

"Preferential" Trade Agreements?

Sebastian Ahlstich



2026 CSCB National Conference

29 September, 2026

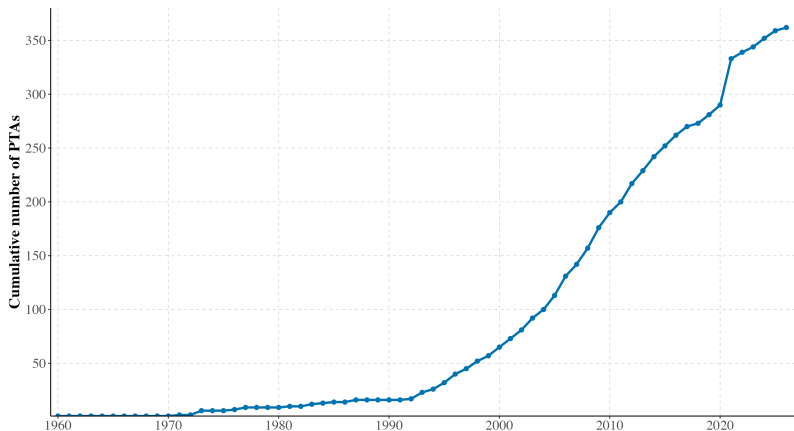
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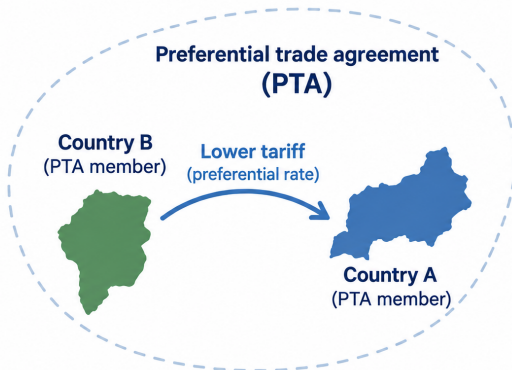
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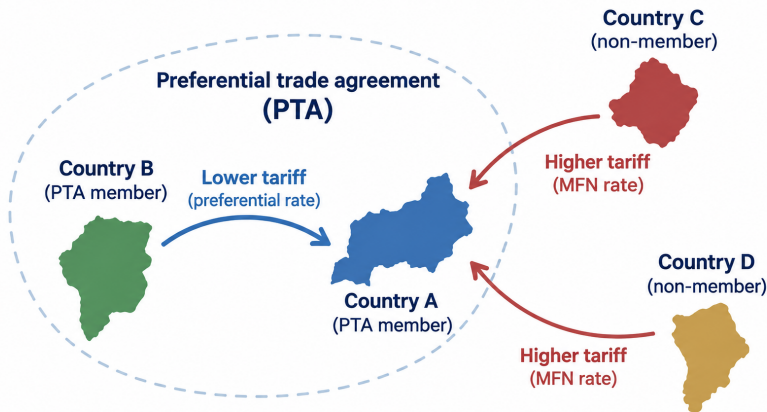
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 3. *Unilateral MFN changes* by partner countries
- **static base rates + gradual phase out + unilateral MFN changes** *can temporarily eliminate the discriminatory tariff advantage of PTAs.*
- major implications for the effects of PTAs on trade, as well as for PTA negotiators and trade practitioners.

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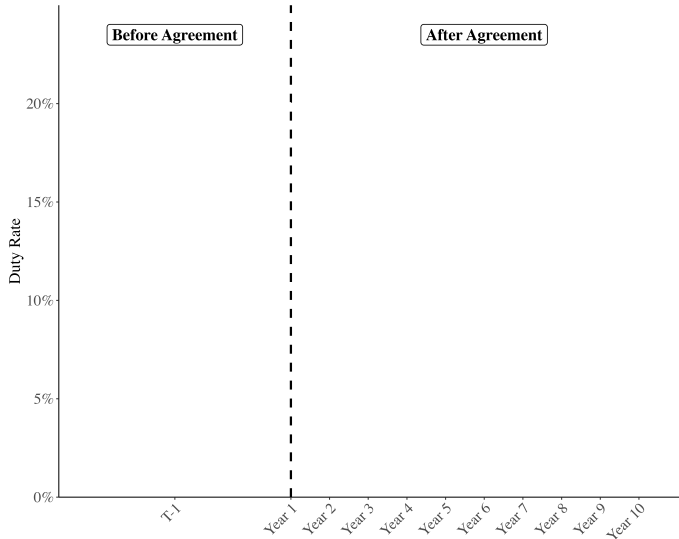
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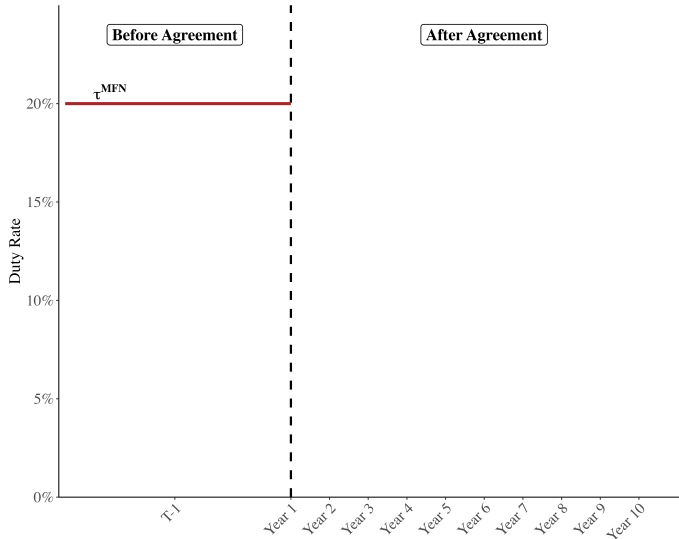
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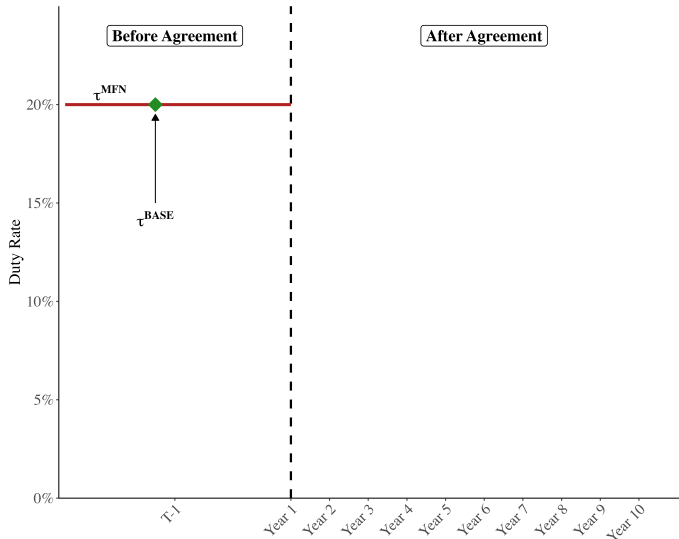
Tariff Elimination: 20% over 10 Years



