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Duty-Free, Quota-Free Trade for Asia-Pacific Least Developed Countries: Overview and Update

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1. Introduction

Trade is an important component of many Least Developed Countries' (LDCs) development strategies. The ability of LDCs to expand export earnings depends on growing world trade, market access and the ability to diversify export products. LDCs, already facing internal supply constraints, need to be able to export without undue barriers; market access is therefore a crucial factor in countries ability to participate in global and regional trade. Recognizing this, a number of particular initiatives within the multilateral trading system have been introduced to improve market access for developing countries and for LDCs in particular, for example under the Generalized System of Preferences (GSP). Most of these efforts have been focused on reducing tariffs in order to create favourable margins of preference for LDC exports. Following decisions at the WTO 2005 Hong Kong Ministerial Conference, most developed economies and several developing countries, including some in the Asia-Pacific (AP), have introduced additional Duty-Free, Quota-free (DFQF) access schemes for LDC products, although the terms of specific arrangements vary in terms of product coverage and implementation.

While securing preferential market access can provide important advantages to LDCs, tariff reduction alone is not a panacea. Non-tariff measures, often consisting of regulatory standards such as sanitary and phytosanitary measures (SPS), can create even more significant border barriers to LDC exports. And 'behind the border' barriers, including unnecessary regulations, can also reduce or limit market access. As tariffs have also fallen under MFN liberalization – in some cases to zero - the margin of preference for LDC products gets squeezed with adverse impacts on LDC's relative competitiveness.

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Further, even when barriers in destination markets are reduced, LDCs can still lack the capacity, in hard or soft infrastructure, to be able to take advantage of export opportunities. Technical assistance and capacity building, for instance under Aid for Trade, therefore remain necessary. Efforts to increase this assistance are part of various proposals for improved LDC-oriented terms that are being negotiated under the Doha Round in a special LDC Package for Bali (WTO, 2013).

2. Trends in Asia-Pacific LDC trade

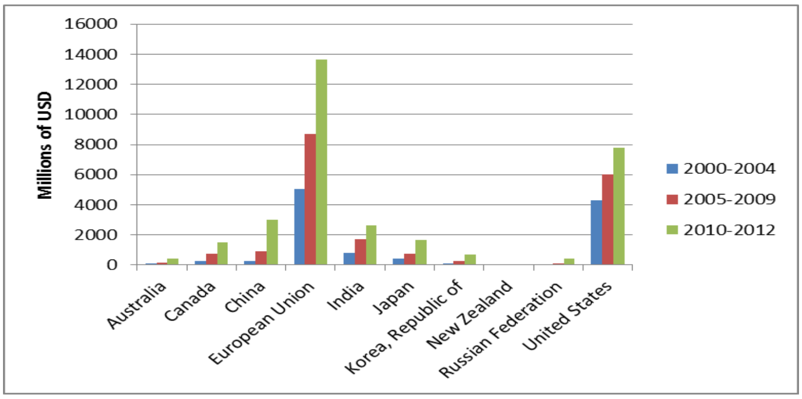
Developing countries have seen their share of world trade rise rapidly in recent years, on account of rapid growth in China and developing Asia. South-South trade is also increasing in importance with Asia accounting for over 80 per cent of all South-South exports, of which intra-Asia exports account for around 74 per cent (UNCTAD, 2012). These trends have been exacerbated by weak post-crisis growth in developed economies, combined with China's rising demand for intraregional imports.

LDCs are also succeeding, albeit very slowly, in capturing a somewhat higher share of world trade. From 2000 to 2010, the share of LDCs in world trade (exports plus imports) increased, from 0.6 per cent to 1.1 per cent. This occurred during a period in which total world trade had an average annual growth rate of around 9 per cent. Import growth was, however, greater than export growth during the period. As a group LDCs still recorded a trade deficit in 2010 (WTO, 2010). South-South linkages for Asia-Pacific LDCs are stronger for imports than exports: on average just above 20 per cent of LDCs' total imports come from developed countries globally, while 70 per cent of exports are destined to those countries (ESCAP, 2011b).

In terms of destinations for Asia-Pacific LDC exports, the EU remains the single most important destination market by some margin (see Figure 1). In 2010-2012, annual average goods exports to the EU from Asia-Pacific LDCs were worth almost $14 billion. This was considerably more than the approximately $8 billion average value of exports to the United States over the same period, the second largest market. China and India were the third and fourth largest markets, worth $2.9 billion and $2.6 billion respectively.

Although Chinese and Indian markets are still notably smaller than the major developed countries in terms of total AP LDC export volumes, growth rates in export values over the period were higher. China, for instance, saw 24 per cent annual compound growth in imports from AP LDCs compared with 12 per cent to the EU and only 5 per cent in the United States. However, while LDCs as a whole run a trade surplus with China, AP LDCs have a trade deficit. A striking trend over the past decade has been a shift in the composition of China's LDC imports away from Asia and towards Africa. Between 1995 and 2010 the share of Asian LDCs in China's total LDC imports fell from over 70 percent to less than 10 per cent. The massive growth in commodity, especially energy, imports from Africa explains most of this shift (Bhattacharya and Misha, 2013).

