

The Power to Know is the Power to Affect

Tariff Concessions in the FTA between the EU and Korea

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Overview

The Research Question and the Three Hypotheses

The Analysis of the Tariff Elimination Commitments in the FTA KOREU

A Possible Explanation of the Outcomes of the Analysis

The Basic Question

What are the Drivers in the Tariff Schedules of FTAs?

Sequential Mixed Method Design

- *Qualitative Generation of Hypotheses*
- *Quantitative Probing of these Hypotheses*

The Basic Criticism

To What Extent Can Endogenous Tariff Theory Explain FTA Negotiating Outcomes?

- *Emphasis on Loss Aversion*
- *Emphasis on Politicization as Driver*

Institutional Alternatives Tend to Underestimate the Importance of Information

- *Emphasis on Insulation*
- *Emphasis on Aggregate Welfare as Driver*

The Basic Model

- *The 90%+ tariff lines*

1

The impact of foreign demands on individual tariff implementation periods is limited

2

The lower the competitiveness of a product, the longer its tariff implementation period

3

The better the articulation of domestic interests in policy-making the lower the impact of path dependencies on the tariff implementation periods

$$\text{StagingCategory} = \alpha \cdot \text{Baserate} + \beta \cdot \text{Competitiveness}^{\text{Home}} + \delta \cdot \text{Competitiveness}^{\text{Foreign}}$$

