



EUROPEAN
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Proposal for a

COUNCIL DECISION

**establishing the position to be taken by the European Union within the General Council
of the World Trade Organization on the accession of the Islamic Republic of
Afghanistan to the WTO**

EXPLANATORY MEMORANDUM

I. INTRODUCTION

Members of the World Trade Organization (WTO) and Afghanistan have reached the concluding stage of an agreement on the terms for the accession of Afghanistan to the organization. This comes after 10 years of negotiations, which began when Afghanistan submitted its application to join the WTO in 2004. Afghanistan's request for accession has been examined in accordance with the guidelines set out by the WTO General Council on the accession of least-developed countries (LDC) and now a Council Decision approving the terms of Afghanistan's accession is required by the TFEU, before the EU can formally support that approval in the WTO.

A summary of the terms of the accession is set out below.

II. SUMMARY OF TERMS OF AFGHANISTAN'S WTO ACCESSION BY SECTOR

Schedules of commitments

Goods (overall)

The average final bound rate (FBR) in the accession schedule of Afghanistan is 15.1%.

The average FBR is higher at 29.6% for agriculture products than the 8.8% observed for industrial goods. Tariff peaks are also higher in agriculture (60-70% maximum in some agriculture products versus 50% maximum observed in industrial goods).

Afghanistan will implement the FBRs as from the date of accession, with the exception of imports of a handful of Information Technology products – such as electronic circuits, video cameras - (which will be fully liberalised by 2019 anyway).

These average levels for tariffs are very reasonable considering the LDC status of Afghanistan as well as the small size and vulnerability of its economy. Past EU practice in relation to LDCs has been to accept higher tariff levels than these as reasonable for economies of comparable size. Against this background, the schedule leaves unbound:

- 41 tariff lines on agriculture products whose trade is considered as prohibited in Afghanistan (pork and pork products, beer, wine and spirits); and
- 183 tariff lines of industrial goods, corresponding to 4.4% of the number of industrial TLs in the schedule (in compliance with the recently approved “Guidelines for negotiation of LDCs accession to the WTO” which allow up to a 5% of unbound industrial tariff lines).

Industrial Goods

- The average FBR for non-agriculture products is 8.8%.
- The highest averages of 30% are observed in ceramics, and then averages of 15-20% in furniture, glass and textiles.
- The lowest, 0%, is offered in Information Technology (ITA) products that will be implemented by 2019.
- The highest industrial tariff peaks are 50% (passenger vehicles) followed by peaks of 30% in ceramics and diverse textile products.
- The 183 unbound tariff lines on industrial goods correspond to raw materials, carpets, footwear and furniture.

Agricultural goods

- The average FBR for agriculture products is 29.6%.
- The highest tariff peaks in agriculture are of 70% for some fruit juices, and 60% in a wide variety of agriculture products such as lamb and beef meat, vegetables, fruits, nuts, tomatoes, potatoes, tobacco and mineral waters.
- The 41 unbound tariff lines on agriculture products concern products whose trade is considered as prohibited in Afghanistan (pork and pork products, beer, wine and spirits).

Export duties

Afghanistan has undertaken standstill and reduction commitments on export duties. It will not introduce export duties on products which are not currently subject to such duties. As regards existing duties, the maximum rates bound for critical raw materials will be reduced within five years as from the date of accession.

Services

Afghanistan's schedule of specific commitments in services is satisfactory considering its LDC status. Afghanistan will undertake market access and national treatment commitments in a broad range of services sectors, including professional, computer and other business services, communication services (courier services and telecommunications), construction services, distribution services, private educational services, environmental services, financial (insurance and banking) services, hospital services, hotel and restaurant services and transport services (maritime and air transport services and auxiliary services).

Protocol commitments

In the final, multilateral stage of the accession process, WTO Members collectively sought to ensure the basic compatibility of Afghanistan's trade laws and institutions with WTO rules and agreements, setting these out in the Protocol of accession and Working Party Report.

Transitional periods were requested in a number of fields; the following are of particular interest to the EU:

Application of internal taxes to imports: a fixed tax and a business receipts tax currently applied will only be in full conformity with WTO obligations in 2020; for the rest of internal taxes and charges levied on imports, WTO alignment will take place as from the date of accession.

Technical Barriers to Trade (TBT): Afghanistan will fully implement the Agreement on Technical Barriers to Trade by 1 January 2016. An action plan is set out in the Working Party Report.

Sanitary and phytosanitary measures (SPS): Afghanistan will benefit from a transition period till 1 January 2018 for full implementation of the SPS Agreement, as set out in an action plan included in the Working Party Report.

Trade-related investment measures (TRIMS): The full implementation of the TRIMS Agreement will be effective by 31 December 2020, date at which local content requirements for goods in the Hydrocarbon Law and the Mining Law would have to be eliminated.

Trade-related intellectual property rights (TRIPS): The full implementation of the TRIPS Agreement will be effective by 1 January 2016, as set out in an action plan included in the Working Party Report.

III. RECOMMENDATION

In submitting the terms of Accession of Afghanistan to the WTO for approval by the Council, the Commission considers these terms as representing a balanced and ambitious package of market opening commitments, which will bring substantial benefits to Afghanistan and its WTO trading partners alike.

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 91, 100(2) and the first subparagraph of Article 207(4), in conjunction with Article 218(9) thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) On 21 November 2004 the Government of the Islamic Republic of Afghanistan applied for accession to the Marrakesh Agreement establishing the World Trade Organization (WTO), pursuant to Article XII of that Agreement.
- (2) A Working Party on the accession of the Islamic Republic of Afghanistan was established on 13 December 2004 in order to reach agreement on terms of accession acceptable to the Islamic Republic of Afghanistan and all WTO Members.
- (3) The Commission, on behalf of the Union, has negotiated a comprehensive series of market opening commitments on the part of the Islamic Republic of Afghanistan which satisfy the Union's requests.
- (4) These commitments are now embodied in the Protocol of Accession of the Islamic Republic of Afghanistan to the WTO.
- (5) Accession to the WTO is expected to make a positive and lasting contribution to the process of economic reform and sustainable development in the Islamic Republic of Afghanistan.
- (6) The Protocol of Accession should therefore be approved.
- (7) Article XII of the Agreement establishing the WTO provides that the terms of accession are to be agreed between the acceding Member and the WTO, and that the Ministerial Conference of the WTO approves the terms of accession on the WTO side. Article IV.2 of the Agreement establishing the WTO provides that in the intervals between meetings of the Ministerial Conference, its functions shall be conducted by the General Council.
- (8) Accordingly, it is necessary to establish the position to be taken by the Union within the General Council of the WTO on the accession of the Islamic Republic of Afghanistan to the WTO,

HAS ADOPTED THIS DECISION:

Article 1

The position to be taken by the European Union within the General Council of the World Trade Organization on the accession of the Islamic Republic of Afghanistan to the WTO is to approve the accession.

Article 2

This Decision shall enter into force on the day of its adoption.

Done at Brussels,

*For the Council
The President*