15.3	20.0
18	Cocoa and cocoa preparations	35	13.3	11.4
19	Cereal, flour, starch	88	31.4	35.6
20	Vegetable, fruit, preparations	134	22.5	39.1
21	Miscellaneous edible preparations	46	12.1	9.9
22	Beverages, vinegar	58	14.9	15.3
23	Residues, wastes	72	12.2	30.6
24	Tobacco	15	10.0	11.0
41[a]	Raw hides and skins	38	1.1	2.0
43[a]	Furskins	14	0.9	1.7
44[a]	Wood	92	3.1	3.4
50[a]	Silk	18	1.8	1.9
51[a]	Wool, animal hair	56	1.8	1.8
52[a]	Cotton	180	3.7	2.0

AVE = ad valorem equivalent

a. All lines considered, including nonagricultural products.

Source: WTO (2004b).

Table 2A.6 Swiss tariff peaks in agriculture, 2004

Harmonized system number	Product description	Number of tariff lines above 50 percent	Average peak, AVE basis[a]
0101	Live horses, asses, mules, and hinnies	3	148.7
0102	Live bovine animals	3	78.2
0103	Live swine	2	226.0
0104	Live sheep and goats	1	59.0
0201	Meat of bovine animals	5	109.1
0202	Meat of bovine animals	3	334.7
0203	Meat of swine	3	150.9
0204	Meat of sheep or goats	3	79.3
0206	Edible offal, fresh	12	346.1
0207	Meat and edible offal, of poultry	16	261.8
0210	Meat offal, salted, dried, or smoked	5	116.0
0401	Milk and cream, no sugar	2	348.8
0402	Milk and cream, with sugar	8	170.9
0403	Buttermilk, cream, and yogurt	6	159.2
0404	Whey and dairy products not elsewhere specified	1	100.0
0405	Butter, oils, and other fats derived from milk	3	72.4
0406	Cheese and curd	2	54.6
0408	Birds' eggs, not in shell, and egg yolks	1	60.5
0511	Animal products not elsewhere included	1	50.0
0602	Other live plants, cuttings, and slips	5	129.0
0603	Cut flowers for bouquets or ornamental purposes	3	278.0
0701	Potatoes, fresh or chilled	1	63.9
0702	Tomatoes, fresh or chilled	4	144.7
0703	Onions, shallots, garlic, leeks, etc.	9	178.8
0704	Cabbages, cauliflowers, kohlrabi, kale, etc.	9	103.9
0705	Lettuce and chicory	15	146.7
0706	Carrots, turnips, and similar edible roots	7	152.9
0707	Cucumbers and gherkins	3	107.3
0709	Other vegetables	2	124.9
0710	Vegetables, uncooked or boiled	8	93.1
0806	Grapes	1	295.3
0808	Apples, pears, and quinces	5	96.1
0809	Apricots, cherries, peaches, plums, and sloes	4	67.4
0810	Other fruit	2	62.2
1001	Wheat and meslin	5	147.4
1002	Rye	3	106.0
1003	Barley	3	151.5

(table continues next page)

Table 2A.6 Swiss tariff peaks in agriculture, 2004 *(continued)*

Harmonized system number	Product description	Number of tariff lines above 50 percent	Average peak, AVE basis[a]
1004	Oats	2	68.5
1005	Maize (corn)	1	70.9
1006	Rice	1	65.7
1007	Grain sorghum	1	72.1
1008	Buckwheat, seeds, other cereals	6	59.1
1101	Wheat or meslin flour	1	381.8
1102	Cereal flours other than of wheat or meslin	5	91.6
1103	Cereal groats, meal, and pellets	8	133.1
1104	Cereal grains otherwise worked	19	111.3
1105	Flour, meal, powder, flakes, of potatoes	2	236.8
1107	Malt, roasted or not	7	127.9
1205	Rape or colza seeds, broken or not	1	79.6
1206	Sunflower seeds, whether or not broken	1	79.5
1214	Forage products	1	57.3
1501	Pig fat and poultry fat	3	67.4
1502	Fats of bovine animals, sheep, or goats	2	137.3
1503	Lard stearin, lard oil, oleostearin, and tallow oil	2	99.7
1504	Fats and oils, of fish or marine mammals	2	72.9
1507	Soybean oil	5	136.8
1508	Ground-nut oil	4	83.7
1511	Palm oil	5	113.4
1512	Sunflower-seed, safflower, or cottonseed oil	6	113.3
1513	Coconut, palm kernel, or babassu oil	9	132.9
1514	Rape, colza, or mustard oil	5	116.7
1515	Other fixed vegetable fats and oils	6	105.4
1516	Animal or vegetable fats and oils	3	95.0
1517	Margarine; edible preparations of fats or oils	4	76.7
1601	Sausages of meat, meat offal, or blood	3	118.1
1602	Other prepared meat, meat offal, or blood	9	70.2
1701	Cane or beet sugar and pure sucrose, solid	2	97.0
1806	Chocolate; food preparations with cocoa	1	50.9
1901	Malt extract; flour and starch preparations with cocoa	9	91.6
1904	Food preparations from swelling or roasting cereal	1	168.5