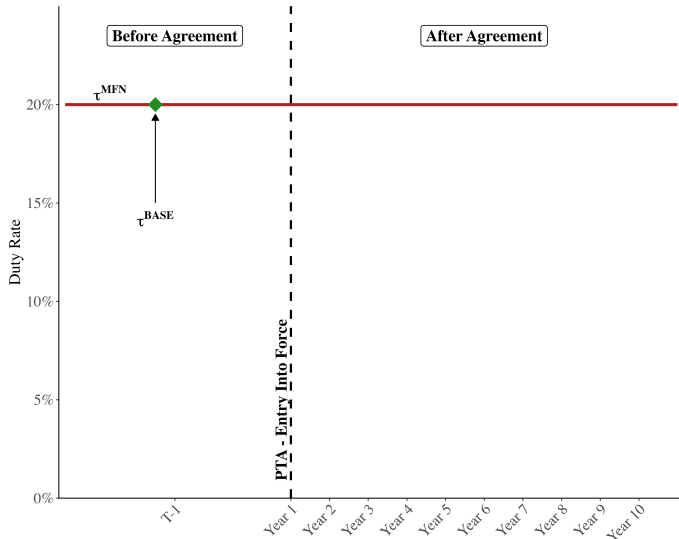
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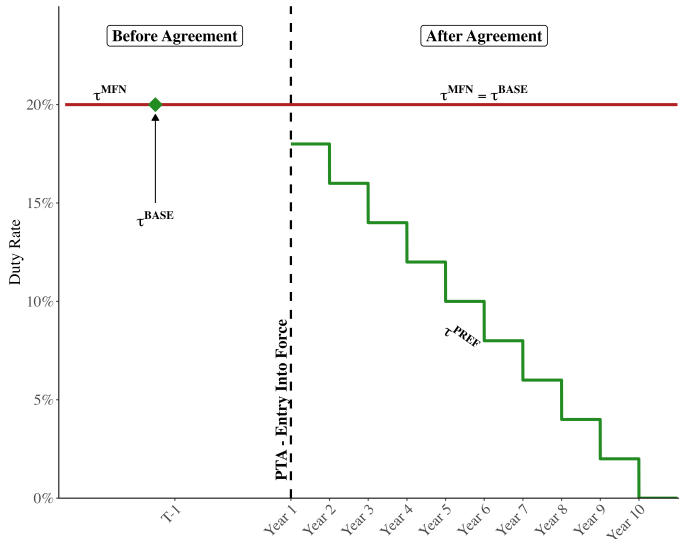
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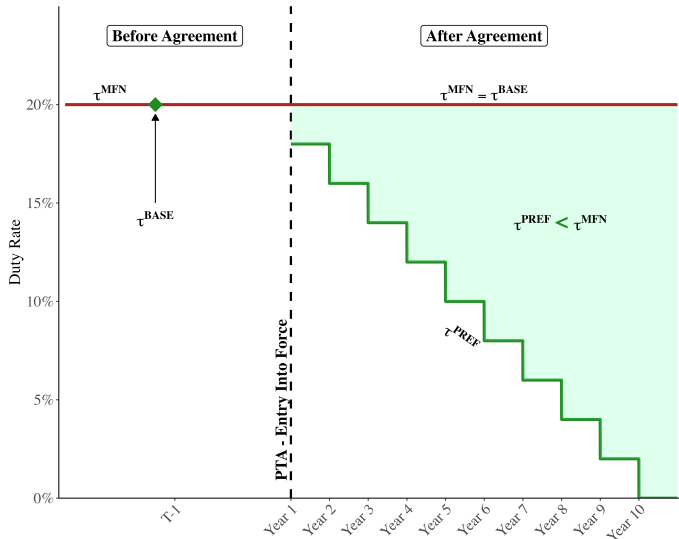
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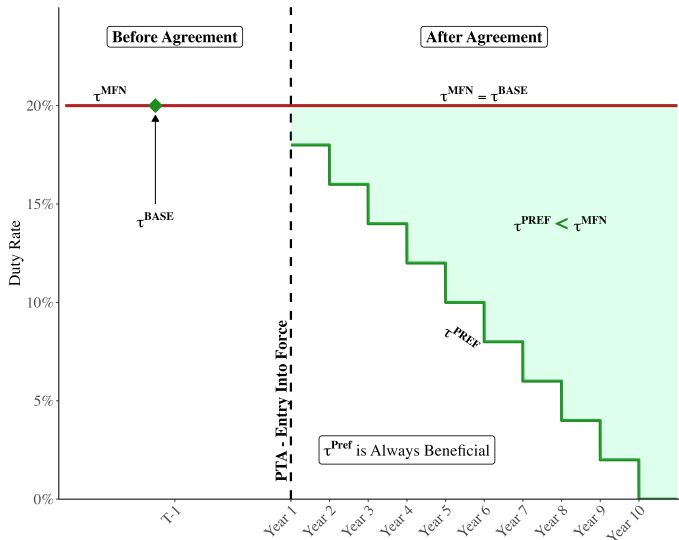
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It Depends on PTA design