Figure 1: Total goods exports of Asia-Pacific LDCs to selected countries – annual averages across different periods



Source: Calculations based on WTO PTA database and UN Comtrade via WITS

In terms of sectors, LDCs remain heavily dependent on the export of a few products where they traditionally enjoy comparative advantage. These are largely primary commodities, though where LDCs have had success in developing export-oriented manufacturing this has largely been limited to labour-intensive industries such as clothing, for example in Bangladesh and Cambodia. A WTO review notes that: "On average, almost three quarters of total merchandise exports depended only on three main products (composition varies from LDC to LDC). For instance, in 2009, nine LDCs derived between 95 and 100 per cent of their total export receipts from only three products, showing their dependence on very few goods (usually oil and minerals) whose international prices tend to fluctuate considerably. A number of LDCs rely heavily on services' exports for a sizeable share of their total export receipts: tourism receipts, in particular, represent the main source of export revenues for small islands" (WTO, 2010). This note, however, covers trade in goods only as services are not covered in Duty Free Quota Free access schemes. Additionally, accurate data on bilateral services trade is difficult to obtain, in particular for LDCs.

Table 1: Average annual exports of AP-LDCs to selected developed/developing countries for the period of 2010-2012 (USD millions)

		DEVELOPED AND DEVELOPING COUNTRIES IMPORTERS									
		European Union	United States	China	India	Japan	Canada	Republic of Korea	Australia	Russian Federation	New Zealand
ASIA PACIFIC LDC EXPORTERS	Afghanistan	64.28	47.30	4.42	114.50	0.40	1.78	0.09	0.87	19.60	0.14
	Bangladesh	10885.15	4910.07	399.21	501.44	551.64	1005.05	226.18	255.58	321.05	29.80
	Bhutan	4.25	0.51	0.03	186.88	2.89	0.05	0.01	0.10	0.00	0.00
	Cambodia	1772.62	2669.68	164.41	8.72	306.65	491.02	85.72	37.32	63.36	3.99
	Kiribati	1.28	0.90	0.09	0.26	9.46	0.07	0.42	17.97	0.00	0.11
	Lao PDR	282.53	49.32	738.95	78.00	86.35	8.16	11.89	1.05	1.34	0.23
	Maldives*	88.40	8.98	0.12	19.15	4.09	0.38	0.58	14.11	0.01	0.02
	Myanmar	219.77	0.04	1314.73	1243.46	549.14	0.61	269.91	5.46	27.11	1.16
	Nepal	117.17	79.86	18.27	440.43	12.40	14.38	1.63	36.09	1.37	0.81
	Samoa	1.48	3.29	0.02	0.18	0.28	0.12	1.14	65.55	0.00	2.42
	Solomon Islands	58.01	1.55	337.85	11.75	7.70	0.24	13.10	1.19	0.02	3.55
	Timor-Leste	11.54	0.06	0.89	7.78	49.95	1.14	51.44	0.46	0.04	0.16
	Tuvalu	0.11	0.02	0.00	0.00	5.88	0.00	0.94	0.31	0.00	0.07
	Vanuatu	132.58	2.39	1.82	1.86	56.65	0.32	3.36	1.27	0.00	2.99
	Total AP-LDCs	13639.16	7773.92	2980.83	2614.33	1643.48	1523.33	666.40	437.34	433.90	45.46

Source: Calculations with data from UN-COMTRADE via WITS online tool

Notwithstanding growth in LDC exports to developing markets, substantial product differentiation remains between LDC exports to developing and developed markets. Developing economies, like China, are now the major destination for LDC commodity exports of minerals, wood products, and cotton. Sectors where South-South trade is becoming increasingly important for LDCs are also those which have generally seen strong growth in international prices in recent years such as minerals and agricultural commodities. Developed economies, in contrast, remain the primary destination for manufactured articles such as clothing, where prices have been generally more stable. Managing this long-term shift in the terms of trade in favour of commodities, so as not to impede the diversification and wider development of other productive capacities, will be an ongoing challenge for LDCs (ESCAP, 2012).

Given the continued concentration of LDCs' export structure, enhanced market access opportunities for the LDCs in sectors like agriculture and apparel is of significant value to them. Conversely, remaining tariff or non-tariff barriers in these sectors continue to do substantial harm. This economic concentration also reinforces the importance to LDCs of pursuing longer-term economic diversification of their productive capacities (ESCAP, 2011a).

3. Background on preferential market access for LDCs

The ‘Most Favoured Nation’ (MFN) principle of non-discrimination in the application of tariffs, is one of the guiding concepts underpinning the multilateral trading system. However, following the ratification of the ‘Enabling Clause’ in 1979, a legal basis for non-reciprocal preferential access for developing countries has been permanently established. Along with GATT, the Enabling Clause was incorporated into the WTO law at the end of the Uruguay Round. Presently, differentiation among developing countries under the Enabling Clause allows for special preferential treatment to the specific category of LDCs (Grossman and Sykes, 2004). Under the Generalized System of Preferences (GSP), a number of countries, both developed and developing, have thus offered preferential terms of access for exports from developing countries, with additional preferences available to LDCs (see Annex A). Notable preferential schemes include the EU’s Everything But Arms (EBA) initiative and the United States GSP scheme which has enhanced treatment of LDCs, though this is currently suspended (see box below). Most other developed countries have afforded free market access for most or all exports from the LDCs (WTO, 2013).