(table continues next page)

Table 2A.6 *(continued)*

Harmonized system number	Product description	Number of tariff lines above 50 percent	Average peak, AVE basis[a]
1905	Bread, pastry, cakes, biscuits, etc.	1	100.4
2004	Other vegetables, preserved by vinegar	2	101.6
2005	Other vegetables, not preserved by vinegar	2	119.3
2009	Fruit and vegetable juices	7	146.4
2202	Waters; mineral and aerated, with sugar	1	54.7
2204	Wine of fresh grapes	1	58.0
2302	Bran, sharps, and other residues	1	72.5
2303	Residues of starch manufacture	1	88.2
2308	Vegetable materials, waste, residues	1	130.8
2309	Animal feeding preparations	1	167.6
3501	Casein, caseinates, and derivatives	1	65.2
3502	Albumins, albuminates, and derivatives	1	208.2
	Average	4.0	125.3

a. Average of all tariff lines above 50 percent within 4-digit category. Ad valorem equivalents (AVEs) reported.

Source: WTO estimates, based on data provided by the Swiss authorities; WTO (2004b).

Table 2A.7 Swiss consumer prices of selected agricultural products, 2003 (Swiss francs per kilogram, unless specified)

				Swiss price as percent of	
Product	**Switzerland**	**EU-4[a]**	**United States**	**EU-4 = 100**	**US = 100**
Apples, Golden Delicious	3.67	2.76	2.91	133	126
Bananas	3.06	2.15	1.51	142	203
Butter	11.97	7.94	8.34	151	144
Carrots	2.26	1.44	n.a.	157	n.a.
Cheese	20.89	12.82	11.71	163	178
Cream	2.91	0.95	n.a.	306	n.a.
Eggs	0.61	0.26	0.12	235	508
Fresh chicken	8.90	5.20	3.07	171	290
Ham	29.99	21.01	8.57	143	350
Milk (Swiss francs per litre)	1.53	1.16	0.98	132	156
Onions	2.39	1.70	2.42	141	99
Pears	3.69	2.97	2.94	124	126
Pork chops	21.32	9.65	9.27	221	230
Potatoes	2.16	1.16	1.36	186	159
Roast beef	27.16	15.37	10.94	177	248
Roast pork	19.90	11.44	n.a.	174	n.a.
Sugar	1.59	1.51	1.25	105	127
Tomatoes	3.67	3.60	4.48	102	82
Vegetable oil	4.30	2.48	3.37	173	128
White bread	1.80	1.56	1.48	115	122
White flour	1.71	0.94	0.92	182	186
Unweighted average				163	192

n.a. = not available

a. The EU-4 are Switzerland's neighboring countries: Austria, France, Germany, and Italy.

Source: WTO (2004b).

Table 2A.8 Swiss barriers on the top 30 US agricultural exports to Switzerland, 2004

Rank	HS code	Product description	Tariff rate[a]		Quota[b]	US exports (millions of dollars)	Share (percent)	Cumulative share (percent)
			Swiss francs per 100 kilograms	Ad valorem equivalent (percent)				
1	5201.00.10	Cotton, not carded or combed, length 25 to 28mm	Free	Free	No	23.5	15	15
2	2401.20.80	Tobacco, flue-cured, threshed or similarly processed	25	3.7	No	19.2	13	28
3	2204.21.40	Wine of fresh grapes, alcoholic strength below 14 percent	47.2	26.9	Yes[c]	13.7	9	37
4	2401.20.80	Tobacco, burley, threshed, stemmed/stripped	25	3.7	No	10.5	7	44
5	0205.00.00	Meat of horses, asses, mules	740	154.4	Yes[d]	9.2	6	50
6	0709.20.00	Asparagus, fresh or chilled	370	56.9	Yes[e]	7.0	5	54
7	0802.12.00	Almonds, fresh or dried, shelled	Free	Free	No	6.0	4	58
8	0201.30.35	Meat of bovine animals, boneless	1210	183.2	Yes[d]	4.8	3	61
9	3302.10.00	Mixture of odoriferous substance and mixture	37	1.6	No	4.8	3	65
10	3301.12.00	Essential citrus fruit oils	1	0.3	No	3.8	3	67
11	0806.20.00	Grapes, dried	Free	Free	No	3.5	2	69
12	1515.90.80	Fixed vegetable fats and oils not chemically modified	153	33.8	No	3.4	2	72
13	0802.32.00	Walnuts, fresh or dried, shelled	19	1.6	No	2.7	2	73
14	3301.29.60	Essential oils, except those of citrus fruit	7	0.3	No	2.5	2	75
15	1006.30.10	Rice, semi- or wholly milled, parboiled	15	4.0	No	2.0	1	76
16	1006.20.40	Rice, long grain, husked (brown)	14	5.8	No	1.8	1	78
17	0804.10.00	Dates, fresh or dried	5	1.6	No	1.6	1	79
18	3301.19.00	Essential oils of citrus fruit	1	0.0	No	1.4	1	80

