

Trade Policy and Market Access Issues for Developing Countries

Implications for the Millennium Round

Constantine Michalopoulos

An analysis of developing countries' current trade policies and market access problems is used as a basis for recommending positions for these countries in the new round of multilateral negotiations under the World Trade Organization.

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Summary findings

Michalopoulos analyzes 61 trade policy reviews prepared for the World Trade Organization (WTO) and its predecessor, GATT — reviews that document the progress developing countries have made in integration with the world trading system over the past decade. Based on an analysis of post-Uruguay Round tariff and nontariff barriers worldwide, he then recommends developing country positions on major issues in the new round of WTO trade negotiations.

His key conclusions and recommendations:

- **Agriculture.** Developing countries should support the Cairns Group in its push for greater liberalization of industrial countries' agricultural trade policies; the revised Food Aid Convention is not a substitute for but a complement to worldwide liberalization of agriculture.

- **Manufactures.** The existence of tariff peaks and escalation in industrial country markets and the limited bindings at relatively high levels of developing country tariffs on manufactures present opportunities for negotiations with good prospects for shared and balanced benefits.

The remaining nontariff barriers in industrial countries that affect manufactures are concentrated in textiles and clothing. Developing countries should ensure that industrial countries implement their commitments to liberalize this sector and impose no new nontariff barriers in this or other sectors under the guise of other rules or arrangements.

The remaining nontariff barriers in developing countries should be converted into tariffs and reduced over time as part of the negotiations.

- **Antidumping.** The increased use of antidumping measures by high- and middle-income developing countries in recent periods offers an opportunity for balanced negotiations to restrict their use. Reduced use of antidumping measures would increase efficiency and benefit consumers in all countries. But it is unclear whether a supportive climate for such negotiations exists in either industrial or developing countries.

This paper — a product of Trade, Development Research Group — is part of a larger effort in the group to identify opportunities for developing countries in the WTO 2000 negotiations. Copies of the paper are available free from the World Bank, 1818 H Street NW, Washington, DC 20433. Please contact Lili Tabada, room MC3-333, telephone 202-473-6896, fax 202-522-1159, Internet address ltabada@worldbank.org. Policy Research Working Papers are also posted on the Web at <http://wbln0018.worldbank.org/research/workpapers.nsf/policyresearch?openform>. The author may be contacted at cmichalopoulos@worldbank.org. October 1999. (80 pages)

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TRADE POLICY AND MARKET ACCESS ISSUES FOR DEVELOPING COUNTRIES:
Implications for the Millenium Round

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PREFACE

The research and writing of this paper was undertaken over the period November 1997 - June 1999, while I was serving as Special Economic Advisor to the WTO on secondment from the World Bank. Completion of the project was only possible because of the assistance and contributions of many current and former WTO staff, all of whom I wish to thank, but who are in no way responsible for remaining errors and inaccuracies in the paper. In particular, Marcelo Olarreaga helped with directing the original data collection and compilation effort. Later on this role was played by Mukela Luanga, who also helped organize the developing country tariff information. The data intensive nature of the project required contributions from several research assistants. I am especially grateful to Gilles Moser, without whom this work could not have been completed and Philip Rauh and Stephanie Guinaut-Straus for their help at earlier stages of the project. Several WTO staff, Willy Alfaro, Zdenek Drabek, Michael Finger, Mukela Luanga and Ludger Schüknecht and J. Michael Finger of the World Bank made useful comments on a previous draft of the paper. Finally, I wish to thank Patrick Low and Peter Tulloch for the overall support and encouragement they gave me at all stages of initiating and completing this work. Views expressed in this paper are solely my own and should not be attributed to either the WTO or the World Bank.

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TRADE POLICY AND MARKET ACCESS ISSUES FOR DEVELOPING COUNTRIES: Implications for the Millenium Round

SUMMARY

Following the Uruguay Round Agreements (URA) developing countries increased their integration into the world economy. As the World Trade Organization (WTO) is about to embark on a new Round of multilateral trade negotiations, this study analyses two important dimensions of developing countries' integration in the international trading system: their own trade policies and problems of market access for their merchandise exports. The results of the analysis are then used to recommend an agenda of topics and developing country positions for the upcoming WTO negotiations.