In addition to preferences available under non-reciprocal GSP schemes, Asia-Pacific LDCs may also benefit from preferences under reciprocal bilateral and plurilateral preferential trade agreements (PTAs). Asia-Pacific LDCs have been active participants in the growing number of PTAs. These PTAs are of particular importance for some AP LDCs, such as Lao PDR and Myanmar where they cover the majority of exports. However, an assessment of the benefits of these reciprocal agreements is beyond the scope of this note.

Recent decisions taken at the eighth WTO Ministerial Conference in 2011, and thereafter, are also relevant to the treatment of LDCs within the multilateral system:

- First, service export and service suppliers from LDCs can now be granted preferential access by members. But the effectiveness of this agreement is not yet known as the waiver has not been operationalized yet.
- Second, the WTO accession process for LDCs is being streamlined. This includes developing benchmarks in the area of trade in goods and services that take into account the level of commitments undertaken by existing LDC member States,

increasing transparency in the accession negotiations, and enhancing technical assistance and capacity-building.

- Third, LDC members have been granted an extension until 2021 for meeting their obligations under the TRIPS agreement.

US Congress fails to renew GSP for Developing Countries

The US Generalized System of Preferences expired on 31 July 2013 after the legislative vehicle for renewal of the scheme failed to receive the necessary unanimous support in the US Senate. A single Senator opposed the renewal on the grounds that the bill failed to offset the 'costs' of lower GSP tariffs by cuts elsewhere in the federal budget. Although the GSP may be renewed in future, this will be a damaging blow to developing countries and LDCs that rely on preferential access to the US market.

The US GSP program was established in 1974. At present, GSP eliminates tariffs on 3,400 products from about 130 developing countries, and 1,450 more products from least-developed countries. In 2011 GSP imports totaled $18.5 billion, though program usage has declined from its 2006/7 peak. India was the top beneficiary from GSP in 2011 with tariff savings of around $150m.

US GSP currently covers mainly manufactures and semi-manufactures, though several product groups are excluded including some of those of most value to LDCs. Specifically excluded products include: textile and apparel; footwear, handbags and luggage; and certain agricultural products in excess of a tariff-rate quota. 11 Asia-Pacific Least Developed Countries are also currently eligible for enhanced GSP though, because of these exemptions, its real value to them has been questioned (CGD, 2013). Indeed, Figure 3 below shows that a very low percentage of imports from AP LDCs enter the US DFQF.

GSP was previously extended via congressional legislation in October 2011. GSP has had periods of expiration in the past and has always been renewed eventually. It is expected that there will be a further effort to pass renewal legislation later in the year. However, uncertainty over the status of GSP discourages usage of the scheme and makes it hard for exporters and importers to plan business activities. Campaigners have called for any future renewal to be for a period of at least 5 years in order to provide additional certainty

4. Duty-Free, Quota-Free Market Access

DFQF access for products from LDCs has been a long-standing aspiration of LDCs in the multilateral trading system. This was recognized as a goal of the international community and expressed within Millennium Development Goal 8 which set an ambition for increasing the "proportion of total developed country imports from developing countries and least developed countries, admitted free of duty". At the launch of the Doha Round in 2001, WTO members committed themselves to the objective of providing DFQF market access to LDCs. Following this, the WTO Ministerial in Hong Kong in 2005 agreed that developed countries would provide DFQF access for LDCs covering at least 97 per cent of products as part of the Doha Development Round. Developing countries were also invited to provide DFQF market access within their capacity to do so.

Although the Doha round has not been concluded, many countries have proceeded to offer DFQF access to LDCs without waiting for the finalization of the round. Most developed countries have already met the 97 per cent target, but this will become obligatory for those countries which are yet to do so following the conclusion of the round. Some developing countries have also offered DFQF market access ahead of the conclusion of the round. In the Asia-Pacific, China, India and the Republic of Korea (ROK) have all introduced DFQF schemes although the details of these schemes vary (see below). As developing markets grow in importance as a destination for LDC exports, these initiatives are key to further expansion of South-South trade.

When evaluating the utility of DFQF schemes for Asia-Pacific LDCs, three particular elements should be considered:

- **Product coverage**: While the introduction of DFQF that meets the 97 per cent target for tariff lines has been helpful, many LDCs have export sectors that are highly concentrated in a few tariff lines, for instance in agricultural products and textiles. Whether these products are included (and subsequently maintained) within the 97 per cent of lines given DFQF access is therefore of considerable importance to LDCs.
- **Margins of Preference**: As MFN tariffs are reduced and regional trade agreements extend better-than-MFN tariffs to a growing number of states, the value of preferential treatment available to developing countries or LDCs necessarily falls. A general tariff reduction resulting from a multilateral round of trade negotiation produces has not only benefits for LDCs, through improved access of their exports to destination markets, but also costs, through an erosion of their existing preference margins.
- **Utilization Rates and Non-tariff Barriers, including Rules of Origin:** Even where DFQF preference is granted, it may be difficult for LDCs to benefit if non-tariff measures, including Rules of Origin, are prohibitive. Utilization rates provide some guide to how valuable preferential tariffs are to LDC exporters.

