

Preferential Trade Agreement of the OIC (TPS-OIC)

Basic features and potential of the TPS-OIC

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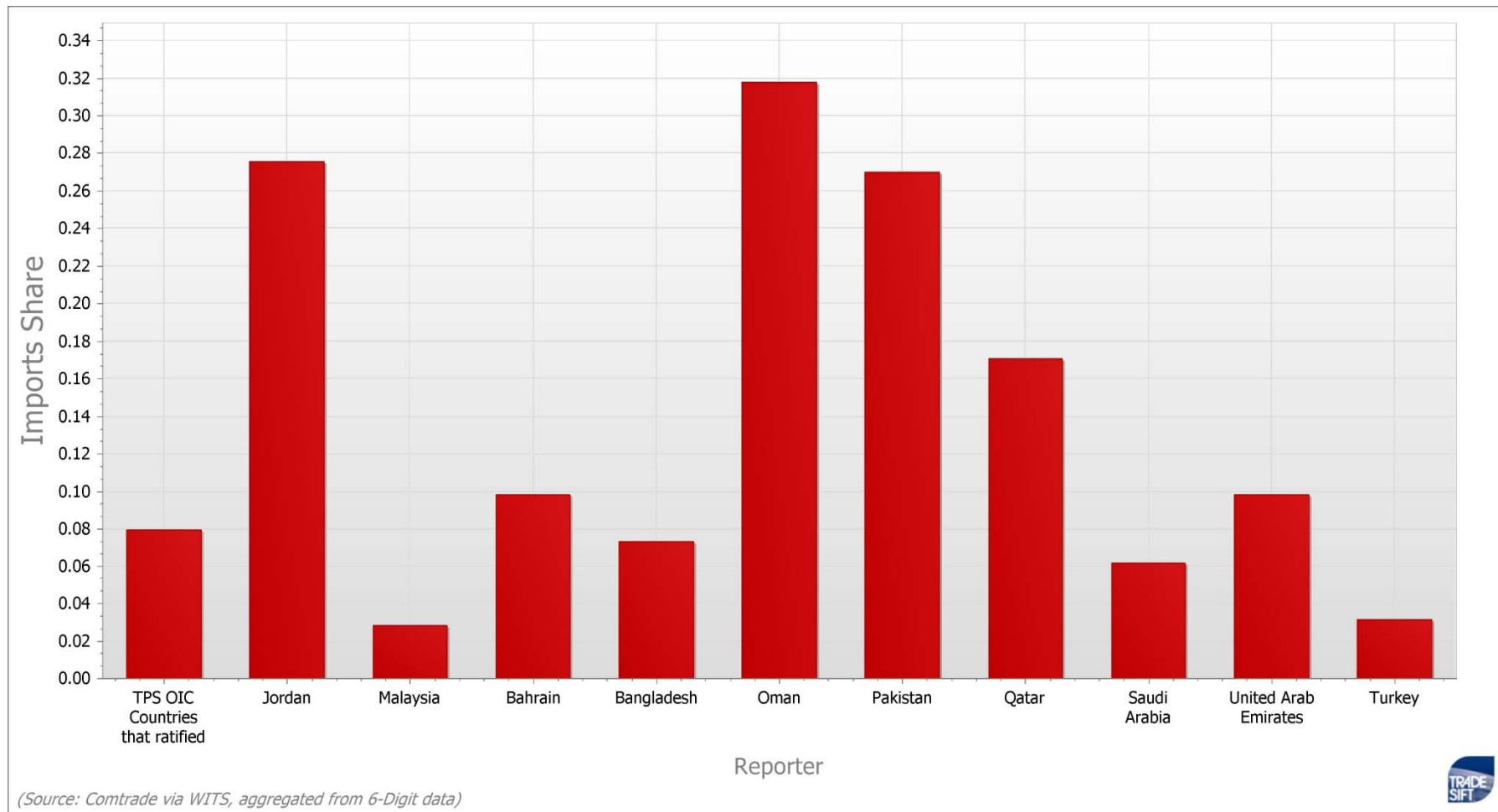
Overview