The major innovation of this study is that it is based on a systematic review of the detailed information contained in 61 Trade Policy Reviews (TPRs) of 42 developing countries prepared for GATT/WTO over the period 1989-1998. The TPRs contain a great deal of detailed and authoritative information on countries' trade policies and institutions on a consistent basis and over time which has not been hitherto systematically analysed. The group of developing countries on which the study is based includes thirteen developing economies from Latin America and the Caribbean, thirteen from Asia and the Pacific, eleven from Sub-Sahara Africa and five from Europe, Middle-East and North Africa which together account for the bulk of the trade of developing members of the WTO

The main findings and recommendations are as follows:

1. The integration of the developing countries into the multilateral trading system has been especially impressive for a group of perhaps 15-20 middle and higher income developing countries in Latin America and Asia. For many others, progress has been much slower. Following the URA, protection both through tariff and non-tariff measures appears to be greater in low- income than in middle- and higher- income developing countries. While this conclusion is subject to a number of methodological caveats, it suggests the variety of challenges and opportunities different developing countries will face in the context of future WTO negotiations.

2. The URA resulted in a major step forward by bringing the agriculture sector under the disciplines of the GATT. Nonetheless, very substantial protection continues to be present through a variety of controls and interventions that encumber international trade in agriculture. Various developing countries face different situations and challenges in their agricultural sector, which are likely to result in different groups of developing countries emphasizing different issues in the up-coming negotiations. There are two main groups: (a) major exporters of agricultural commodities, members of the Cairns group who would be seeking to reduce the Aggregate Measures of Support (AMS) and export subsidies provided to agriculture by developed countries; (b) traditional net food importing developing countries and others with substantial protection of agriculture which are concerned that export subsidy reduction by the developed countries will increase their import bills. These countries have been seeking to obtain an increased amount of food aid through the recently renegotiated Food Aid Convention to compensate for whatever increased costs export subsidy reduction may entail. While the revised Convention should prove of greater assistance to developing countries as a whole, and could help in a small way in dealing with some of the food security problems many face, it is not a substitute for further liberalization of agricultural trade - indeed it should be viewed as a supporting element for such liberalization. Reduced protection in developed country markets will improve market access prospects both for existing and potential exporters; while reduced export subsidies by developed countries will reduce international market distortions that impede the expansion of developing country agricultural production.

3. There is mounting support by both developed and developing countries that negotiations for the mutual reduction of tariffs on manufactures be included in the future Round. The analysis shows that developing countries continue to face tariff peaks and escalation in developed country markets for some categories of manufacturing products—albeit to a smaller degree than before the URA. But the analysis also shows that applied tariffs for manufactures are on average higher in developing countries than in developed countries; that this even more the case, when bound rates are compared; and that many developing countries have not bound a significant proportion of their tariffs on manufactures. The conclusion is that there is a good opportunity for a negotiation with prospects for shared and balanced benefits, for developed and developing countries alike, emanating both from the liberalization undertaken by countries themselves and improvements in foreign market access; and that a formula approach is likely to be helpful in securing reductions in developed country tariff peaks.

4. As there are few non-tariff barriers (NTBs) still in place in the developed countries outside the textile and clothing sector, the key issues developing countries face are how to ensure that: (a) commitments under the Agreement on Textiles and Clothing (ATC) are implemented; and (b) NTBs are not imposed under the guise of other rules or arrangements. Also, some developing countries continue to impose NTBs on manufacturing imports. These have been shown to be very damaging to their economies for a variety of reasons including through the lack of transparency and the stimulation of wasteful rent seeking. These measures should be eliminated at the earliest possible opportunity, or, where appropriate, converted into tariffs that will be subject to reductions over time, possibly as part of the WTO negotiations.

5. In the last few years anti-dumping action has become the instrument of choice for providing trade remedies by both developed and higher and middle income developing countries. Their example is likely to be followed by other developing countries in the future. Anti-dumping actions have been especially frequent against imports from non-WTO members and, in particular, so called “non-market” economies in the former Soviet Union and China. Although anti-dumping actions carry the potential of shielding inefficient domestic producers, their proliferation in developing countries and especially against developed country exporters, could well provide the balance needed for a longer term reconsideration and tightening of the WTO anti-dumping agreement provisions. Such a reconsideration should aim at reducing the flexibility all countries have in granting relief through this instrument and induce governments to rely more on safeguard actions, which tend to be more transparent and time-limited.

6. Developing countries have reduced interventions aimed at controlling or taxing primary exports, while bringing their practices in promoting manufacturing exports more in line with the overall disciplines of the WTO, e.g. with regard to the use of export subsidies. Nonetheless, export controls on primary products continue to be present and pose dangers in a number of countries: they create disincentives to production for export which may reduce export earnings; and could lead to the establishment of inefficient domestic processing industries, which can only survive through the implicit protection afforded by the artificially lower domestic input prices. Alternative instruments for support of domestic processing activities are available and should be used instead.