Product Coverage

The number of tariff lines available DFQF to LDC exporters has risen in recent years as a result of both MFN reductions and new DFQF initiatives in key developed and developing country markets. The European Union now offers DFQF access on all tariff lines except arms through its Everything But Arms (EBA) policy. Australia and New Zealand also offer 100 per cent coverage, with Canada and Japan offering 99 and 98.1 per cent respectively (see Figure 3 and Annex A; for detail on Asia-Pacific schemes see below). While the US offers LDCs DFQF access on over 4,500 product lines through its GSP scheme, Asia-Pacific LDCs are at a relative disadvantage as they do not enjoy the extra product coverage also available to African LDCs under the African Growth and Opportunity Act (AGOA).

At present, WTO estimates are that around 80 per cent of the value of exports that developing countries send to developed country markets is imported duty free (excluding arms and oil). But this share has been broadly constant for LDCs since 2004, while the share of developing country exports entering duty free has increased, primarily because of an expansion of the number of product lines that no longer face tariffs under the MFN regime. Tariffs imposed by developed countries on agricultural products from developing countries have changed little since about 2004. The average tariff burden on agricultural products fell slightly between 2009 and 2010, this was primarily a consequence of changing prices and composition of imports rather than trade policies. Between 2004 and 2010 tariffs on agricultural products from LDCs dropped from 3 per cent to 1 per cent.

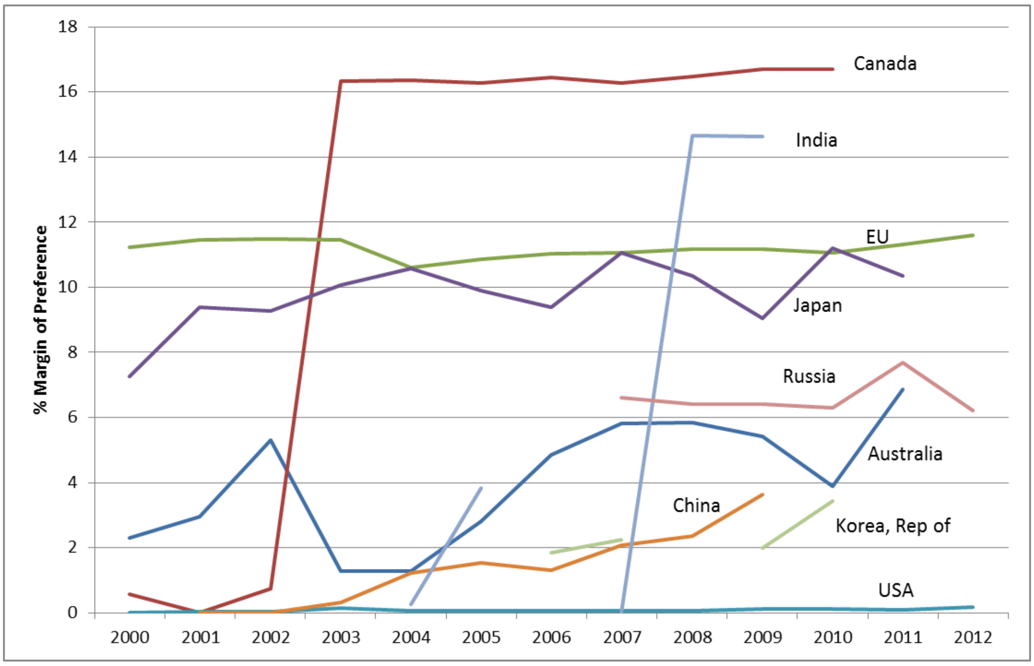
"True" preferential duty-free access is defined as the percentage of exports offered duty-free treatment under the GSP for LDCs, and other preferential schemes like DFQF, as compared to products offered duty-free entry under the MFN treatment. Around 54 per cent of LDC exports were eligible to enter developed-country markets duty free under true preference in 2010, compared with 35 per cent in 2000. Textile and clothing products have a particularly high share of true preferential duty-free access for LDCs: as of 2009 this stood at 63 and 67 per cent for LDCs, respectively, as compared to 27 and 22 percent for developing countries. For agriculture, "true" preferential duty-free exports amounted to 32 per cent, six percentage points higher than for other developing countries. These averages mask considerable variation amongst LDCs. Preferential access is particularly low, for instance, for exports from Oceania and South-East Asian regions (United Nations, 2012).

Margins of Preference

LDCs have expressed concerns over erosion of preferences for some time. 'Margins of preference' are the difference between the preferential rates enjoyed by LDCs and either (i) the MFN rates available to all countries or (ii) the preferential rates available to competitors, including other developing counties. Considered against MFN rates, Figure 2 shows margins of preference of Asia-Pacific LDCs, to selected countries. Overall, the trend has been towards greater preference for LDCs, with especially sharp jumps in Canada and India as a result of the introduction of DFQF schemes. While there is no clear erosion in LDC preferences when compared with MFN rates this may be less relevant than how LDCs are treated *vis a vis* competitors including other developing countries.

