TECHNICAL NOTES ON THE WTO CURRENT TARIFF BINDINGS DATABASE (Curr_TBD)

The WTO current tariff bindings database has been built for research purposes. It has been originally developed by Groppo and Piermartini (2014)[1] and subsequently used by Jakubick and Piermartini (2019)[2] to study trade policy uncertainty.

It provides estimate of the current tariff binding rate – that is, the maximum upper bound rate at which a country could set a tariff under WTO commitments since 1995. In order to build a database with information on bindings comparable across countries and overtime, we depart from the legal commitments in a number of ways: (i) estimated current bound rates are aggregated at HS6 96 rather than at the tariff line level, (ii) all tariff data are re-classified at HS96 classification irrespective of the commitments, (iii) we fill some missing data using specific assumptions (for example, we use the pre-accession applied tariff as base rate for commitment when the base rate is missing).

The Curr_TBD is an unbalanced panel database covering 143 countries, 5767 products at the HS6 level, and 16 years from 1996-2011.

Data sources

Data on the bound rates are from the CTS (WTO) database.
Data for tariffs are from TRAINS (extracted through WITS) and IDB (WTO). We selected TRAINS data as primary source of information on tariffs and we replaced missing data with IDB data.
Available information in the WTO CTS database includes the ad-valorem final bound rate, the ad-valorem base rate as well as the starting and end dates of the implementation period. Data on bindings and tariffs rates available at the national customs tariff line level (HS-8 digit or more), have been aggregated at the HS6 digit by computing simple the averages.

HS6 categories that are partially bound (that is, that contain some bound tariff lines and some other unbound lines) have been treated as bound.
We only consider ad valorem tariff lines.

Using these data, together with additional information on the Uruguay Round (UR) commitments[3] and WTO practice, we constructed the time series of bound rates.

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[1] Groppo, V. and Piermartini, R. (2014) Trade Policy Uncertainty and the WTO. World Trade Organization. Staff Working Paper ERSD-2014-23.

[2] Jakubik, A. and Piermartini, R. (2019) How WTO Commitments Tame Uncertainty. World Trade Organization. Staff Working Paper ERSD-2019-06.

[3] For the European Union (EU), we correct the information in the CTS using data from the UR schedules. The CTS database for the EU, reports the bound rate as of December 31, 1999 as base status. As stated in the COVER NOTE of the 'Schedule CXL of the European Communities Consolidated list of concessions', "The base rate shown in the concessions table is the bound rate in force as at 31.12.99 (see also headnote 2 for Agricultural products). This common reference point has been chosen due to the problem of identifying the base rate in the most recent negotiations (there have been a number of negotiations since the UR) as well as nomenclature changes. UR base rates are shown in the correlation tables." In order to build the variable for the binding rate over time (the current bound), we use the Original Correlation Table CXL96- CTS99. The base rate provided in these tables is that set at the UR. We use the base rate obtained from the CTS that refers to the situation in 1999 as the final rate for the 1995-1999 period and calculate the yearly bound rate using the standard assumption of a progressive reduction of equal percentage point per year. For some lines (585) we have the MFN applied rate, but the base rate is missing. This is because it is non-ad valorem. We proxy the bound rate with the max between the maximum between the MFN applied and the final bound rate.

The assumptions used to construct the database are the following:

(i) For the years before the implementation period and after a country accession to the WTO, the bound rate is set equal to the base rate (rate that countries indicate as the rate from which implement the commitments), if the base status is "bound". This assumption is supported by the practice that during the Uruguay Round, Members set the base rate of already bound tariff lines equal to the existing bound rates.[4] When the base rate is missing, the base rate has been replaced with the average MFN applied in the years before the beginning of the implementation period. In fact, following Members' common practice, the base rates are set as the MFN applied rates prevailing over a certain reference period.