- 2011 TPS-OIC enters into force with 11 ratifying members, five of which are GCC members
- **Normal track:**
 - 7% of tariff lines to be covered
 - 1% for LDCs; and for those countries whose MFN tariffs are less than 10% for more than 90% of tariff lines.
 - For the covered lines:
 - Tariffs above 25% reduced to 25%
 - Tariffs between 15-25% reduced to 15%
 - Tariffs between 10-15% reduced to 10%
- NTMs also to be reduced but how is unspecified
- MFN clause: benefits should be extended to all participating states; with exceptions allowed to protect “special interests”

Possible impact of TPS-OIC

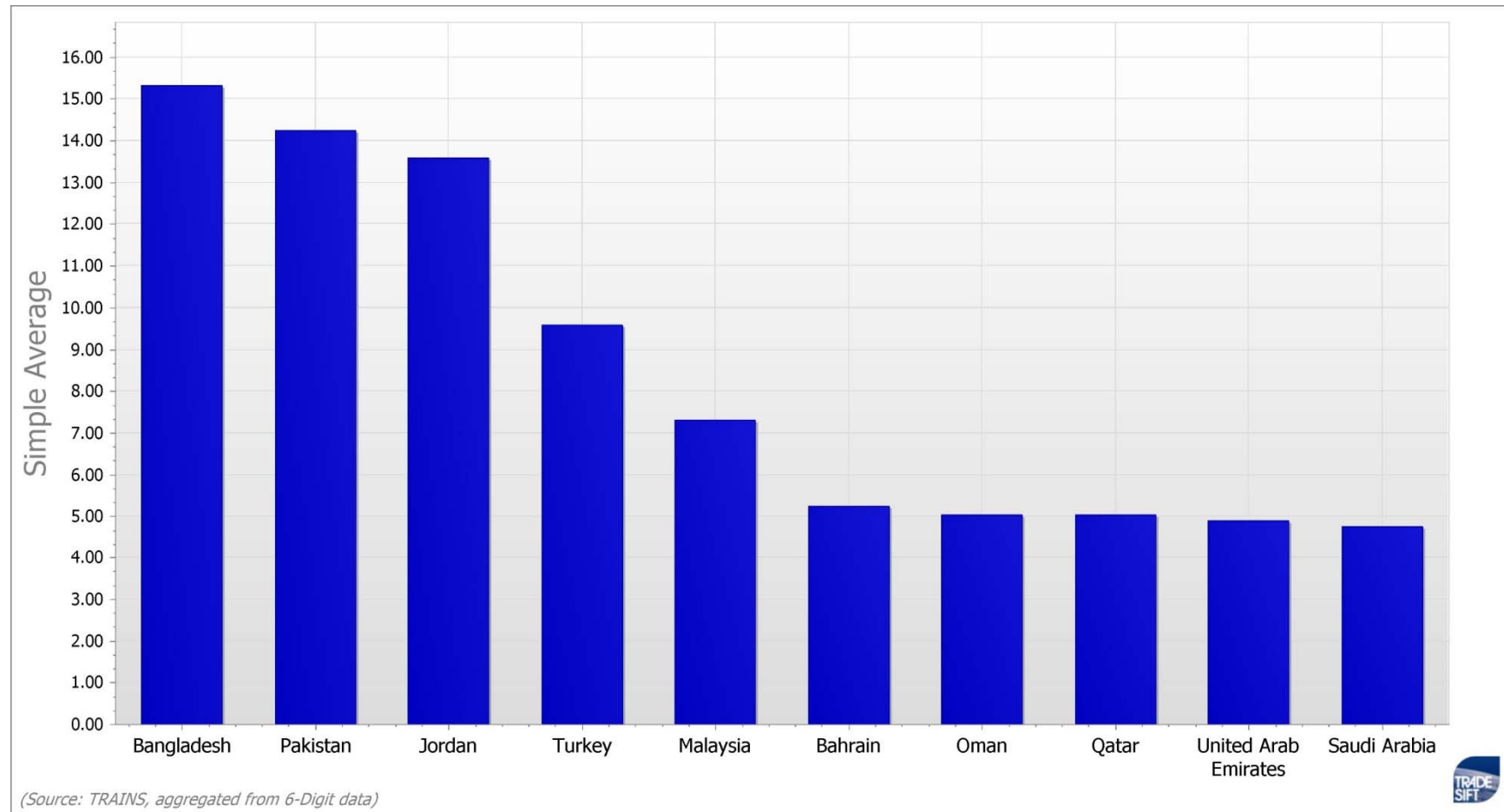
- Existing patterns of trade suggests some scope for trade diversion:
 - For all of countries (except Malaysia & Turkey) the overlap between imports from TPS-OIC and imports from rest of the world is around 25% or more.
 - Share of imports from TPS-OIC members is greater than 10% only for Pakistan, Jordan, Oman, and Qatar.