Indeed, considered against exports from other developing countries rather than MFN rates, LDC export preference margins may have diminished despite DFQF. In 1996, 53 per cent of the developing country exports enjoyed duty free access, compared to 78 per cent of LDC exports. Mainly as a result of MFN liberalization, by 2009 the share for developing countries had risen to 77 per cent, while the LDCs' share had only marginally increased to around 80 per cent. Some Asia-Pacific LDCs (such as Bangladesh, Cambodia and Myanmar) may be especially vulnerable to preference erosion as exports are concentrated in sectors like textiles where erosion has occurred. In addition, these countries are also not covered by 'preference protection' schemes like the EU's special arrangements for ACP countries or the AGOA of the United States (ESCAP, 2011b). The EU, however, will introduce a reformed GSP system in 2014 under which higher or middle income countries will cease to be beneficiaries. This will increase the relative benefits of continued preferential access for LDCs (EC, 2013).

Figure 2: Margins of Preference for exports from Asia-Pacific LDCs to selected countries*



*Margin of Preference = MFN rate – Preferential rate. (Calculated at aggregate level, not calculated based on product basis but as a difference of average (weighted) rates).

Source: Calculations with data from TRAINS via WITS online tool

In agricultural products, LDC exports to developed markets in 2009 faced average tariffs of slightly above 1 per cent. In contrast, the tariffs on textile and clothing products were 3 per cent and 6 per cent, respectively. A WTO report comments: “When comparing the specific LDC treatment relative to the overall preferences received by developing countries in general, it appears that the largest difference, in favour of LDC exports, corresponds to agriculture. Here, LDCs' exports to developed markets enjoy a 6.6 per cent advantage compared to the average exports of the larger group of developing countries” (WTO, 2012).

While simple averages suggest that agricultural exports have an advantage over other products, this hides variation amongst LDCs. For instance, the average tariffs facing small-island LDCs were the lowest, close to zero for agriculture and clothing, and slightly above 1 per cent for textiles. In all three sectors, LDC islands have a competitive margin ranging from 4 to 8 percentage points against similar exports from developing countries. The average tariffs for Asian LDCs were about 3 per cent for agriculture and textiles, and 7 per cent for clothing in 2009. This relatively high tariff was due to the exclusion of textile and clothing products from the United States GSP scheme which is the only preference scheme available to the Asian LDCs in the United States.

Utilization rates and non-tariff measures including Rules of Origin

While it is important to look at product coverage and margins of preference in existing schemes, utilization rates are critical. In some cases LDCs may not be able to actually utilize the preferential market access that is granted. This can be for multiple reasons including restrictive rules of origin or high administrative costs. Low utilization rates may be an indicator that preferences are hard to use in practice, or do not confer enough value to make compliance with conditions worthwhile. Overall, the rate of utilization of preferences has been improving over time, standing at an estimated 87 per cent in selected developed markets (WTO, 2011). But particular problems remain.

Stringent Rules of Origin (RoO) can restrict LDC eligibility for preferences. Or in some cases, LDC products would meet RoO, but the process of verification can be so cumbersome as not to be worthwhile. Instead they may choose to export under the MFN regime, or may not be able to engage in exporting at all. The Hong Kong Decision of the 8th WTO Ministerial Conference also addressed Rules of Origin. It was stressed that there is a need to ensure that those rules “applicable to imports from LDCs are transparent and simple and contribute to facilitating market access.” However, further progress is required not least to recognize that global production chains render existing RoO outdated. The LDC group at the WTO has put forward proposals for RoO reform for discussion at the Bali ministerial. They suggest that the more liberal rules that the EU introduced in 2011 be adopted in all DFQF agreements, and include proposals to allow regional cumulation (that is, allowing products that have obtained originating status in one partner country to be further processed or added to products originating in another participating country) (WTO, 2013). Some critics, however, think even these new EU rules do not go far enough in liberalizing RoO.