PTA Design: Updating vs. Static Base Rate

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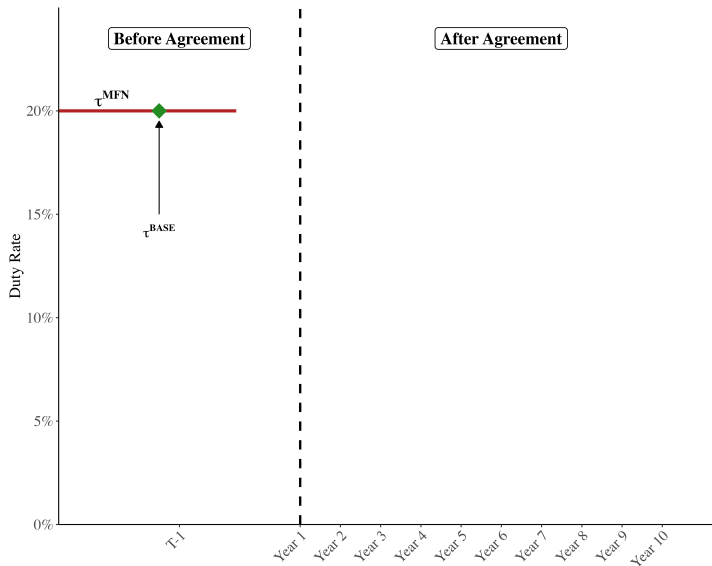
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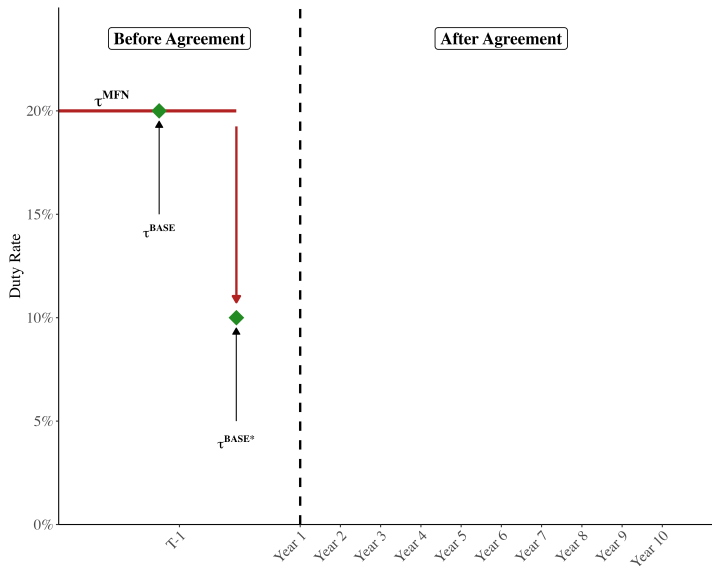
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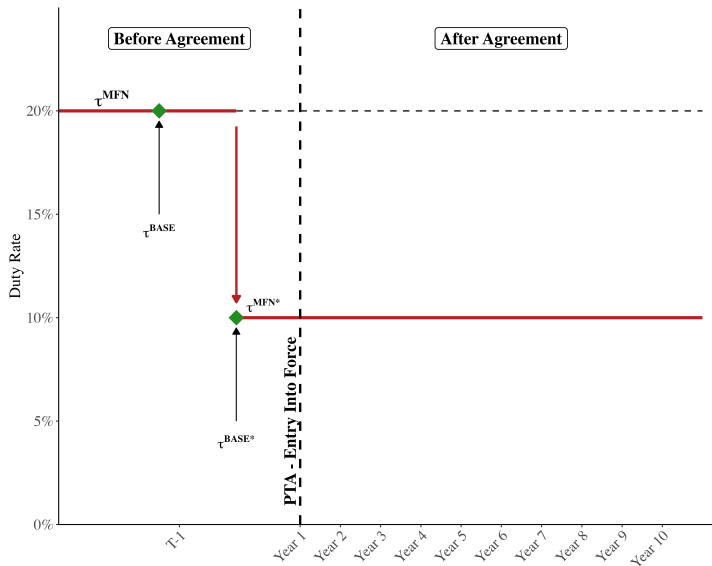
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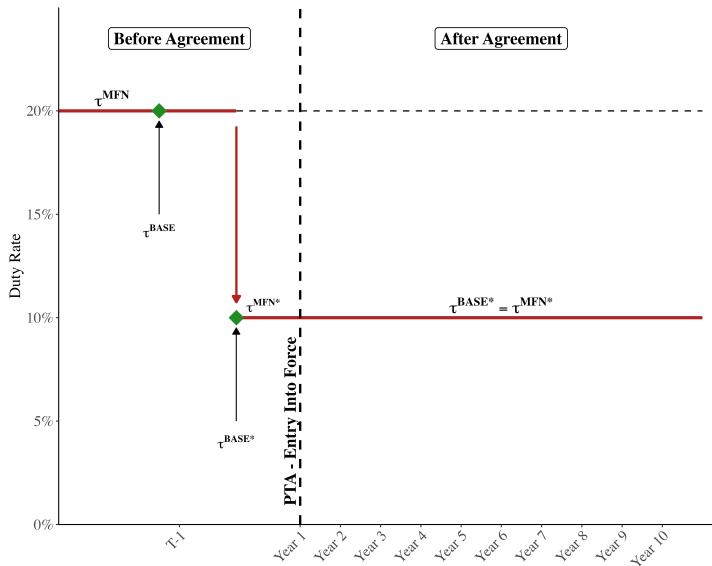
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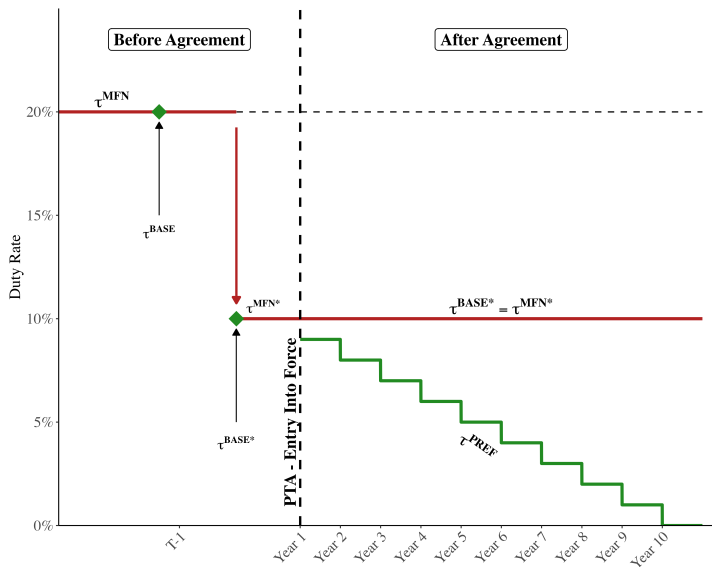
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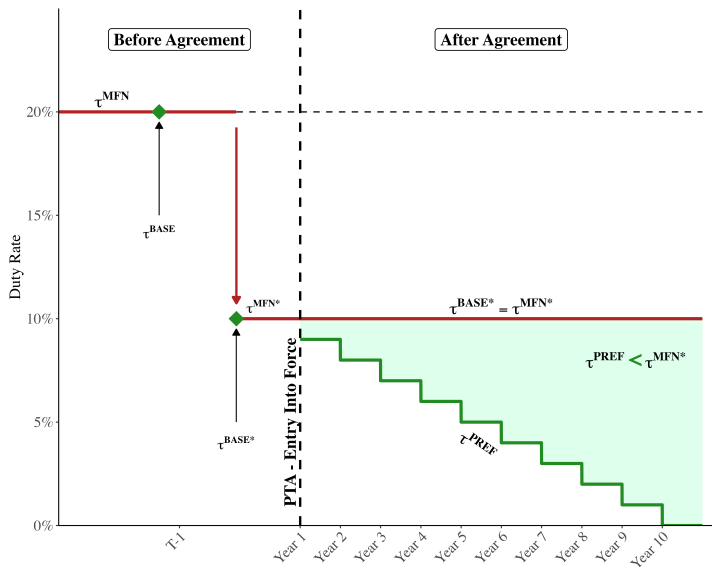
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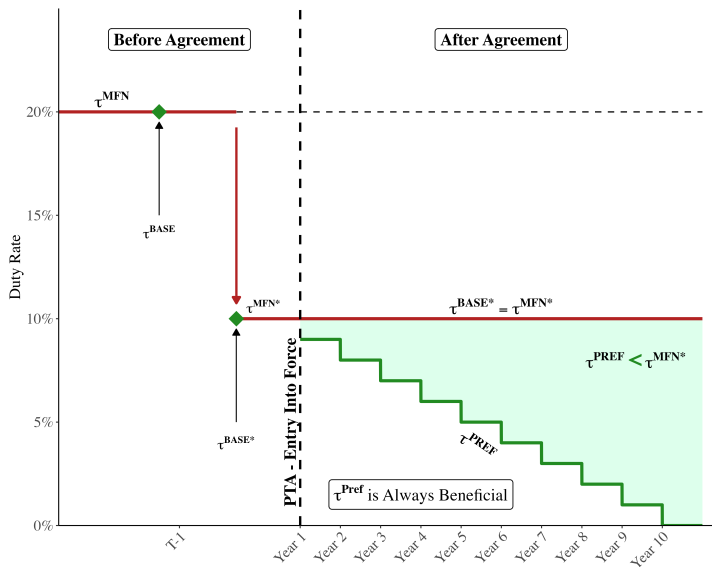
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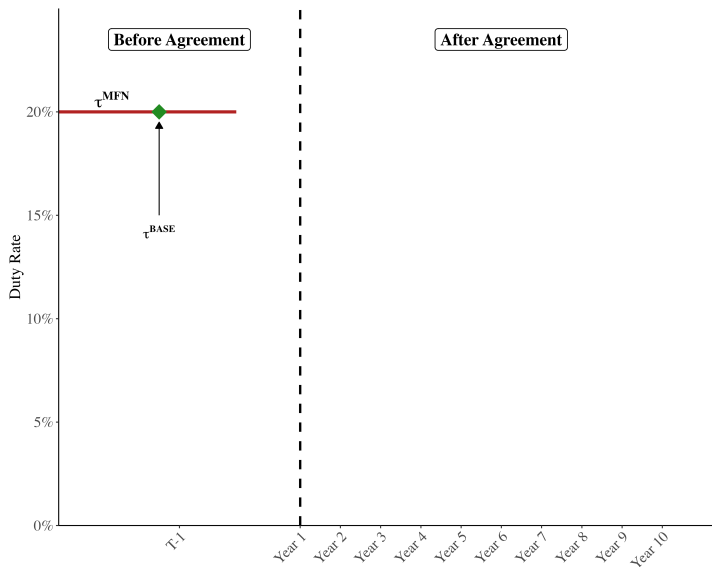
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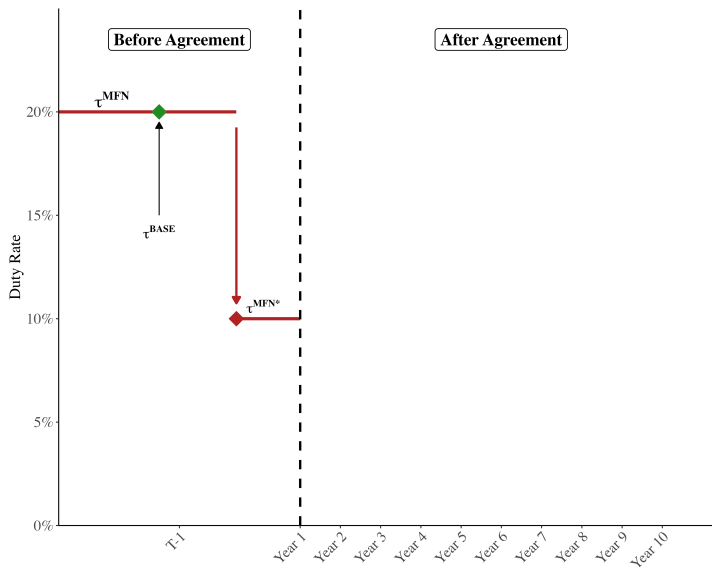
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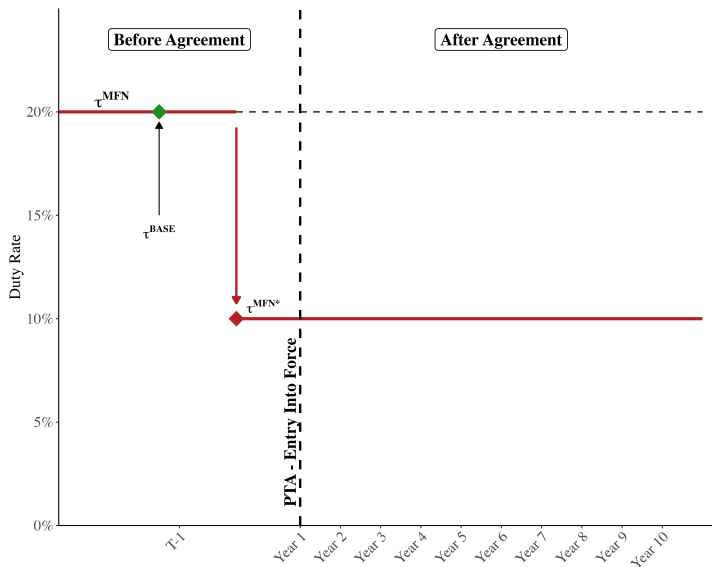
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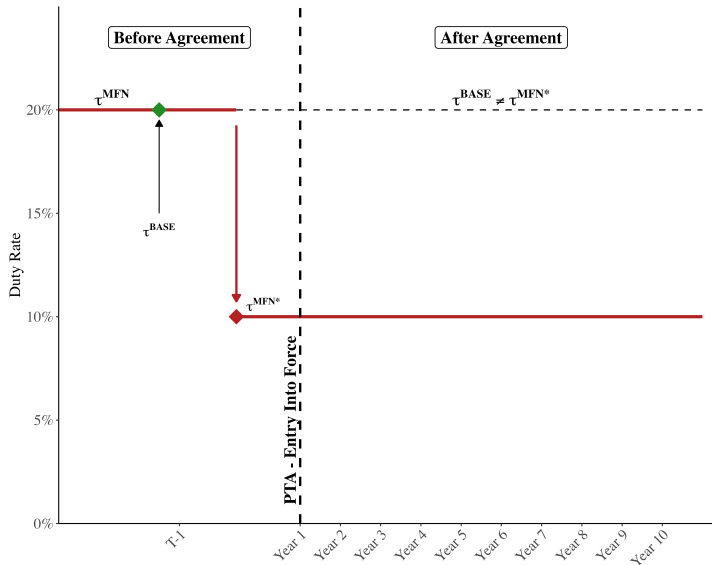
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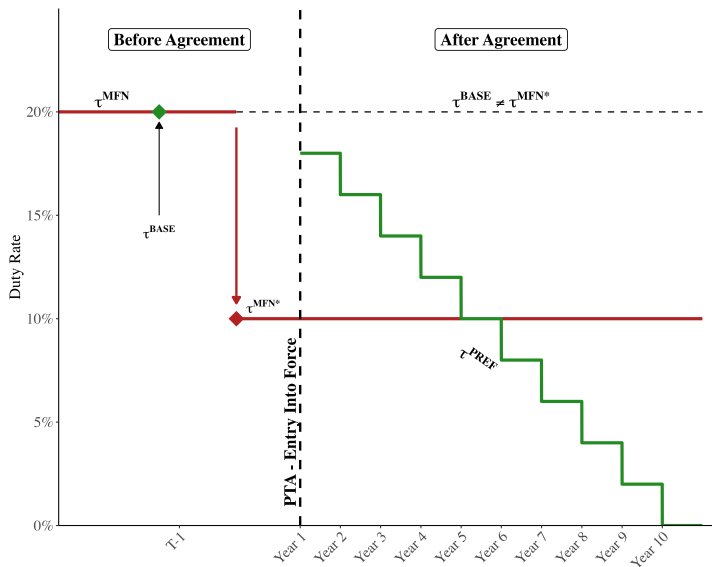
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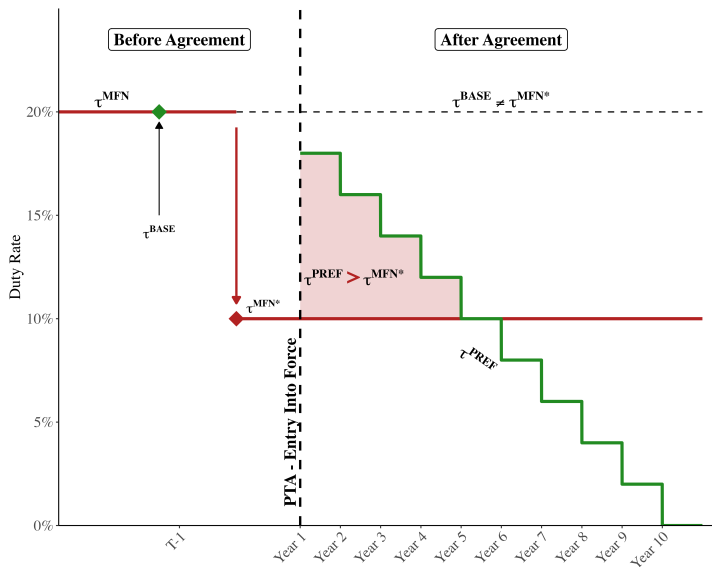
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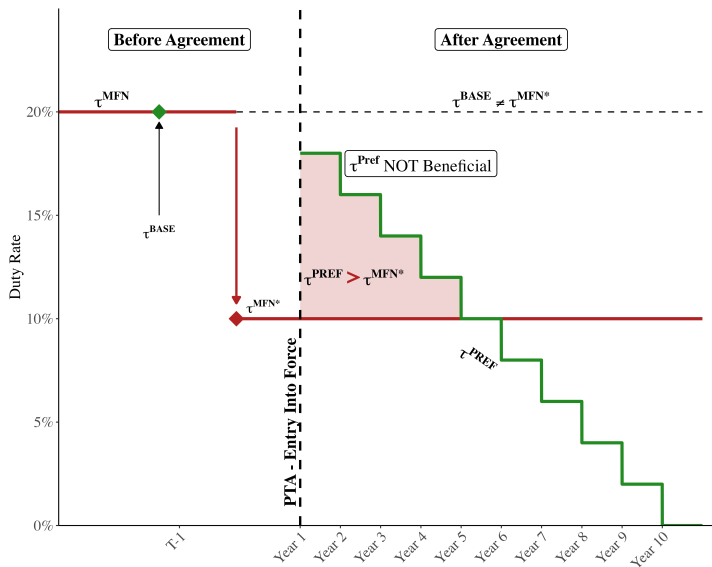
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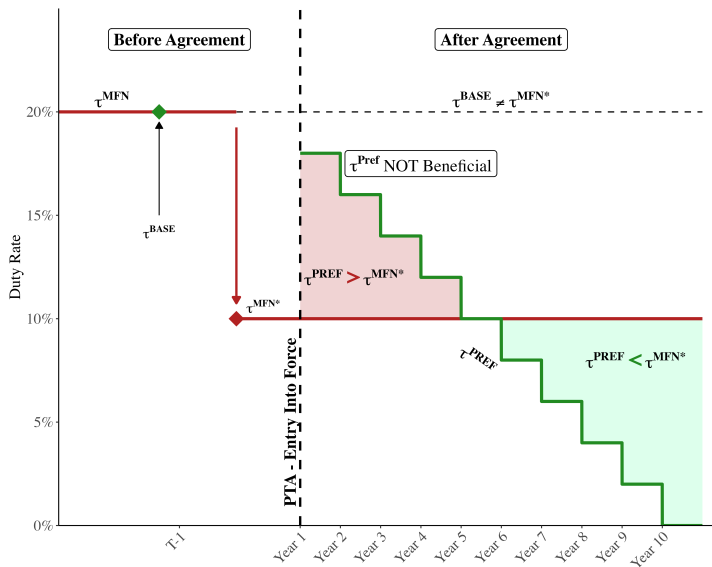
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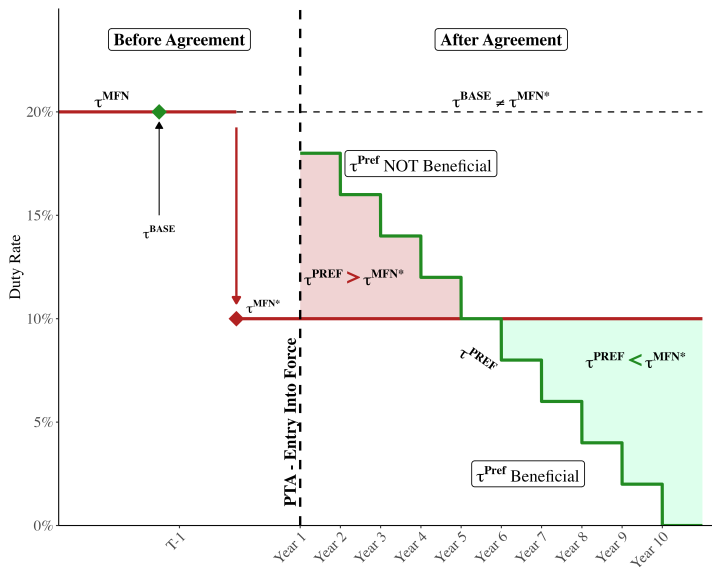
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- ⇒ With updating base rates, PTAs **always confer a tariff advantage**; with static base rates, the **preferential margin may temporarily vanish**.