(ii) During the implementation period, the bound rate is reduced gradually (that is, by the same percentage points each year) from the base rate to the final bound rate. The first and last cuts are applied in the first and last year of the implementation period, respectively, so that the final bound rate is reached on the final year of the implementation period. This is the typical evolution agreed upon by WTO Members under the Marrakesh Protocol of the GATT 1994. In fact, at paragraph 2, the Protocol provides that "The tariff reductions agreed upon by each Member shall be implemented in five equal rate reductions, except as may be otherwise specified in a Member's Schedule. The first such reduction shall be made effective on the date of entry into force of the WTO Agreement, each successive reduction shall be made effective on 1 January of each of the following years, and the final rate shall become effective no later than the date four years after the date of entry into force of the WTO Agreement, except as may be otherwise specified in that Member's Schedule...."[5]

(iii) For the years after the end of the implementation period, the current bound rate is set equal to the final bound rate.

(iv) For unbound tariff lines (including all tariff lines before accession), the variable current bound rate is set equal to 99999.

As an example, Figure 1 shows the bound rate of the product line "030233" (denoting Tuna) for Brazil.[6] Following the Uruguay Round, Brazil committed to reduce its bound rate from 55 to 35 percent over a five-year implementation period. As indicated by the continuous line, the bound rate is set equal to the base rate before 1995, it is gradually reduced at equal rate reductions in the period from 1995 to 1999 and remains fixed at the final rate after 1999. In this case, Groppo and Piermartini (2014) assume that the bound rate was reduced to 51 percent in 1995 to 47 percent in 1996, to 43 percent in 1997 and so on, until reaching the 1999 final bound rate of 35 percent.

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[4] See "WTO Schedules of Concessions and Renegotiations of Concession, Module 4".

[5] For those products for which countries have renegotiated commitments (such as ITA and PHARMA products, Annex 5 agriculture, renegotiations and unilateral commitments), the above assumptions may not be correct as the base rate for the new commitments may not always coincide with bound rate at the time. The percentage of observations falling in this case is, however, small.

[6] In the HS 1996 nomenclature, code "030233" corresponds to "Tunas (of the genus Thunnus) skipjack or stripe-bellied bonito (Euthynnus (Katsuwonus) pelamis), excluding livers and roes."

Figure 1: From the baseline to the final bound
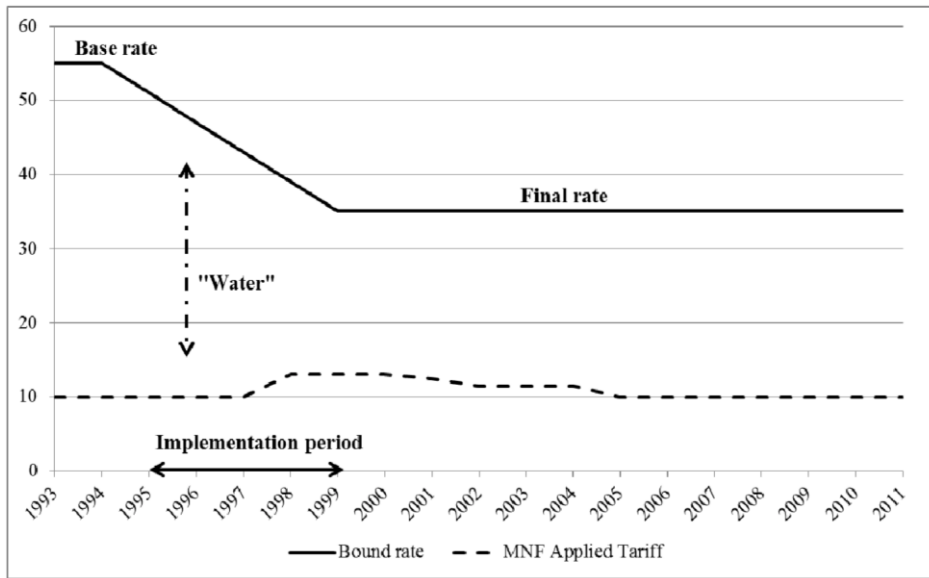
Notes: The graph refers to the HS1996 product line 030233 for Brazil. For this line, the country had an implementation period going from 1995 to 1999, with a base rate of 55% and a final bound rate of 35%.