TPS-OIC countries: Intra-bloc imports share (2007)



Note: 2007 = latest year for which comparable cross-country data available. For countries where data is available shares have gone up for Pakistan and Malaysia

MFN tariffs for TPS-OIC countries (2005)



Note: 2005 is latest year for which comparable cross-country data available. However where data does exist MFN tariffs have declined little since 2005.

Impacts will depend on tariff reductions

- No liberalisation for GCC countries given existing low tariffs
- Existing preferences already give duty free access to some:
 - Eg. Bangladesh exports to Turkey under the EU's EBA preferences, Jordan exports to Turkey under the Turkey-Jordan FTA
- Average tariffs > 10% only for B'desh, Pakistan & Jordan
- Intra TPS-OIC trade concentrated: Top 20 (6-digit) products imported from world = nearly 41% of intra TPS-OIC imports.
- Many of the tariffs on the top products imported by the TPS-OIC countries already below 10%
- Normal track only calls for 7% of tariff lines to be liberalised

Impacts will depend on tariff reductions

- **All this suggests high probability that normal track process having very little effect for existing TPS-OIC members.**
- If the effect is likely to be small what is the way forward:
 - Increased membership?
 - Fast Track?

What about Fast Track?

- Voluntary
- Countries define a negative list of products which will not be liberalised
 - Cannot exclude products where the tariff is $< 10\%$
 - Tariffs to be reduced by 50%
 - LDCs required to liberalise at least 70% of tariff lines
 - For all others:
 - If average tariff is above 20% the country has to liberalise at least 75% of tariff lines
 - If average tariff is between 15% - 20% the country has to liberalise at least 80% of tariff lines
 - If average tariff less than 15% the country has to include at least 85% of tariff lines

What about Fast Track?

- Fast Track much more ambitious and could lead to much more significant liberalisation + consequent impact on trade.
- Countries faced with a choice of normal track (7%) or fast track (at least 70% or more) and nothing in between
- As with normal track where there are existing agreements in place, little / no effect to be expected.
- Hence if existing TPS-OIC members went for Fast Track, the impact to be expected primarily on Pakistan, Jordan and Bangladesh

Share of imports by reporter where MFN tariff is between 0-10%

Eg. The tariffs on 89.3% of Bangladesh's imports from Jordan are less than 10% and so would be liberalised under fast track.

	B'desh	Jordan	Mal.	Oman	Pak.	Qatar	S.A.	Turkey	UAE
Reporter									
Bahrain	81.7	46.7	92.1	89.6	52.6	99.7	99.3	69.1	91.0
B'desh		89.3	57.0	0.0	20.9	2.7	52.9	60.2	68.0
Jordan	0.3		13.4	24.6	4.9	3.3	60.0	12.2	11.0
Malaysia	20.8	4.3		57.7	14.2	78.8	83.8	21.4	56.0
Oman	92.7	32.0	98.3		36.7	98.3	98.2	94.9	90.0
Pakistan	91.4	89.1	11.5	98.5		96.4	94.9	34.8	
Qatar	68.6	75.1	99.4	96.8	26.6		90.0	94.1	
S.Arabia	95.5	67.0	98.3	97.6	47.2	94.7		94.1	
Turkey	94.4	98.8	99.9	99.7	99.7	99.4	99.9	-	
UAE	89.0	60.0	99.0	88.0	27.0	96.0	93.0	96.0	

Table reinforces the message that fast track could have much more substantial impact

Extending the TPS-OIC

- For a number of OIC countries the existing TPS-OIC states are significant partners
- This is either in terms of the imports from, or exports to these countries
- This is true with regard to **both** imports and exports for Afghanistan, Egypt, Djibouti, Yemen and Maldives.