5. DFQF schemes by developing Asia-Pacific countries

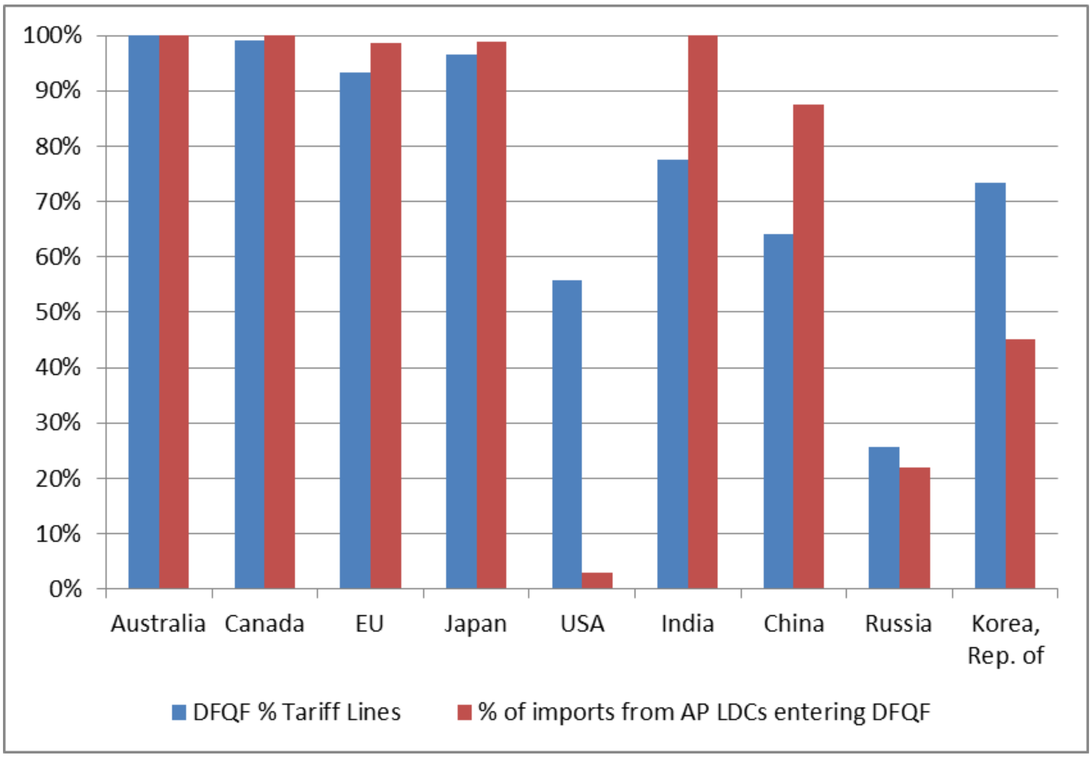
While the majority of DFQF schemes have been introduced by developed countries, notably the Everything but Arms (EBA) initiative of the European Union and the African Growth and Opportunity Act (AGOA) by the United States, several developing countries and the Russian Federation in the Asia-Pacific have also introduced DFQF policies (see Table 2 and Annex A).

Provider	Description	Percentage of duty free tariff lines	Initial Entry into Force
India	Duty-Free Tariff Preference	85% covered by 2012	August 2008
China	Duty-free treatment for LDCs	60% by 2010 expanding to	July 2010
Republic of	Presidential Decree on Pref-	95% as of 2011	January 2000
Russian Feder-	GSP - Russian Federation,	N/A	January 2010

Table 2: Selected DFQF Schemes in the Asia-Pacific

India launched its Duty-Free Tariff Preference (DFTP) scheme for LDCs in 2008 - this was the first of its kind by a developing country since the launch of the Doha negotiations in 2001. The scheme provides duty-free access to the LDCs across the majority of tariff lines, with coverage rising by annual increments to 85 per cent in 2012. In addition, LDCs receive preferential market access for about 9 per cent of their tariff lines on the basis of a prescribed margin of preference. As of 2008, when the last data was available, over 99% of imports from AP LDCs were entering DFQF (see Annex B).

Figure 3: Comparison of DFQF Access in tariff lines covered and percentage of



imports from AP LDCs entering DFQF, 2011

Source: Trains And Comtrade Via Wits Online Tool. (Effectively Applied Rates.)

China's DFQF duty-free and quota-free market access scheme for LDCs Least Developed Countries came into effect on 1 July 2010, and was renewed on 1 January 2011. Currently, the scheme covers around 60 per cent of all tariff lines. China has pledged to increase the product coverage to 97 per cent of all tariff lines in the future. In 2010, 98.7 per cent of all imports by value from LDCs Least Developed Countries were covered by the scheme.

The Republic of Korea and Russian Federation also have LDC focused preferential schemes. The Korean scheme was introduced in 2000 and as of 2011 covers 95 percent of tariff lines. In 2010, around 45 per cent of AP LDC imports were entering DFQF. In the Russian Federation, the figures are lower, for both tariff lines covered and the percentage of imports entering duty free. The total of AP LDC imports entering DFQF has declined in recent years from over one third in 2007 to under 20 per cent in 2012.

Nonetheless, whilst growing, these regional export markets remain relatively small for most AP LDCs in comparison with established developed country markets, as noted above. However, for particular countries, like Myanmar, they can be of greater significance (see Table 1).

6. Conclusions

DFQF schemes are of greatest value to LDCs when they: (i) cover export products where LDCs have a comparative advantage at present and clear potential of developing one in future; (ii) offer 'true' preferential market access - over and above what is offered to other developing countries through GSP or via MFN; (iii) have simple Rules of Origin that reflect the current reality of international commerce where much trade is in parts rather than finished goods, are easy to comply with, are sensitive to sectors of importance now and in the future, and allow cumulation over LDCs.

Current DFQF schemes have some way to go before they meet these requirements. DFQF schemes offered by other Asia-Pacific developing countries, notably India and China, are to be welcomed and it is hoped they will expand product coverage in future. But they should also aspire to best practice in product coverage and rules of origin regimes. At present, the schemes in use in the EU and Canada, come closest to meeting these requirements.