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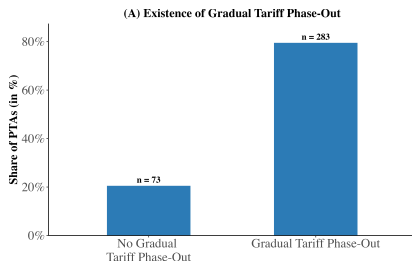
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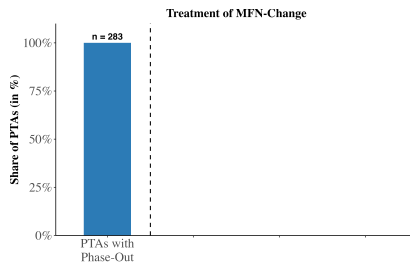
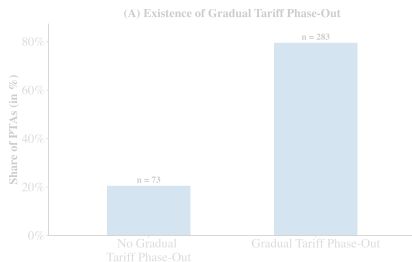
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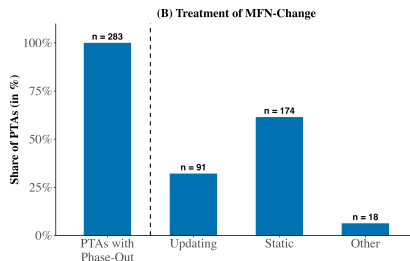
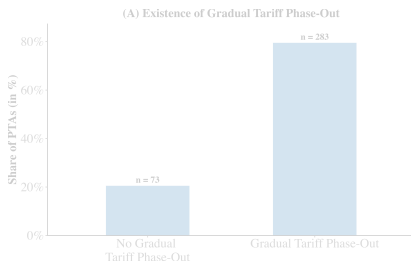
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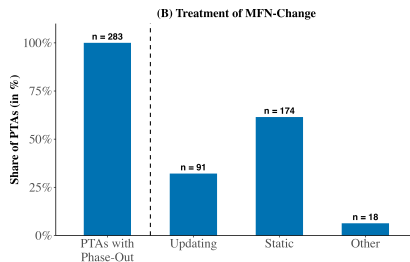
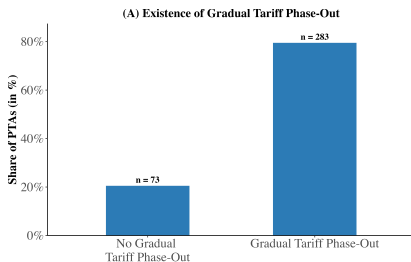
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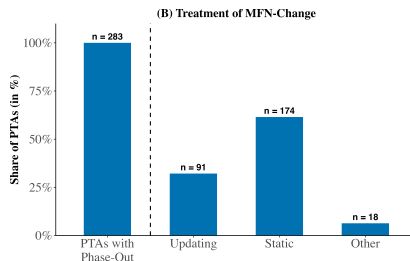
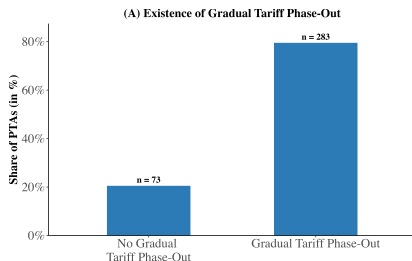
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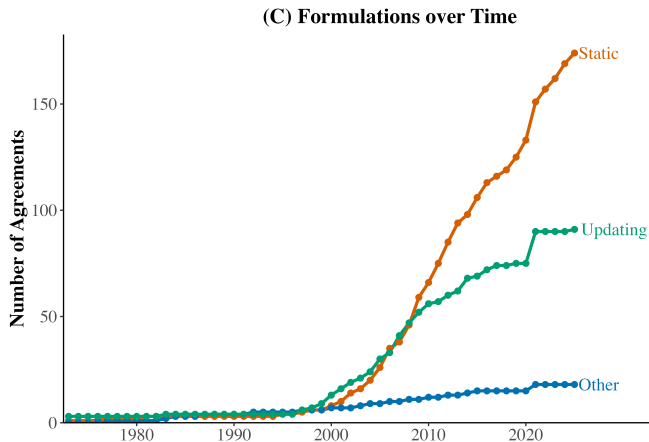
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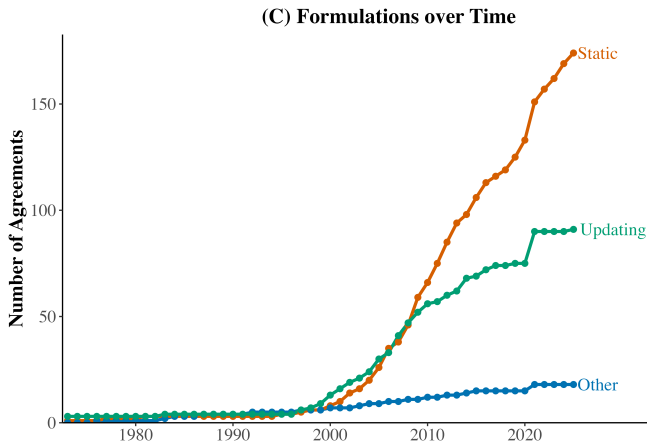


