Introduction to Market Access Map
Tariffs and Other Market Access Requirements

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Outline

Theory: 25 min

- Introduction to Market Access Map: tariffs, AVEs, TRQs, TRs, RoO, trade agreements

Practice: 20 min

- Online case study
- Q&A
Why are Market Access Requirements important?
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1990s-2000s: «Mystery of Missing Trade» (Trefller, 1995)
Why are Market Access Requirements important?


Key reason: Trade Costs

Market access requirements and trade barriers are a major trade cost
Why are Market Access Requirements important?


Key reason: Trade Costs

Market access requirements and trade barriers are a major trade cost

Lack of information on trade costs is a huge trade cost itself
Modules

Welcome

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Market Access Map can help you if you are:

• A company involved in exporting or importing
• A trade analyst or researcher
• A trade negotiator

No queries running  No new queries  No Recent Queries  1 user online  No announcements
Tariffs

Ad valorem
- Example: 5%

Specific
- Example: 2$ per kg

Compound
- 5% AND 2$ per kg

Mixed
- 5% OR 2$ per kg, whichever is lower (higher)
SPECIFIC TARIFFS
- levied on the basis of volume or weight (i.e., quantity). E.g. $2 per kg

Incidence of specific tariffs (per cent of number of MFN tariff lines)

- Switzerland 79.8 per cent of tariff line products
- Thailand 21.9 per cent of tariff line products
- Russia 12.2 per cent of tariff line products
- USA 8.2 per cent of tariff line products
- EU 4.6 per cent of tariff line products
- Chile 0 per cent of tariff line products
WHY DO SPECIFIC TARIFFS EXIST?
LIVE DEMONSTRATION

What are market access requirements for Egypt’s hand-made leather watch straps?

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TYPES OF TRADE AGREEMENTS

Partial Scope Agreement: reduces trade restrictions between partner countries for a specific number of products

Free Trade Agreements: eliminates tariff barriers between the parties for all or nearly all products (FTA, RTA, etc.)

Economic Partnership Agreement: eliminates tariff barriers but goes beyond market access into other areas such as development cooperation

Customs Union: free trade zone + common external tariff

Common Market: customs union + free flow of factors of production within region (capital, labour, etc.)

... also GSP schemes and LDC schemes
Proliferation of trade agreements

Number of currently implemented trade agreements

Status as of 1 Apr 2011

Source: ITC Market Analysis and Research
*Belarus and Myanmar (GSP) as well as Sri Lanka (GSP+) are temporarily suspended from the GSP regime; South Sudan awaits access to EBA.

** EBA: only Cariforum countries have signed a final EPA – for all other countries interim EPAs apply; Interim EPA: Only countries receiving preferential rates are included.
LIVE DEMONSTRATION

Trade Agreements

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Market Access Map

Tariffs

Non-Tariff Measures

- Trade Agreements
- Rules of Origin
- TRQs
- Trade Remedies
- NTMs
‘Spaghetti bowl’ problem
Rules and Certificate of Origins

Rules of Origin (RoO) are criteria used to define where a product was made. This is complicated by globalization and the way a product can be processed in several countries before it is ready for the market.

Certificate of Origin (CO) is the document attesting that goods in a particular export shipment are wholly obtained or produced or manufactured or processed in a particular country (country of origin).
Rules of Origin

General Notes to Tariff Schedule: “Import customs duties on goods originating in Indonesia shall be eliminated …”

- But in globalization era, with global value chains, the word “originating” needs to be defined!

ASEAN-INDIA FTA (Rule 4): “The percentage of regional value content shall not be less than 35%, …”
Rules of Origin

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Case study: Trans-Pacific Partnership (TPP) – “sticking point”

“Under NAFTA, at least 62.5 percent of a passenger car or light truck’s net cost must originate in North America to be considered tariff free under the agreement. Mexico wants to increase the percentage to 65 percent in the Trans-Pacific Partnership, while Japan wants it to be about 45 percent — which would allow for a greater number of parts from low-wage countries like Thailand to be included”.

LA Times, 04.08.15, [link]

Concluded: 05.10.2015
Market Access Map

Tariffs

Non-Tariff Measures

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- Rules of Origin
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Tariff rate quota (TRQ) vs. Absolute quota

Question: What is the difference between a tariff rate quota and an absolute quota?
Tariff rate quota (TRQ) vs. Absolute quota

Question: What is the difference between a tariff rate quota and an absolute quota?

**Absolute quota**: absolute limit on the quantity imported into a country.

**Tariff rate quota**: certain quantity can be imported at a reduced rate (*in-quota rate*), a higher rate (*out-quota rate*) will apply once the contingent is reached.

**Important!** Tariff rate quota does not impose a limit on the quantity imported.

**Caveat**: absolute quotas and voluntary export restraints (VERs) no longer exist.
LIVE DEMONSTRATION

Tariff Rate Quotas

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Trade remedies

Anti-dumping measures are levied against imports that are dumped (export price is "unfairly low", either below the home market price or below cost).

*Example:* A Chinese exporter is selling bicycle tires in EU at a price of $1 whereas its home market price is $2.

Countervailing measures are levied against imports that are subsidized by the exporting country's government, designed to offset (countervail) the effect of the subsidy.

*Example:* Canada provides an export subsidy to lumber producers, who export mainly to USA at $200 per ton whereas US domestic lumber are available at $250 per ton.

Safeguard measures are import protection provided under the Safeguards Clause (GATT Article XIX that permits countries to restrict imports if they cause injury). Restrictions must be for a limited time and nondiscriminatory.

*Example:* After a sudden and important rise of Indian cotton yarn exports, Turkey provided sufficient proof that this rise cause injury to its industry and implemented a quantitative safeguard measure (quota) of 15,000 tons for three years on cotton yarn.
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Trade Remedies

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Market Access Map

Tariffs

- Trade Agreements
- Rules of Origin
- TRQs
- Trade Remedies

Non-Tariff Measures

- NTMs
Non-tariff measures: Definition

- **Official policy measures other than ordinary customs tariffs**, that can potentially have an effect on international trade in goods (changing quantities traded, or prices or both).

- In other words, **all mandatory requirements, rules or regulations** legally set by the government of the exporting, importing or transit country (in contrast to private standards which are not legally required).

- NTMs comprise technical regulations, sanitary and phytosanitary (SPS) measures, certification requirements, quantitative restrictions, …

- Can be applied to both **exports and imports**

**Related terms:**
- Non-tariff Barriers (NTBs)
- Trade barriers
- Procedural Obstacles
- Business Environment
Product quality requirements on oranges, applied by France

Oranges with light green colour are allowed, provided it does not exceed one fifth of the total surface of the fruit.

Size is determined by the maximum diameter of the equatorial section of the fruit.

Oranges: 53 mm
What reasons can there be to implement NTMs?
Reasons for implementing NTMs

- Protecting humans, animals and wild fauna from harmful substances, diseases and pests
- Protecting consumers by setting out specific standards of a product by regulating its size, shape, design, functions and performance, labelling, packaging, etc.
- Restricting imports for moral, political or cultural reasons

P. Lamy (p.34): «These concerns … are wholly legitimate and cannot, indeed should not, be blindly trumped by a desire to keep trade completely unobstructed»
The effects of NTMs: Companies

1. Requirements may be too strict
2. Practical challenges and processes may make compliance with NTMs difficult (Procedural Obstacles)
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NTMs

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