7. Many developing countries, especially lower income and Least Developed Countries face significant constraints in their capacity to implement effectively their WTO obligations in a number of areas, including customs administration, Sanitary and Phyto-sanitary measures, and technical barriers to trade. These constraints have been recognized in the WTO agreements, which permit developing countries longer time frames to bring their policies and institutions into line with their WTO obligations in some of these areas, as well as encourage developed country members to provide technical assistance in support of developing country efforts to strengthen their institutions. Considerable amounts of

technical assistance are available from a variety of bilateral donors and international organizations. There are problems, however, regarding the effective co-ordination of such assistance, ensuring that it is not supply-driven and reflects accurately the priorities and needs of the developing countries concerned. While the WTO has increased its technical co-operation efforts in recent years, more resources from its own budget may usefully be employed to assist developing country members. This is needed both in order to permit the WTO to provide leadership in international co-ordination of technical assistance efforts, and in order to provide support in areas in which the WTO has particular expertise and responsibilities.

TRADE POLICY AND MARKET ACCESS ISSUES FOR DEVELOPING COUNTRIES

I. Introduction

As developing countries approach the new millennium, policies and attitudes about integration into the multilateral trading system differ. In many countries, the rapid expansion of international trade over the 1990's has created a solid domestic base in support of liberal trade regimes. In others, especially the Least Developed Countries (LDC) and many in Africa, which are still only marginally integrated into the multilateral trading system, policies and attitudes are clouded with uncertainty. The Asian crisis has heightened government concerns about the impact of globalization on fragile economies with pervasive poverty. Many developing countries have also questioned whether aspects of the Uruguay Round Agreements (URA) of interest to them have been implemented consistently with the intent and expectations they had at the time of the agreements; and whether further commitments to liberalize trade can be supported by their weak domestic institutions. Finally, there are different emphases in the thrust of future integration efforts, as between regional and multilateral approaches.

In this global environment, developing countries are participating in a series of important trade negotiations, some of which are already under way and some of which will start by the year 2000. First, there are the WTO negotiations on agriculture and services already scheduled to start in 1999 - 2000 which will involve all developing countries members of the WTO; and there is still the open question as to whether a wider set of trade negotiations will be launched by the WTO starting in 2000 and beyond and what will be its focus. At the same time, there are several negotiations involving groups of developing countries, such as those between the ACP countries and their EU partners, and regional arrangements among developing countries, such as MERCOSUR and SADEC.

As developing countries are approaching these negotiations in the currently unsettled international environment, it would seem useful to take stock of where they stand in terms of their integration into the multilateral trading system. This study attempts such a stock taking after several years of implementation

of the URA. It focuses on two important dimensions of integration in the international trading system: developing countries' own trade policies and issues of market access for trade in goods.

The study has two main objectives: (a) to review and analyse trade policies and institutions of developing countries and conditions of market access in their main trading partners; (b) to use the results of the analysis in the development of a future agenda of topics for negotiation in the WTO as well as initiatives by the international community and the developing countries aimed at their more effective integration in the international economy.

Trade policies and market access issues for developing countries have been extensively analysed in the aftermath of the URA (Martin and Winters, 1996; Finger et.al., 1996; UNCTAD/WTO, 1997; Drabek and Laird 1998; Finger and Schuknecht, 1999). The major innovation of this study is that it is based on a systematic review of the detailed information contained in Trade Policy Reviews (TPRs) of developing countries prepared for GATT/WTO. The analysis utilises information from 61 TPRs prepared for 42 developing economies over the period 1989-1998¹. In addition, the study updates trade policy information, e.g. regarding applied tariffs, and market access issues, such as anti-dumping, based on more recent WTO notifications.

The main objective of the TPR mechanism is to "contribute to improved adherence by all WTO Members to rules, disciplines and commitments under the Multilateral Trade Agreements by achieving greater transparency and understanding of the trade policies and practices of members" (WTO, 1995, p.434). The reviews contain a significant body of detailed information on policies and institutions affecting both imports and exports on a consistent basis and over time which has been reviewed and discussed by the country and the WTO Members (and previously, the GATT Contracting Parties) and can therefore be

considered accurate and authoritative, but which has not been hitherto systematically analysed.² While various aspects of the TPR could be strengthened, (Keesing, 1998), There is little dispute over the accuracy of the information they contain. For the countries for which only a GATT period TPR was available (i.e. before 1995) however, it has been necessary to update the TPR information based on recent country notifications, e.g. regarding tariffs, which contain URA commitments. In others, such as antidumping measures or LDC problems, different and more complete data exist in the WTO and have been used to supplement TPR based information. In still others, for example market access issues, additional outside sources have been used, mainly from the OECD.