⇒ **Static base rates** that leave preferences vulnerable to unilateral MFN cuts of partner countries appear in roughly **50% of PTAs**.

Development of Formulations over Time



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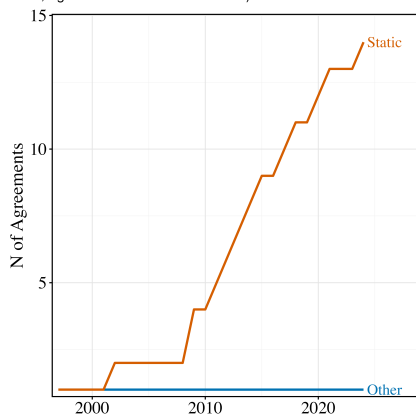
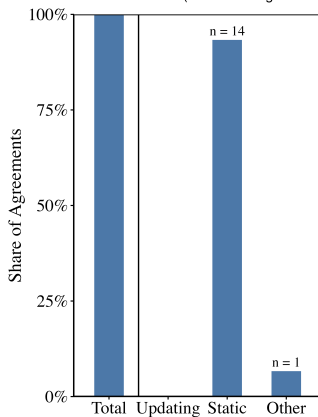


⇒ Especially recent PTAs rely on *static* base rates, with the risk of preference margins being (temporarily) eliminated.

Selected Countries

Canada

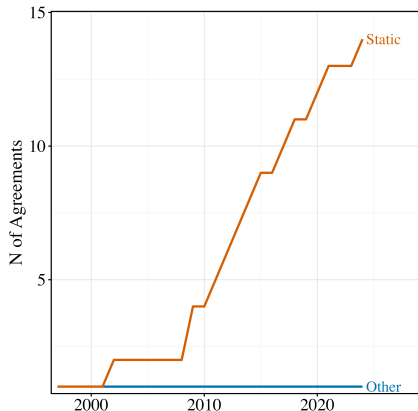
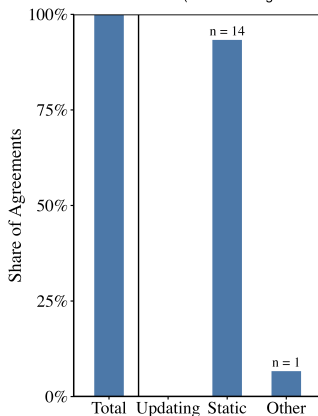
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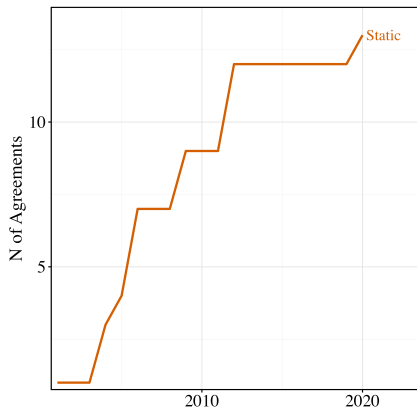
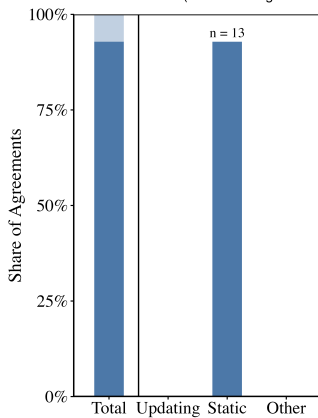


- All Canadian PTAs, except for Canada–Chile, rely on static base rates.

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US

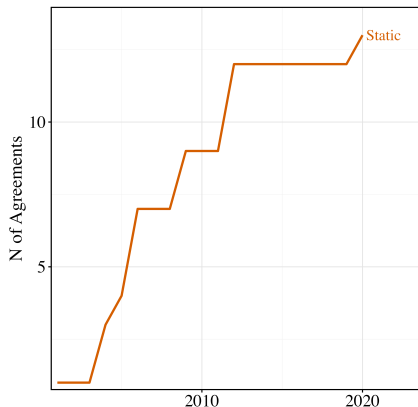
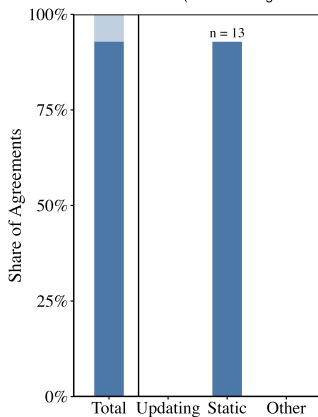
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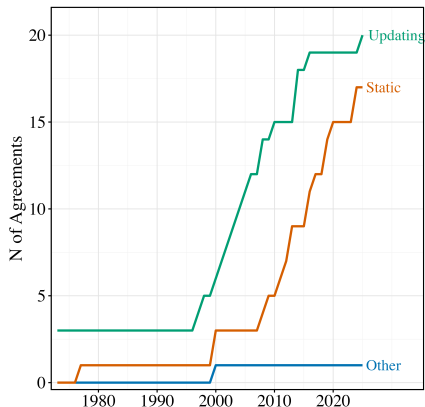
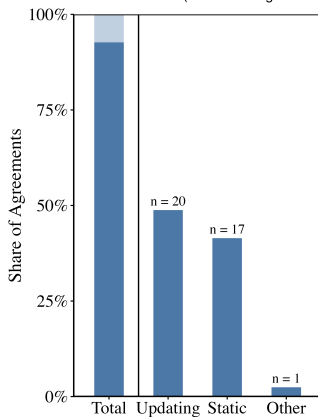


- All US PTAs rely on static base rates.