Countries with the biggest share of imports from the TPS-OIC members

Country	Non-TPS	ROW	TPS-OIC	MFN tariff
Comoros	1.8%	50.7%	47.6%	6.7%
Djibouti	6.9%	63.6%	29.5%	17.7%
Yemen	8.2%	68.5%	23.3%	7.5%
Maldives	2.2%	74.6%	23.2%	20.1%
Uganda	3.5%	78.7%	17.9%	10.5%
Syria	11.6%	72.0%	16.5%	16.9%
Azerbaijan	3.1%	80.7%	16.1%	6.3%
Afghanistan	45.2%	40.1%	14.8%	7.1%
Egypt	6.8%	80.8%	12.5%	8.9%
Gambia	20.9%	67.2%	11.9%	12.5%

Countries with the biggest share of exports to the TPS-OIC members

Country	Non-TPS	ROW	TPS-OIC
Afghanistan	15.9%	32.9%	51.2%
Lebanon	26.8%	47.8%	25.4%
Djibouti	7.8%	70.4%	21.8%
Egypt	19.7%	62.9%	17.4%
Syria	43.6%	39.9%	16.4%
Kyrgyzstan	28.3%	59.8%	11.9%
Indonesia	2.3%	87.9%	9.8%
Yemen	3.3%	87.7%	9.0%
Occ. Pal. Terr.	3.8%	87.5%	8.7%
Suriname	2.9%	88.9%	8.2%

Extending the TPS-OIC

- Similarly one can look at the importance of the non TPS-OIC countries for the OIC countries not currently part of the TPS.
- The countries where the rest of the OIC is important in terms of both imports and exports are: Cote D'Ivoire, Gambia, Benin, Senegal, Niger and Kyrgyzstan.
- But note that all but Kyrgyzstan are already part of the ECOWAS / WAEMU.

10 Countries with the biggest share of imports from non-TPS, OIC members

Country	Non-TPS	ROW	TPS-OIC	MFN tariff
Afghanistan	45.2%	40.1%	14.8%	5.9%
Côte d'Ivoire	27.1%	70.5%	2.4%	11.9%
Burkina Faso	25.2%	72.6%	2.2%	11.9
Gambia	20.9%	67.2%	11.9%	12.5%
Benin	19.9%	74.3%	5.9%	11.9%
Senegal	17.1%	80.2%	2.7%	8.5%
Niger	16.5%	80.4%	3.1%	11.9
Kyrgyzstan	13.8%	83.4%	2.8%	7.5%
Nigeria	13.1%	82.4%	4.4%	10.1%
Togo	11.9%	85.5%	2.6%	9.7%

10 Countries with the biggest share of exports to non-TPS, OIC members

Country	Non-TPS	ROW	TPS-OIC
Gambia	66.0%	33.4%	0.6%
Benin	58.4%	39.5%	2.1%
Togo	49.8%	49.8%	0.4%
Senegal	46.3%	52.2%	1.5%
Syria	43.6%	39.9%	16.4%
Kyrgyzstan	28.3%	59.8%	11.9%
Lebanon	26.8%	47.8%	25.4%
Niger	25.9%	73.6%	0.5%
Côte d'Ivoire	21.6%	76.1%	2.4%
Egypt	19.7%	62.9%	17.4%

Recommendations

- Encourage “bloc-creating” expansion in terms of membership
- Lower MFN tariffs
- Increase coverage: introduce obligatory transition period between normal track and fast track
- Greater ambition with regard to tariff reductions
- Allow for full cumulations as opposed to diagonal cumulation
- Introduce elements of deeper integration: standards, services.
- Identify and remove constraints in the business environment, especially those that may result in supply chain barriers.