

Dobryian K. N., Zhytkevich D. L. Moral Aspects of the System of Tariff Preferences

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In today's world, economic life has become more complex and diversified. No country can live in isolation and claim to be self-sufficient. Even countries with different ideologies, culture, political, social and economic structure have trade links with each other. That is the reason for international trade to become an extremely competitive sphere in the context of human relationships.

To avoid such negative phenomena as unfair competition, tax avoidance and tax evasion, excessively inflated prices, unification of international and national legislation, etc. business community and governments of the countries should follow up the principles of international trade aimed at mutually beneficial cooperation and assistance.

The carried research reveals the moral and ethical side of the above-mentioned principles and their implementation in worldpractice using the example of the system of tariff preferences for developing and least developed countries.

The term «morality» can be used to refer:

- 1) descriptively to certain codes of conduct put forward by a society or a group (such as a religion), or accepted by an individual for her own behavior;
- 2) normatively to a code of conduct that, given specified conditions, would be put forward by all rational persons⁹.

Ethics can be defined as a set of moral principles or as a theory or system of moral values¹⁰.

However, it is impossible to give an monosemantic interpretation of these terms in respect of the world relations since the system of moral values differs from country to country. The problem of double standards arises thereof.

There are many differences in the economic growth rate of different countries.

Tariff preferences means exemption from payment of import Customs duties or reduction of rates of import Customs duties in respect of goods originating from the countries forming a free trade zone with the Union or reduction of rates of import Customs duties in

⁹Stanford Encyclopedia of Philosophy [Electronic resource] : The Definition of Morality. – Mode of access: <https://plato.stanford.edu/entries/morality-definition/>. – Date of access: 13.03.2018.

¹⁰Dictionary by Merriam-Webster [Electronic resource] : The Definition of ethics. – Mode of access: <https://www.merriam-webster.com/dictionary/ethic>. – Date of access: 13.03.2018.

respect of goods originating from developing countries - users of a single system of tariff preferences of the Union and (or) the least developed countries - users of the single system of tariff preferences of the Union¹¹.

According to the definition tariff preferences fit the principles of morality but like any other trade instruments they are complex, multivalued and can be treated differently.

Tariff preferences have several specific features. The most vital of them is that granting of tariff preferences is based on a non-mutual principle. This excludes for countries-users of these preferences the possibility to take part in negotiations on establishing the size of preferential tariff rates, the volume and the nomenclature of their preferential export as well as the possibility to promote their interests. By the way, the country which provides preferences has the right to change the rates unilaterally at regular intervals.

Tariff preferences are mostly provided for importing goods. It is due to the fact that tariff preferences are given without any commitments and mutual concessions. So the possibility of carrying out the preferential export to the territory of the countries beneficiaries is excluded. It's necessary to take into consideration the fact that export operations from the point of view of foreign trade balance are active, consequently, their implementation within the scope of tariff preferences increases the economic well-being of the state. This is particularly relevant when they are provided to the goods imported from developing and least developed countries. In the system of tariff preferences, the importing goods are in priority partly due to historical aspects. By providing of tariff preferences there was an attempt to offset in part the economic damage caused during interaction of colonies and so-called «mother countries». This was reflected in agreements between the states of Western Europe and the African, Caribbean and Pacific countries in 1970-s (the Yaoundé and Lomé Conventions).

To get a status of the user of tariff preferences system a country should be listed in the conforming list. For instance, the identification of the least developed countries is currently based on three criteria: per capita gross national income (GNI), human assets and economic vulnerability to external shocks. The Committee for Development Policy (CDP), a subsidiary body of the UN Economic and Social Council, is – inter alia – mandated to review the category of the least developed countries every three years and monitor their progress after graduation from the category. To be included in the list of the least developed countries, a

¹¹ Договор о Евразийском экономическом союзе [Электронный ресурс] : подписан в г. Астане 29.05.2014 г. // КонсультантПлюс. – Режим доступа: http://www.consultant.ru/document/cons_doc_LAW_163855/0be36c1fcadd0cdd1f8c0984ef99fbc7d8da61b9/. – Дата доступа: 13.03.2018.

country must satisfy all three criteria. In addition, since the fundamental meaning of the least developed countries category, i.e. the recognition of structural handicaps, excludes large economies, the population must not exceed 75 million¹².