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EU

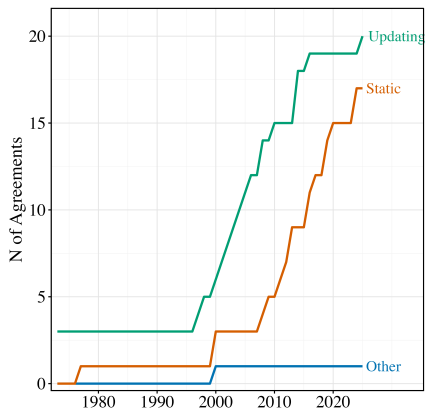
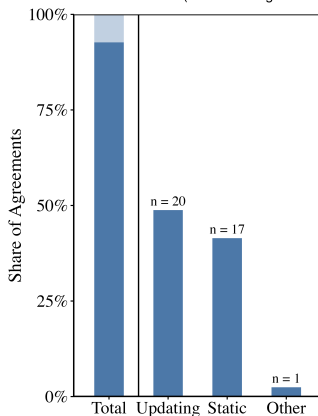
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- EU PTAs rely on both formulations, but newer agreements increasingly use static base rates.

Transaction-Level Data

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- Most developed countries **rarely** adjust their MFN-applied rates.

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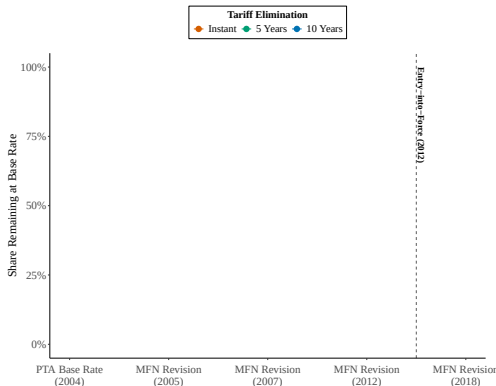
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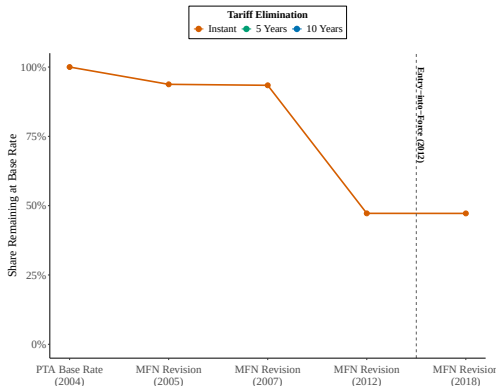
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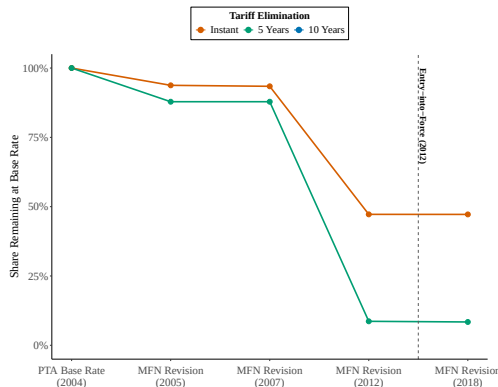
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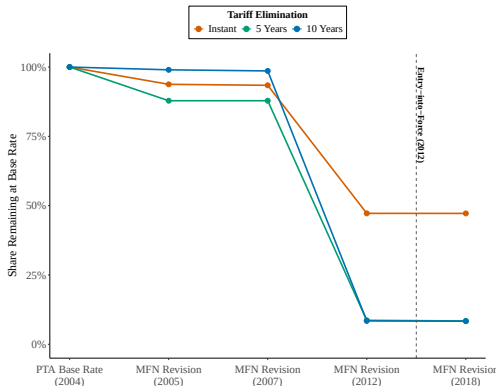
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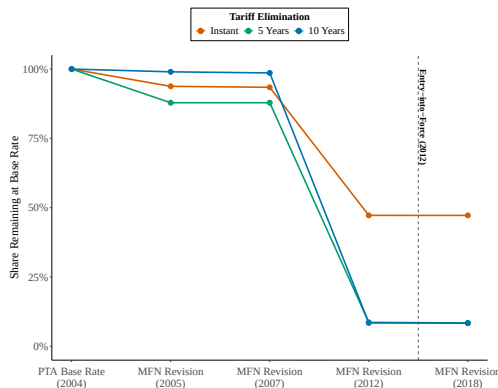
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⇒ In 2012, **90%** of phase-out products had MFN rates below base rates.

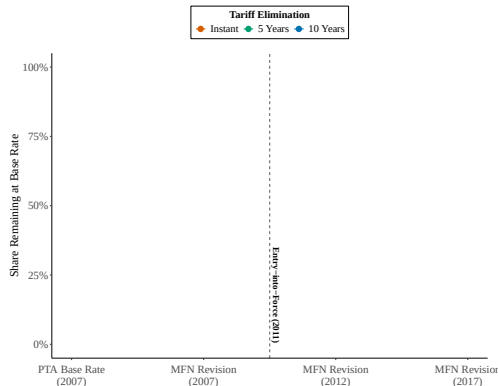
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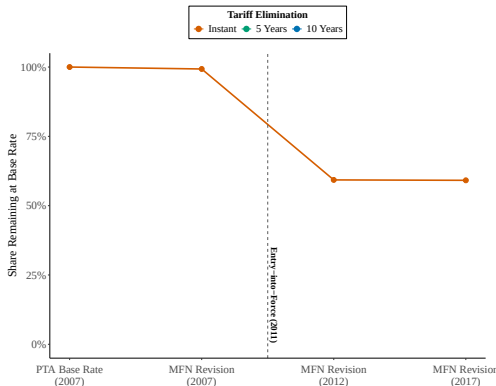
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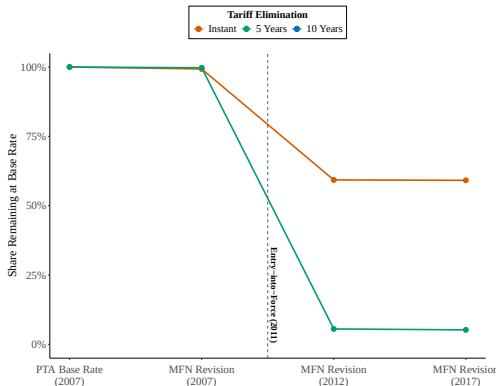
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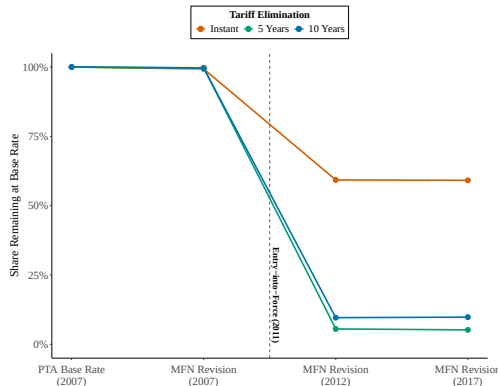
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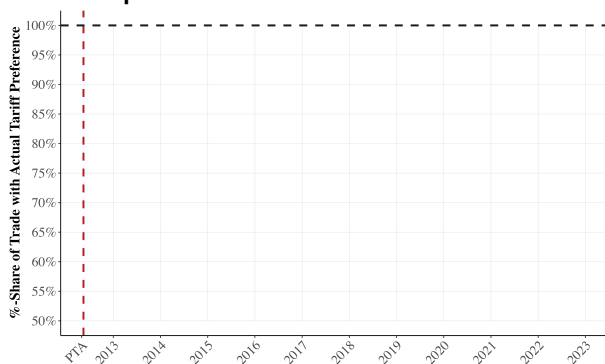
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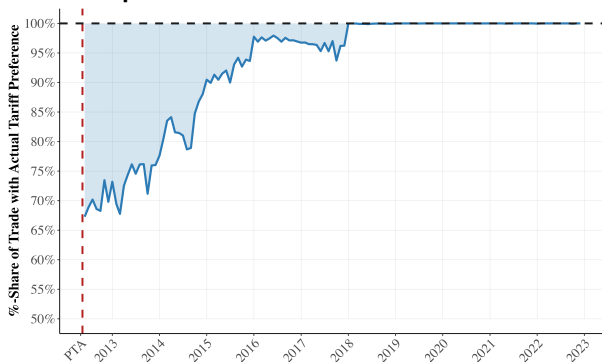
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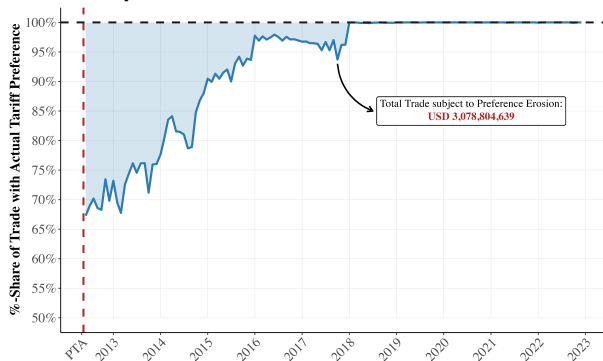
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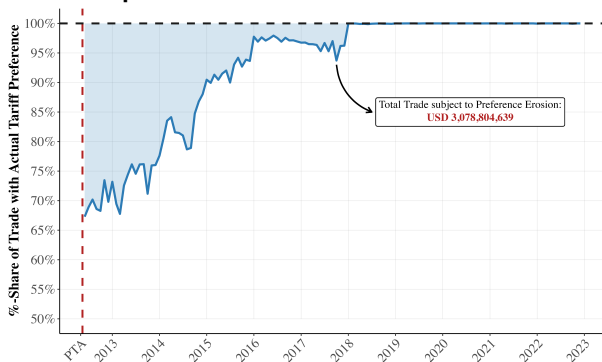
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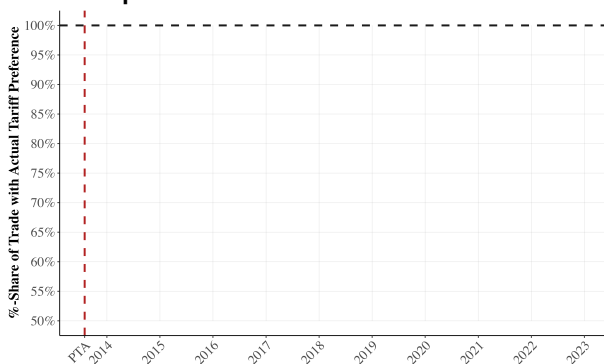