(table continues next page)

Table 2A.8 Swiss barriers on the top 30 US agricultural exports to Switzerland, 2004 *(continued)*

Rank	HS code	Product description	Tariff rate[a]			US exports (millions of dollars)	Share (percent)	Cumulative share (percent)
			Swiss francs per 100 kilograms	Ad valorem equivalent (percent)	Quota[b]			
19	0511.10.00	Bovine semen	3	33.1	Yes[f]	1.4	1	80
20	3301.24.00	Essential oils of peppermint	3	0.1	No	1.3	1	81
21	2401.20.80	Tobacco, partly or wholly stemmed/ stripped	25	3.1	No	1.3	1	82
22	2005.80.00	Sweet corn	Free	Free	No	1.3	1	83
23	3507.90.70	Enzymes; prepared, not elsewhere specified	24	1.1	No	1.1	1	84
24	0802.50.20	Pistachios	Free	Free	No	0.9	1	84
25	0805.40.00	Grapefruit, fresh	2	1.82	No	0.9	1	85
26	2309.10.00	Dog and cat food	5.9	48.1	No	0.9	1	85
27	0202.20.60	Meat of bovine animals, with bone	721	132.6	Yes[d]	0.8	1	86
28	1006.30.10	Rice, semi- or wholly milled	15.3	4.0	No	0.8	1	86
29	1704.90.30	Sugar confectionery, not containing cocoa	103.5	31.5	No	0.7	0	87
30	4101.50.10	Raw hides and skins of bovine or equine, above 16kg	Free	Free	No	0.7	0	87
		Subtotal of top 30 agricultural products				133.4	87	87
		Total agricultural products				151.6	100	100

a. Average of 6-digit level lines in the Swiss schedule, corresponding to US product at 6-digit level. In instances when the position was not available at digits, 4-digit averages were used. The ad valorem equivalents correspond to data at 6-digit level reported by UNCTAD.
b. The 6-digit level of the Swiss schedule lists a number of lines subject to quotas.
c. See quotas 23, 24, or 25 in table 2A.9.
d. See quota 05 in table 2A.9.
e. See quota 15 in table 2A.9.
f. See quota 12 in table 2A.9.

Sources: FAS (2005), Switzerland Customs (2005), UNCTAD (2005).

Table 2A.9 Swiss over-quota tariff rates for TRQ imports, 2004

Quota number	Product description	Average out-of-quota rate[a] (percent)	Fill ratio, 2002[b] (percent)
01	Live horses, asses, mules, and hinnies	85.6	88
02	Live bovines	59.4	2,465
03	Live swine	226.0	0
04	Live goats and sheep	46.4	110
05	Meat (beef, sheep, goat, horse)	173.5	115
06	Other meat (pork and poultry)	153.1	96
07	Dairy products, in milk equivalent	71.7	84
08	Casein	33.5	60
09	Birds' eggs, in shell	34.2	81
10	Dried egg products	36.8	90
11	Other egg products	94.8	170
12	Bull sperm	50.0	3,095
13	Cut flowers	335.9	161
14	Potatoes and products	80.7	132
15	Vegetables	125.4	126
16	Frozen vegetables	105.0	119
17	Fresh apples, pears, quinces	85.8	109
18	Fresh apricots, cherries, plums, etc.	58.5	109
19	Other fresh fruit	45.4	90
20	Fruit for cider	78.4	62
21	Products from fruit with pips	57.1	269
22	Grapes for pressing and grape juice	143.3	87
23	White wine in bottles	39.7	106
24	Red wine, other than industrial wine	13.2	106
25	White wine, in bulk	58.0	106
26	Durum wheat, undenatured	199.7	95
27	Bread and other cereals for human consumption	120.4	82
28	Coarse grains for human consumption	112.6	60

a. Averages are based on ad valorem equivalents.
b. The fill ratio expresses imports as a percentage of in-quota import limit. A fill ratio above 100 percent indicates that the out-of quota tariff rates are determining prices within Switzerland.

Source: WTO (2004b).