

Presentation for Workshop
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Surmounting Global Challenges, Creative Response

Accession Negotiations on Goods

: Tariff Concessions and Bindings



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Contents

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1. Market Access Negotiations on Goods

2. Examples

1.1 Market Access

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✓ Background Information (1)

1) The Concept of **Tariff Binding (Article II:1(b))**

A **tariff binding** is a commitment not to increase a rate of duty beyond the level specified in the Schedule of Concessions of the Member concerned.

Bound rates are extended to all WTO Members by virtue of the **MFN principle**.

Exceptions

- Applied tariffs may be raised above the bound level in the following cases:
Imposition of **safeguard** measures(Article XIX), **BOP** difficulties (Article XII, XVIII)
Imposition of **countervailing or anti-dumping duties** (Article VI)
Waiver (Article IX:3)

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✓ Background Information (2)

2) Article XXVIII and the **Principle of Compensation**

Once a rate is bound, it may not be raised without compensating the affected parties in accordance with Article XXVIII of the GATT 1994.

Compensation usually takes the form of a new concession, i.e. a lower bound rate, on products of interest to Members who are entitled to negotiate a compensation, i.e. to Members having :

- **An Initial negotiating right (INR);**
- **A principal supplying interest;** or
- **A substantial interest**

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✓ Background Information (2)

Self-assessment: Principle of Compensation

Country A is a WTO member and now want to increase the bound tariff of oil. With which country will country A have to negotiate a compensation?

Country	Share of market	Export of products (in tons)	Total exports (in tons)	Ration of exports	Initial Negotiation Right
1	3%	30	600	5%	Yes
2	15%	150	1000	15%	No
3	30%	300	6000	5%	No
4	5%	50	100	50%	No

1.1 Market Access

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✓ Background Information (3)

3) Various **Types of Tariffs**

1. Ad valorem tariffs

2. Non ad valorem tariffs (Specific duties, Compound duties, and Mixed duties)

Compensation usually takes the form of a new concession, i.e. a lower bound

- **Ad valorem**: expressed as a percentage of the value of the imported goods
- **Specific duties**: a custom duty which is not related to the value of the imported goods, but to weight, volume etc. of the goods. It is levied as a fixed sum per unit of quantity.
- **Compound duties**: a custom duty comprising an ad valorem tariff to which a specific duty is added or, less frequently, subtracted.
- **Mixed duties**: a duty where a minimum or maximum tariff protection is ensured by the choice between an ad valorem duty and a specific duty

1.2 Coverage of the Negotiations

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- ✓ **Tariff Rate Quotas (TRQs)**

A TRQ is the application of a reduced tariff rate for a specified quantity of imported goods. All imports above this quantity face a higher tariff rate (the out of quota rate)

- ✓ **Non-tariff concession**

Removal of an existing QR

A TRQ on non-agricultural goods.

1.3 Negotiations Process (1)

- ✓ **Bilateral contacts**

Acceding governments are advised to hold initial bilateral contracts with interested Members on the fringes of the first WP meeting

- ✓ **Initial offer**

Bilateral negotiations on goods begin once the acceding government has submitted its initial offer on goods to Secretariat for multilateral circulation.

- ✓ **Bilateral negotiations**

The initial offers are discussed bilaterally with interested Members, usually on the fringes of the WP meetings.

1.3 Negotiations Process (2)

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- ✓ **Revised offer**

- After each round of negotiations, the acceding government is invited to revise its offer, first multilaterally and, at a more advanced stage, bilaterally, taking into account the requests formulated by Members.

- ✓ **Further bilateral negotiations**

- ✓ **Bilateral agreements**

- ✓ **Draft goods schedule**

1.4 Format of the Initial Offer

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- ✓ HS number
- ✓ Currently applied rate
- ✓ Proposed bound rate at accession
- ✓ Other duties and charges (ODC)

<i>HS number (national nomenclature of the applicant)¹</i>	<i>Description (of each product)</i>	<i>Current applied rate²</i>	<i>Proposed bound rate at accession³</i>	<i>Other duties and charges (ODCs)⁴</i>
040310	Yoghurt	10	5	0

1.5 Format of a Revised Offer

✓ Implementation periods

When implementation periods for the reduction of tariff binding are negotiated, it is assumed that the reductions are implemented in equal stages from the date of accession

Example: Year 0 = 10%, Year 1 = 9%, Year 2 = 8%, Year 3 = 7%, Year 4 = 6%
Year 5 = 5%

<i>HS number</i>	<i>Description</i>	<i>Bound rate at date of accession</i>	<i>Final bound rate</i>	<i>Implementation period</i>	<i>Other Duties and Charges (ODCs)</i>	<i>Initial Negotiating Rights (INRs)</i>
040310	Yoghurt	10	5	5 years	0	

1.6 Participation in Sectoral Initiatives

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✓ Sectoral market access initiatives

They are initiatives negotiated by groups of interested contracting parties to the GATT during the Uruguay Round to accelerate the reduction of tariffs in certain areas.