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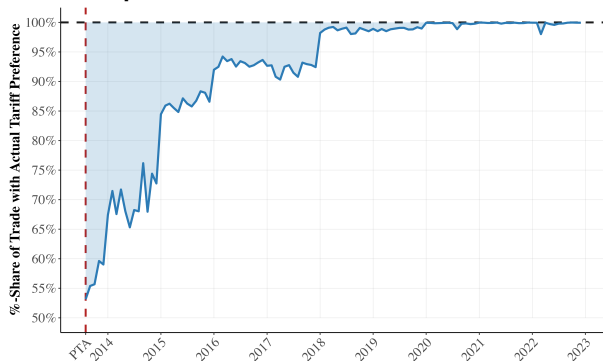


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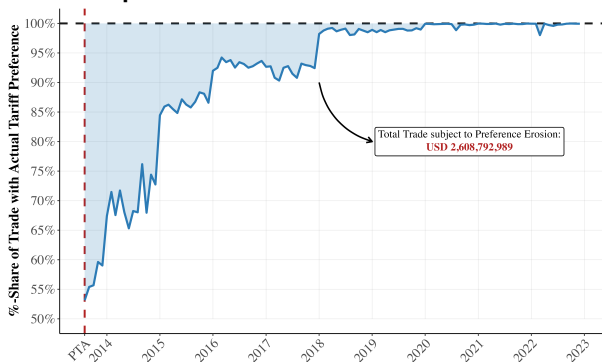


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3. PTA negotiations are costly and time-consuming $\rightarrow$ lessons for PTA design.

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Otherwise, let me quickly introduce some work on
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- ⇒ Use binding classification requests to **identify alternative classifications** for **similar products**.

Date of issuance of ruling: 2024-09-04

An application submitted on your behalf by [REDACTED], for an advance ruling on the tariff classification of eyebrow stencils has been processed. These goods are produced by Anastasia Beverly Hills LLC., 8900 Rex Rd, Pico Rivera, CA 90660.

Advance Ruling Number (Case): [REDACTED]

Tariff Classification Number: 3926.90.99.90

Effective Date: September 04, 2024

Product Description

The Eyebrow Stencils are thin pieces of plastic with various shapes of eyebrows cut out. Each box contains five stencils of five different eyebrow shapes, with labels for the start, arch, and end of the eyebrow. The good is used for cosmetic purposes to mark out the shape of the eyebrow. It includes instructions on how to use the product.

Analysis and Justification

Section 10 of the Customs Tariff directs that classification of imported goods shall be determined in accordance with the General Rules for the Interpretation of the Harmonized System and the Canadian Rules set out in the schedule. Section 11 of the Customs Tariff states that in interpreting the headings and subheadings, regard shall be had to the World Customs Organization's (WCO) Compendium of Classification Opinions and Explanatory Notes to the Harmonized Commodity Description and Coding System (HS).

General Interpretative Rule 1 (GIR 1) directs that titles of Sections, Chapters and sub-Chapters are provided for ease of reference only. For legal purposes, classification shall be determined according to the terms of the headings and any relative Section or Chapter Notes. Similarly, General Interpretative Rule 6 (GIR 6) directs that classification shall be determined according to the terms of those subheadings and any related Subheading Notes.

In your application for an advance ruling, you suggested tariff classification number 9017.20.90.00. This classification number is incorrect.