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Annex A: Preferential Arrangements and Coverage

	PREFERENTIAL ARRANGEMENT					
Providers	**Name**	**Type**	**Initial Entry Into Force**	**Expiry Date**	**DFQF**	**DFQF Since**
Australia	Generalized System of Preferences - Australia (Sub-scheme for LDCs)	GSP	1/1/1974	N/A	100% of TL	7/1/2003
Canada	Generalized System of Preferences - Canada	GSP	7/1/1974	1/1/2014	99% of TL	1/1/2003
China	Duty-free treatment for LDCs - China	LDC-specific	7/1/2010	N/A	4788 TLs	7/1/2010
European Union	Generalized System of Preferences - European Union (Everything But Arms)	GSP (EBA)	7/1/1971	12/31/2013	100% of TL except arms and ammunitions	3/5/2001
India	Duty-Free Tariff Preference Scheme for LDCs	LDC-specific	8/13/2008	N/A	94% of TLs	Progressive reduction since IEIF date through 5 years
Japan	Generalized System of Preferences - Japan	GSP	8/1/1971	3/31/2021	8859 TLs (98.1% of TLs)**	N/A
Korea, Republic of	Preferential Tariff for LDCs - Republic of Korea	LDC-specific	1/1/2000	N/A	95% of TLs	1/1/2008
New Zealand	Generalized System of Preferences - New Zealand	GSP	1/1/1972	N/A	100% of TLs	7/1/2001
Russian Federation	Generalized System of Preferences - Russian Federation, Belarus, Kazakhstan	GSP	1/1/2010	N/A	N/A	N/A
United States	Generalized System of Preferences - United States	GSP	1/1/1976	7/31/2013	4881 TLs (46.71% of TLs)	N/A

Annex B: % of imports of selected developed countries from Asia-Pacific Least Developed Countries entering duty-free

IMPORTER		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	Total imports (in USD Millions)	105.10	89.84	62.83	57.38	63.59	79.40	138.69	161.28	161.28	155.37	200.30	424.08	
	DFQF (% of Total imports)	47.51%	34.17%	92.79%	90.72%	83.57%	77.66%	84.66%	80.38%	80.97%	65.18%	50.89%	100.00%	
	DFQF (% of Tariff lines)	33.24%	36.78%	68.42%	68.84%	65.51%	65.77%	65.05%	67.27%	69.75%	66.77%	76.02%	100.00%	
Canada	Total imports	186.70	196.02	157.60	357.40	525.97	543.40	636.32	836.48	725.63	984.53	1,185.91		1,756.68
	DFQF (% of Total imports)	13.76%	8.16%	14.84%	100.00%	99.99%	99.99%	100.00%	99.99%	99.99%	100.00%	100.00%		100.00%
	DFQF (% of Tariff lines)	60.39%	28.93%	62.92%	99.93%	99.82%	99.33%	98.95%	98.96%	99.01%	98.42%	99.11%		98.60%
European Union	Total imports	3,981.63	4,176.57	4,203.90	5,376.65	7,026.99	6,515.12	8,271.22	8,679.52	9,912.70	9,912.70	10,834.11	14,785.69	15,005
	DFQF (% of Total imports)	99.73%	99.98%	99.88%	99.84%	92.33%	95.18%	95.94%	96.56%	97.26%	97.26%	96.27%	98.53%	98.73%
	DFQF (% of Tariff lines)	93.09%	97.50%	96.27%	97.26%	88.89%	89.81%	89.32%	89.46%	90.90%	90.99%	66.90%	93.28%	92.68%
Japan	Total imports	387.44	351.03	373.36	428.83	496.06	526.33	629.98	708.37	708.37	855.26	875.67	1,659.46	
	DFQF (% of Total imports)	65.93%	69.32%	66.38%	86.95%	87.43%	89.79%	89.16%	98.11%	97.73%	97.64%	98.10%	98.93%	
	DFQF (% of Tariff lines)	79.87%	79.45%	82.16%	80.89%	83.07%	80.31%	85.89%	96.61%	95.82%	95.07%	95.42%	96.56%	
United States of America	Total imports	4,354.10	4,351.84	4,108.43	4,190.36	4,311.41	4,914.92	5,957.43	6,363.12	6,694.97	6,012.40	6,012.40	8,041.29	7,962.42
	DFQF (% of Total imports)	6.61%	4.92%	5.18%	5.82%	7.27%	6.48%	5.64%	4.70%	4.08%	3.36%	3.36%	2.93%	3.36%
	DFQF (% of Tariff lines)	31.83%	32.51%	39.62%	40.65%	50.25%	51.25%	53.75%	54.46%	56.62%	54.51%	54.24%	55.79%	56.08%
India	Total imports		845.18			911.55	1237.15	1568.39	497.74	497.74				
	DFQF (% of Total imports)		0.37%			0.08%	7.45%	0.26%	100.00%	99.96%				
	DFQF (% of Tariff lines)		1.40%			1.21%	8.65%	5.44%	80.00%	77.66%				
China	Total imports	235.95		204.32	279.28	375.25	512.49	582.26	829.89	829.89	1,385.02	2,192.54	3,512.34	
	DFQF (% of Total imports)	1.54%		2.63%	60.72%	61.41%	67.50%	73.77%	75.00%	74.53%	83.21%	83.46%	87.59%	
	DFQF (% of Tariff lines)	6.26%		6.82%	16.82%	17.82%	16.28%	45.59%	43.79%	37.13%	40.72%	58.36%	64.01%	
Russian Federation	Total imports		7.66	20.01			28.56		116.82	193.29	193.29	263.92	467.82	570.03
	DFQF (% of Total imports)		0.00%	0.00%			0.01%		36.96%	36.56%	36.56%	24.66%	21.93%	17.24%
	DFQF (% of Tariff lines)		0.00%	0.00%			0.95%		16.86%	16.80%	17.47%	17.86%	25.55%	19.40%
Korea, Rep.	Total imports			108.13		149.77		217.96	328.51		379.83	292.14		
	DFQF (% of Total imports)			0.94%		28.86%		28.72%	46.06%		43.35%	45.19%		
	DFQF (% of Tariff lines)			6.56%		21.85%		17.31%	34.05%		59.57%	73.35%		