Acceding governments may be asked to join sectoral market initiatives.

- 1) Zero for zero initiatives
- 2) Harmonization initiatives
- 3) Trade in Information Technology Products
- 4) Civil aircraft

1.7 Format of the Bilateral Agreement

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✓ Sectoral market access initiatives

No standard format

- 1) Attachment
- 2) Information on TRQs
- 3) Additional specific language
- 4) Negotiation of Non tariff Concessions
- 5) Miscellaneous

1.8 Format of the Good Schedule

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- ✓ **Part I : MFN rate**

 - Section I : Agricultural products

 - IA: Duties

 - IB: TRQs

 - Section II: Other products

- ✓ **Part II : Preferential Tariffs**

- ✓ **Part III : Non-Tariff Concessions**

- ✓ **Part IV : Agricultural products: Commitments limiting subsidization**

Contents

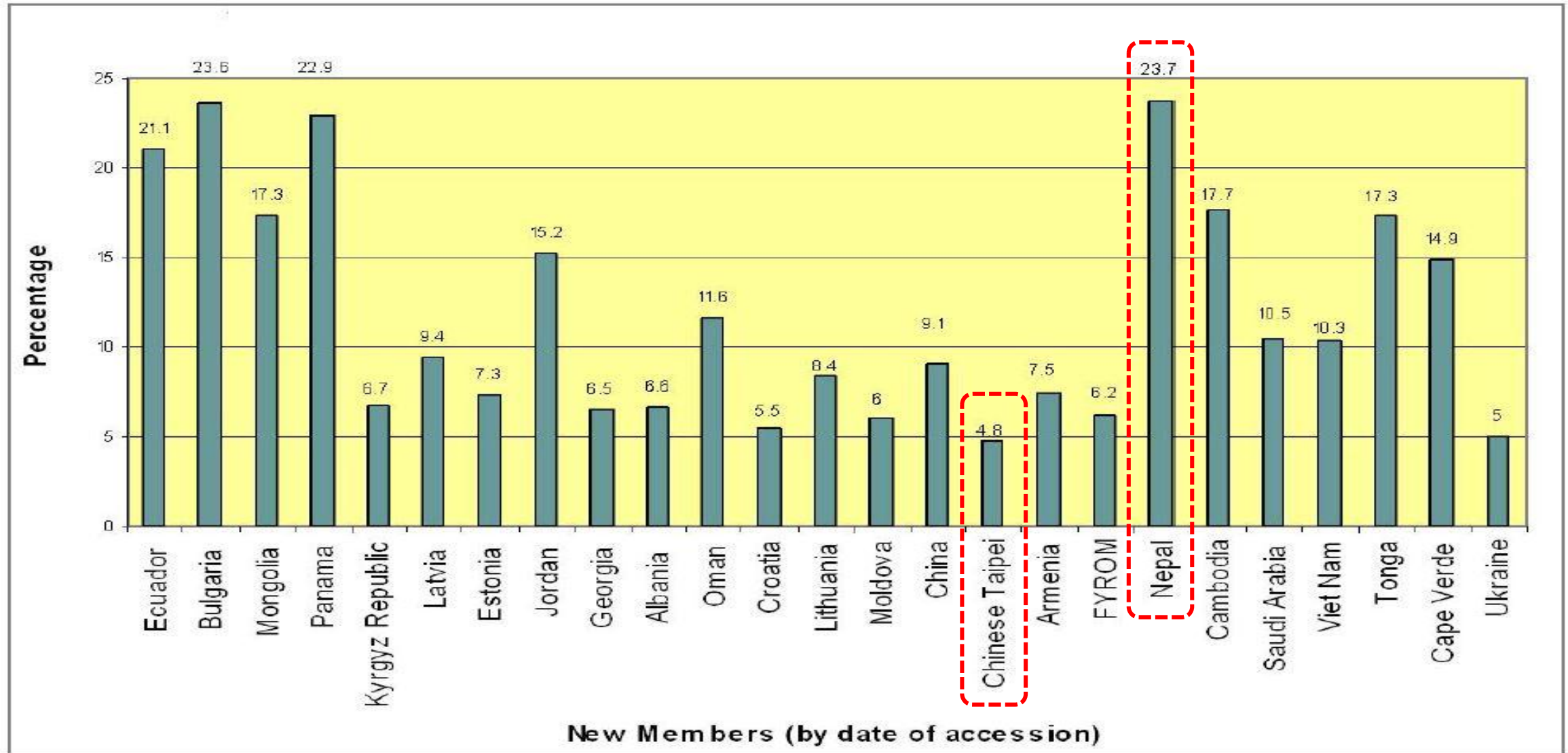
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1. Market Access Negotiations on Goods