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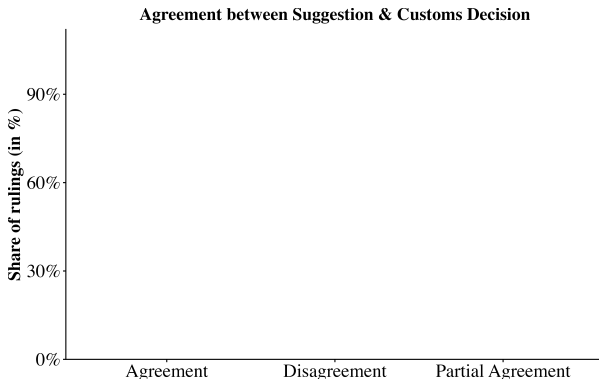
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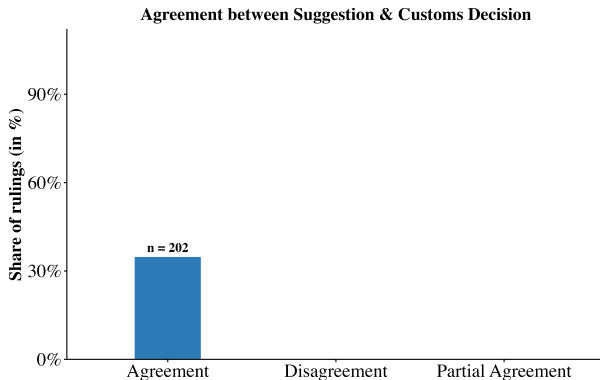
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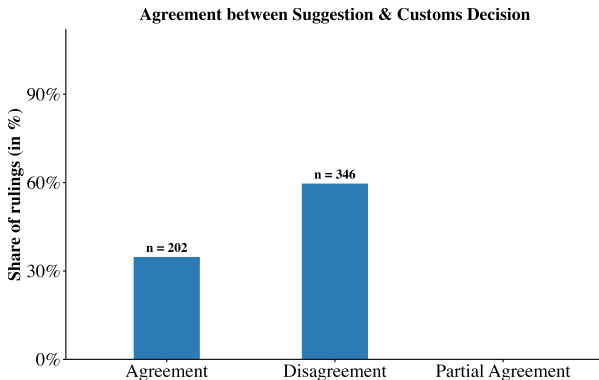
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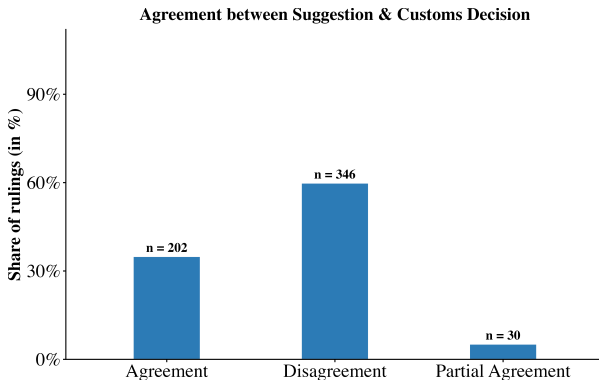
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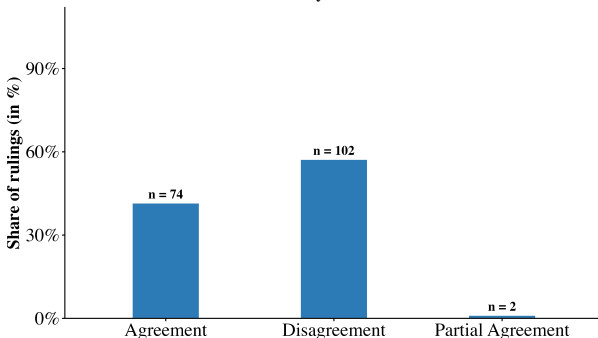
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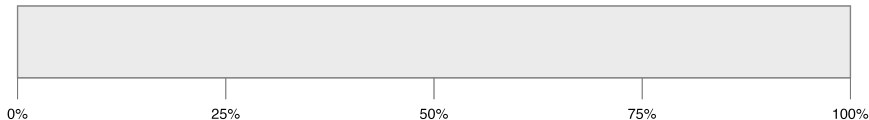
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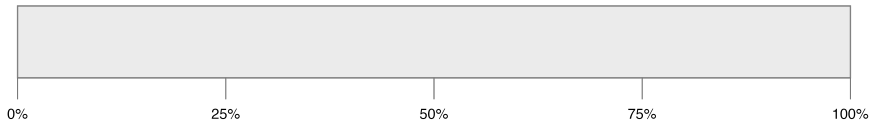
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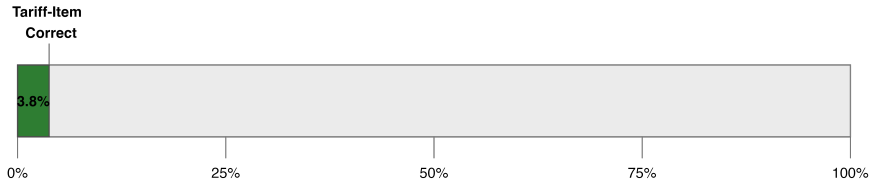
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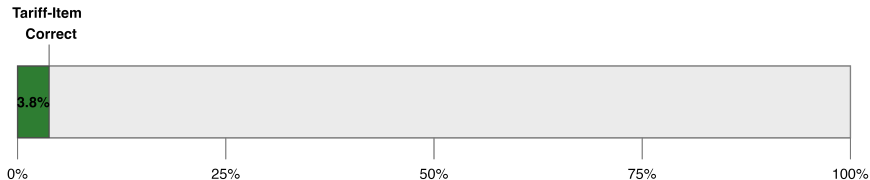
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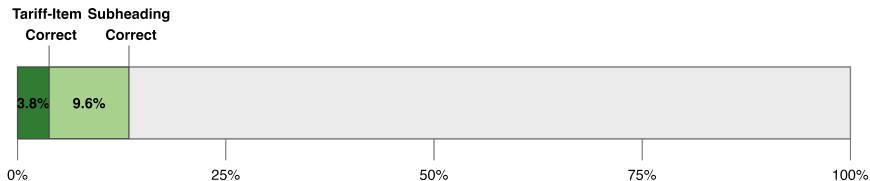
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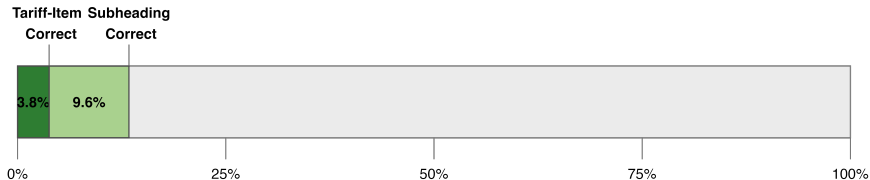
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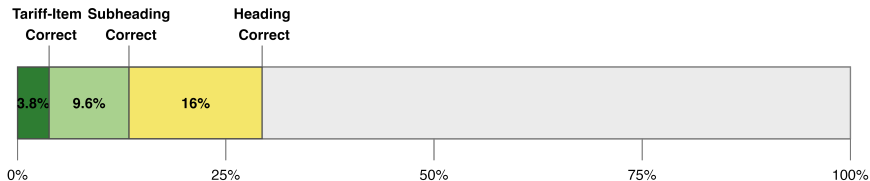
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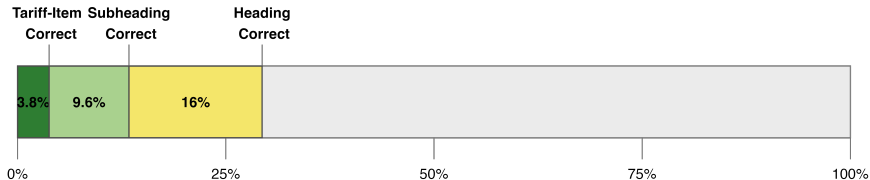
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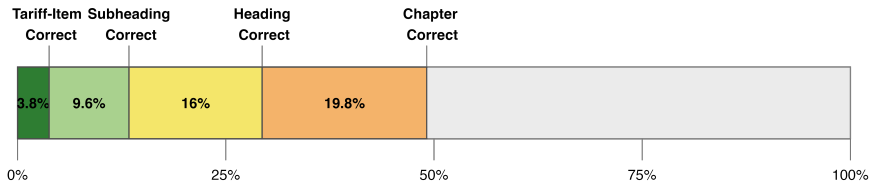
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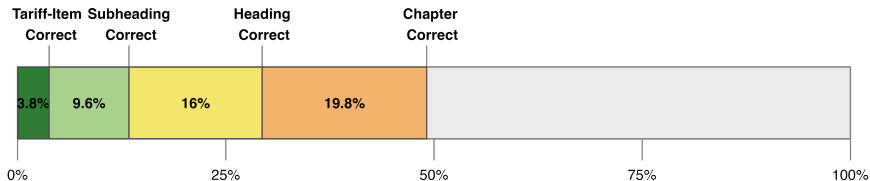
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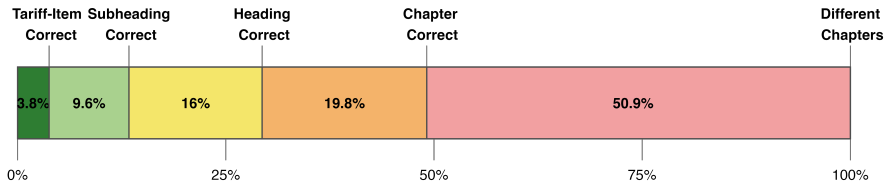
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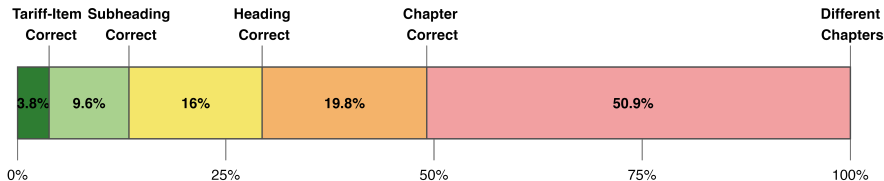
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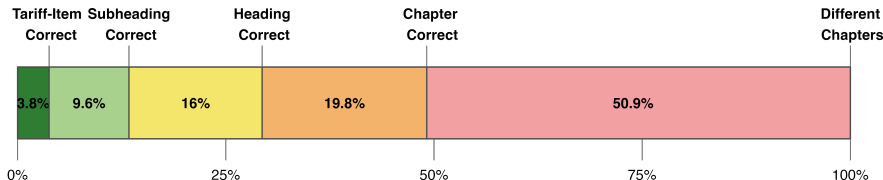
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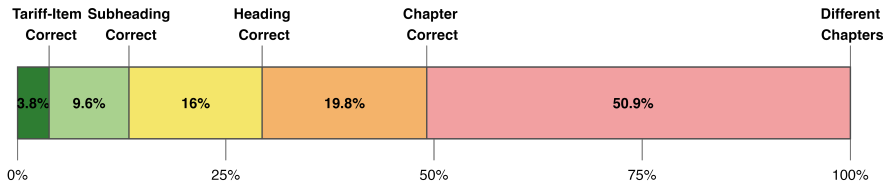


⇒ Submitter and CBSA disagree **(i) frequently** and **(ii) substantially** on classification.

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- ⇒ Submitter and CBSA disagree **(i) frequently** and **(ii) substantially** on classification.
- ⇒ Next Steps: Are suggestions and decisions inherently biased (tariff rate; regulatory burden)?