To become eligible for graduation, a country must reach threshold levels for graduation for at least two of the above-mentioned three criteria, or its GNI per capita must exceed at least twice the threshold level (\$2,484 in the 2015 triennial review), and the likelihood that the level of GNI per capita is sustainable must be deemed high.

Today there are 48 the least developed and 104 developing ones countries which are offered to use such system. Nevertheless, it is a disputable question whether a country has become a user fairly in relation to others. The table below reveals the outcomes of the research of the World Bank called «World Development Indicators: Gross Domestic Product». We can see that a GDP of some countries – users of the single system of tariff preferences is even higher than those of the Member states of the Union.

Country	Status	Position
Republic of China	developing country	2
Federative Republic of Brazil	developing country	9
Russian Federation	member state of the Union	11
The Turkish Republic	developing country	17
Hong Kong Special Administrative Region	developing country	34
Socialist Republic of Vietnam	developing country	48
The Republic of Kazakhstan	member state of the Union	55
Republic of Angola	the least developed country	60
Republic of Belarus	member state of the Union	76
Federal Democratic Republic of Nepal	the least developed country	107
Republic of Armenia	member state of the Union	134
Republic of Kyrgyzstan	member state of the Union	152

Table 1. World Development Indicators: Gross Domestic Product¹³

Obviously, the issue of attribution a country to a certain list is subjective because it is based not only on economic situation and some other financial indicators which eventually assign the status of developing and the least developed countries but on other aspects, for example, political ones.

¹² The United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and the Small Island Developing States [Electronic resource] : Criteria for Identification and Graduation of LDCs. – Mode of access: <http://unohrrls.org/about-ldcs/criteria-for-ldcs/>. – Date of access: 13.03.2018.

¹³ World Development Indicators [Electronic resource] : Gross Domestic Product. – Mode of access: <http://gtmarket.ru/ratings/rating-countries-gdp/rating-countries-gdp-inf>. – Date of access: 13.03.2018.

In theory the mechanism of tariff preferences provides favorable and fair conditions to their users allowing to enhance international trade and consequently contribute to the development of national economy, but in practice the system is working on the basis of selective method. The individualization is reflected not only in a limited number of countries-users owing to the level of their economic development or interstate agreements, but also in the granting of tariff preferences to certain countries and groups of countries. At the same time, political motivation may dominate over economic feasibility. In this respect a certain element of discrimination towards other beneficiaries appears. For instance, the European Union provides tariff preferences to the Andean Community countries in an expanded volume and without the use of any quantitative restrictions due to their active position in the combating drug trafficking in the South American region.

At the same time, in respect of China there are severe restrictions in the system of preferences of the European Union, although China and the Andean Community are the developing countries (according to The World Bank classifications). Consequently these restrictions towards some developing countries are supposed to be unfair because tariff preferences should be granted on equal base to all developing and least developed countries¹⁴.

Nowadays the process of tariff preferences application is gradually shifting away towards political interests and certain interests of the developed countries. It is a process in which the key actors are the states, in which power and security become the main issues, and there is little place for morality.

Добриян К.Н., Житкевич Д. Л. Моральные аспекты системы тарифных преференций

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Экономика в современном мире становится все более сложной и разноплановой. Ни одна страна не может жить изолированно и быть при этом самодостаточной. Даже страны с разной идеологией, культурами и политической, социальной, экономической структурой поддерживают торговые взаимосвязи. Это и есть главная причина того, что международная торговля – это чрезвычайно конкурентная сфера человеческих отношений.

¹⁴ Novikov, M.V. System of tariff preferences of Customs Union / M.V.Novikov,S.V. Zemlyanskaya // Science Journal of VolSU. Global Economic System. – 2013. – Vol. 3, №1. – P. 223–228.