Source: Trains And Comtrade Via Wits Online Tool. (Effectively Applied Rates)

Annex C: Evolution of average tariff rates faced by exports from Asia Pacific LDCs to selected developed countries compared with the MFN applicable rates.

IMPORTER	TARIFF	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	MFN	7.58	9.68	6.57	2.86	4.12	5.13	6.37	7.84	7.84	9.20	6.31	6.85	
	Preferential	5.27	6.74	1.26	1.58	2.85	2.33	1.51	2.02	2.00	3.77	2.41	0.00	N/A
	MOP*	2.31	2.94	5.31	1.28	1.27	2.80	4.86	5.82	5.84	5.43	3.90	6.85	
Canada	MFN	16.94	16.65	16.09	16.32	16.36	16.27	16.44	16.28	16.48	16.69	16.71		16.94
	Preferential	16.38	16.65	15.34	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	N/A	0.00
	MOP*	0.56	0.00	0.75	16.32	16.36	16.27	16.44	16.28	16.48	16.69	16.71		16.94
European Union	MFN	11.22	11.47	11.49	11.47	11.44	11.36	11.45	11.39	11.46	11.46	11.31	11.47	11.73
	Preferential	0	0	0	0	0.84	0.49	0.42	0.34	0.28	0.28	0.25	0.16	0.13
	MOP*	11.22	11.47	11.49	11.47	10.6	10.87	11.03	11.05	11.18	11.18	11.06	11.31	11.6
Japan	MFN	8.15	10.2	10.11	10.69	11.17	10.47	9.94	11.22	10.45	9.15	11.28	10.43	
	Preferential	0.89	0.82	0.85	0.61	0.59	0.56	0.55	0.16	0.11	0.11	0.09	0.07	N/A
	MOP*	7.26	9.38	9.26	10.08	10.58	9.91	9.39	11.06	10.34	9.04	11.19	10.36	
United States of America	MFN	11.04	11.09	10.93	10.91	10.44	10.79	11.07	11.18	11.11	11.19	11.19	11.31	11.34
	Preferential	11.06	11.05	10.89	10.77	10.38	10.73	11.01	11.12	11.04	11.08	11.08	11.21	11.17
	MOP*	-0.02	0.04	0.04	0.14	0.06	0.06	0.06	0.06	0.07	0.11	0.11	0.1	0.17
China	MFN	11.83	11.18		4.46	3.43	3.16	4.30	4.30	3.31	4.07	4.74	4.76	
	Preferential	11.83	11.18	N/A	4.46	3.43	2.84	3.09	2.76	2.00	2.00	2.37	1.14	N/A
	MOP*	0.00	0.00		0.00	0.00	0.32	1.21	1.54	1.31	2.07	2.37	3.62	
India	MFN		30.49			25.16	20.16		21.38	14.65	14.62			
	Preferential	N/A	24.13	N/A	N/A	24.89	16.34	N/A	21.38	0.00	0.00	N/A	N/A	N/A
	MOP*		6.36			0.27	3.82		0.00	14.65	14.62			
Russian federation	MFN		8.85	15.07			6.15		7.35	7.13	7.13	6.95	8.34	7.3
	Preferential	N/A	8.85	15.07	N/A	N/A	6.15	N/A	0.73	0.73	0.73	0.66	0.66	1.09
	MOP*		0	0			0		6.62	6.4	6.4	6.29	7.68	6.21
Korea, Rep.	MFN			7.08		8.49		7.06	6.52		6.15	9.16		
	Preferential	N/A	N/A	7.08	N/A	7.28	N/A	5.21	4.29	N/A	4.17	5.73	N/A	N/A
	MOP*			0		1.21		1.85	2.23		1.98	3.43		

MFN= MFN applicable rate, weighted by trade
Preferential= Average Effectively applied rate, weighted by trade
*MOP= Margin of Preferences Used (calculated by MOP=MFN-Effectively applied rate), both averages weighted by trade
N/A= Data not available for that specific year
Source: own calculations with data from TRAINS via WITS online tool

Note: unless there is a mistake in the reported data, the USA applied a higher average tariff than MFN to the AP-LDCs countries as a group in 2000, indicating that either didn't fulfill the WTO agreements, or that the trade was done with AP-LDCs that on that year were not yet WTO members.

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