2. Examples

2.1 Average Final Bound Tariff of Non Ag. Products

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2.2 Sectoral Initiatives (1)

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Country	ITA	Civil Aircraft	Chemical	Pharm	Ag. Equip	Const. Equip	Medical Equip	Paper	Steel	Toys	Furniture	Beer	Distilled Spirits
Ecuador													
Bulgaria	Blue												
Mongolia			Yellow										
Panama	Blue		Yellow	Yellow									
Kyrgyz Rep.	Blue	Yellow	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Yellow		
Latvia	Blue	Blue	Blue	Yellow	Blue	Blue	Yellow	Blue	Yellow	Blue	Blue	Blue	Blue
Estonia	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Jordan	Blue		Yellow	Blue	Blue		Yellow						
Georgia	Blue	Blue	Yellow		Yellow	Yellow	Blue	Blue	Yellow	Blue	Blue		
Albania	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue		Blue	Blue	Blue	Blue
Oman	Blue	Blue	Yellow	Blue									
Croatia	Blue	Blue	Blue		Yellow	Yellow	Yellow	Yellow	Yellow	Blue		Blue	Yellow
Lithuania	Blue	Blue	Yellow	Blue	Blue	Blue	Blue	Yellow	Blue	Blue		Blue	Blue

2.2 Sectoral Initiatives (2)

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Country	ITA	Civil Aircraft	Chemical	Pharm	Ag. Equip	Const. Equip	Medical Equip	Paper	Steel	Toys	Furniture	Beer	Distilled Spirits
Moldova	Full participation	Significant participation (more than 75%)	Full participation	Full participation	No participation	No participation	Full participation	No participation	Full participation	Full participation	No participation	No participation	No participation
China	Full participation	No participation	No participation	No participation	No participation	No participation	No participation	No participation	No participation	Full participation	Full participation	Full participation	No participation
Chines Taipei	Full participation	Full participation	Significant participation (more than 75%)	Full participation	Full participation	Full participation	No participation	Full participation	No participation	Full participation	Full participation	Full participation	Full participation
Armenia	No participation	Full participation	Significant participation (more than 75%)	Full participation	Full participation	Full participation	Full participation	Significant participation (more than 75%)	Full participation	No participation	No participation	No participation	No participation
FYROM	No participation	Full participation	Significant participation (more than 75%)	Significant participation (more than 75%)	Full participation	Full participation	Full participation	Significant participation (more than 75%)	No participation	Full participation	No participation	Full participation	Full participation
Cambodia	No participation	No participation	No participation	No participation	No participation	No participation	No participation	No participation	No participation	No participation	No participation	No participation	No participation
Nepal	No participation	No participation	No participation	No participation	No participation	No participation	No participation	No participation	No participation	No participation	No participation	No participation	No participation
Saudi	Full participation	Significant participation (more than 75%)	Full participation	Full participation	No participation	No participation	No participation	No participation	No participation	No participation	No participation	No participation	No participation
Viet Nam	Full participation	No participation	Significant participation (more than 75%)	No participation	No participation	No participation	Full participation	No participation	No participation	No participation	No participation	No participation	No participation
Tonga	No participation	No participation	No participation	No participation	No participation	No participation	No participation	No participation	No participation	No participation	No participation	No participation	No participation

- : Full participation
- : Significant participation (more than 75%)
- : No participation

2.3 Other duties and charges

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- ✓ **Acceding governments are usually expected to** existing other duties charges and to bind them at zero in their Goods Schedule
- ✓ **Twelve recently acceded governments** have bound all other duties and charges at zero

2.4 Policy Implications for Iran

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- ✓ **Analyze current tariff system and then decide to whether or not non-ad valorem duties are introduced**
- ✓ **Reduce the sensitive sector to the minimum level which is acceptable politically**
- ✓ **Utilize exception articles and grace periods**
- ✓ **Be careful sectoral initiatives**
- ✓ **Utilize accession to the WTO for domestic policy reform**

Thank you for your attention!

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