3

2

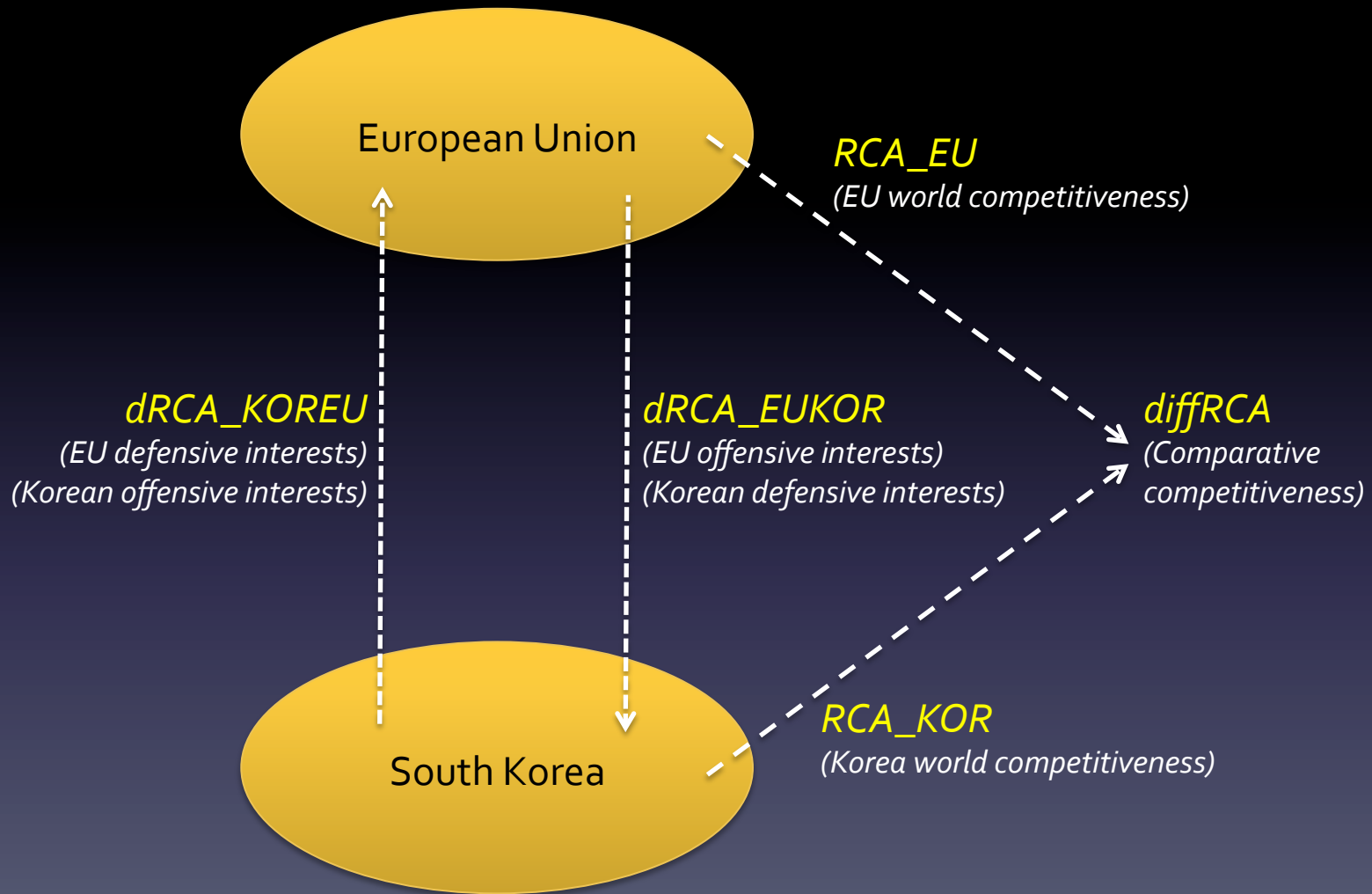
1

The Dependent Variable

Implementation Periods Applied to Tariff Barriers in the FTA KOREU

Korea		European Union	
Category	Number (%)	Category	Number (%)
Already free	1860 (15,6%)	Already free	2378 (24,5%)
0	7675 (64,5%)	0	6758 (69,5%)
2-3	711 (6,0%)	3	275 (2,8%)
5	864 (7,2%)	5	275 (2,8%)
6-7	178 (1,4%)		
10	393 (3,2%)		
>10	147 (1,2%)		
No elimination	45 (3,7%)	No elimination	39 (0,4%)
TOTAL	11873 (100%)	TOTAL	9721 (100%)

Different Kinds of Competitiveness as Important Independent Variables



The Tobit Models

Model 1:

$$IMPL_KOR_i = \beta_0 + \beta_1 \text{baserate}_i + \beta_2 \text{RCA_KOR}_i + \beta_3 \text{RCA_EU}_i + \beta_4 \text{RCA_KOR}_i^2 + \beta_5 \text{diffRCA}_i + \varepsilon_i$$

Model 2:

$$IMPL_KOR_i = \beta_0 + \beta_1 \text{baserate}_i + \beta_2 \text{dRCA_KOREU}_i + \beta_3 \text{dRCA_EUKOR}_i + \beta_4 \text{dRCA_KOREU}_i^2 + \beta_5 \text{diffRCA}_i + \varepsilon_i$$

Model 3:

$$IMPL_EU_i = \beta_0 + \beta_1 \text{baserate}_i + \beta_2 \text{RCA_EU}_i + \beta_3 \text{RCA_KOR}_i + \beta_4 \text{RCA_EU}_i^2 + \beta_5 \text{diffRCA}_i + \varepsilon_i$$

Model 4:

$$IMPL_EU_i = \beta_0 + \beta_1 \text{baserate}_i + \beta_2 \text{dRCA_EUKOR}_i + \beta_3 \text{dRCA_KOREU}_i + \beta_4 \text{dRCA_EUKOR}_i^2 + \beta_5 \text{diffRCA}_i + \varepsilon_i$$

Non-Standardized Estimates

Tobit Regression: H1: The Base Rates

With ad valorem, specific & compound (non-standardized)	Model 1 KOR<-EU	Model 2 KOR<-EU	Model 3 EU<-KOR	Model 4 EU<-KOR
Constant	-6.9339***	-8.2849***	-12.096***	-20.371***
Baserate	.0453***	.0432***	.0012***	.0003
RCA_KOR	-.5630***		-.0763	
RCA_EU	-1.2416***		-7.7941***	
RCA_KOR ²	.0406***			
RCA_EU ²			.2373***	
diffRCA	.0177***	.0195**	-.0028	.0046
dRCA_KOREU		-.6111***		.2480
dRCA_EUKOR		-.0226		-2.3074***
dRCA_KOREU ²		.0080**		
dRCA_EUKOR ²				.0324***
N	8022	7233	5131	4645
R ²	.03	.03	.04	.01
Prob > Chi ²	.00	.00	.00	.00

* $p < .05$; ** $p < .01$; *** $p < .001$

Tobit Regression: H2-3: Competitiveness in the World Market and Each Others' Markets

With ad valorem, specific & compound (non-standardized)	Model 1 KOR<-EU	Model 2 KOR<-EU	Model 3 EU<-KOR	Model 4 EU<-KOR
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Standardized Estimates

Tobit Regression: Quality of the Domestic Gathering Information System

With ad valorem, specific & compound (standardized)	Model 1 KOR<-EU	Model 2 KOR<-EU	Model 3 EU<-KOR	Model 4 EU<-KOR
Baserate	.2269***	.2335***	.0920***	-.0107
RCA_KOR	-.0943***		-.0081	
RCA_EU	-.1517***		-.6620***	
RCA_KOR ²	.1075***			
RCA_EU ²			.4359***	
diffRCA	.0436***	.0567***	-.0049	.0076
dRCA_KOREU		-.1244***		.0365
dRCA_EUKOR		.0079		-.4076***
dRCA_KOREU ²		.0670**		
dRCA_EUKOR ²				.2213***
N	8022	7233	5131	4645
R ²	.03	.03	.04	.01
Prob > Chi ²	.00	.00	.00	.00

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RCA_EU ²			.4359***	
diffRCA	.0436***	.0567***	-.0049	.0076
dRCA_KOREU		2 -0.1244***		.0365
dRCA_EUKOR		.0079		1 -0.4076***
dRCA_KOREU ²		.0670**		
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Conclusions

An Administrative Explanation

Our Observations

- While Tariff Implementation Setting is a Domestically Driven Process in the First Place:*
- *Path dependencies matter more in the Korean case*
 - *EU Tariff Implementation Setting is More Calibrated*



Our Explanation

1

The risk of biased embeddedness in “Embedded Autonomy”

Institutional Path Dependencies

2

A correction of biased embeddedness in multilevel systems

The breadth of the Embedded Autonomy