The group of developing countries on which the study is based includes thirteen developing economies from Latin America and the Caribbean, thirteen from Asia and the Pacific, eleven from Sub-Sahara Africa and five from Europe, Middle-East and North Africa. A detailed list of the countries can be found in the Appendix Table A-1. They account for the bulk of the trade of developing members of the WTO (see below). The main limitation of the group of developing countries on which the study is primarily based is that it contains only four least developed countries (Bangladesh, Benin, Uganda and Zambia) out of a total of 29 which are members of the WTO. On the other hand, the study has used information regarding the challenges least developed countries face in integrating into the multilateral system developed in the context of the assessments of trade-related technical assistance needs prepared for 38 LDCs in 1997-1998 (WT/COMTD/IF1-38, 1997-1998). Also, the analysis is limited to merchandise trade only, excluding services, partly in order to make the scope of the project more manageable and partly because the TPRs did not cover services before the establishment of the WTO.

¹By the end of 1998, TPRs had been prepared for 47 developing economies, members of the WTO. Five of these (Burkina Faso, Jamaica, Mali, Trinidad and Tobago and Solomons Islands) are not included in the study, as the TPR was prepared after the data base for the study was completed.

² While several aspects of the TPRs in principle could be strengthened, (see Keesing, 1998), it is important to recall that there are serious limits to what can be done in that respect: There are inherent limitations spelled out in the terms of reference for the TPRs, e.g. regarding their use in developing information on the consistency of

The study starts with a brief review of developing country trade performance in the 1990's. This uses WTO and World Bank data and covers major developments in developing countries' exports and imports utilising growth rates, shares of trade related to output and similar aggregate indicators. The main purpose of this section is to compare, in general terms, the performance of the 42 developing countries, on which the study is based, to that of developing countries as a whole; not to undertake a systematic analysis of trends in developing countries trade performance or the factors that affected it during this period.

The next section presents a comprehensive and detailed review of the state of developing country trade policies and institutions based on the latest available Trade Policy Review. For the 17 economies, for which more than one TPR has been prepared, an effort is made to trace the evolution of various policies and institutions over the whole period 1989-1997.

The third section is devoted to a discussion of the international environment facing developing countries. This is based on information developed from three main sources: (a) the TPRs of the developed countries, their main trading partners; (b) information generated outside this project - e.g. in the OECD/UNCTAD, regarding key indicators of access in developed country markets; and (c) special WTO analyses of market access issues for LDCs (WT/COM/TD/HL/14).

The final section summarizes the main conclusions of the study and their implications for action by the developing countries and the international community on steps that would enhance the integration of the developing countries into the multilateral trading system.

II. Trends in Developing Countries' Trade, 1989-1997

The period covered by this study, 1989-1997, witnessed a very rapid expansion of world trade, and an even more rapid expansion of developing countries' trade. Between 1989 and 1997, the value of

country measures with WTO obligations; as well as constraints on what the WTO Secretariat can accomplish with the limited resources devoted to TPR preparation.

world merchandise exports increased at a compound annual rate of 7.6 per cent while exports of developing countries increased at an annual rate of 9.5 per cent. Developing countries' merchandise imports increased even faster, at an annual rate of 10.4 per cent (see Table 1). The 42 countries in the study experienced a slightly greater growth in trade than developing countries as a whole: their merchandise exports grew in value at an average annual rate of 10.2 per cent and their imports at 12.2 per cent. This performance contrasts starkly with the performance of the 48 least-developed countries, many of which are not WTO members: In the 1990's exports of the least-developed countries as a group grew at 5.5 per cent per annum in value, resulting in a further marginalization of these small economies, whose exports at present account for no more than 0.6 per cent of world exports (WTO, 1998).

Table 1
Trends in World Merchandise Trade
(in US\$ million and %)

	Exports		Imports		Exports Growth Rate	Imports Growth Rate
	1989	1997	1989	1997	1989-1997	1989-1997
42 Developing Countries	399368	865921	396712	994633	10.2%	12.2%
Developing countries Members of WTO	466320	962419	456939	1091432	9.5%	11.5%
Least developed Countries	14044	21507*	21698	32751*	5.5%*	5.3%*
All Developing Countries	674924	1395585	658899	1451235	9.5%	10.4%
World Trade**	2237081	4023348	2341482	4185652	7.6%	7.5%

Explanation :

* 1996

** excluding significant double counting and EU intra-imports.

All developing countries-- based on the WTO statistical "definition" with the following changes : South Africa is included in developing countries and Israel is excluded.

Source: WTO, 1998.

At the beginning of the period, the 42 developing countries had economies which were slightly less dependent on international trade than developing countries as a whole: The ratio of their total trade (merchandise exports plus imports) to GDP in 1989 was 36.2 per cent compared to 38.3 per cent for all

developing countries. By the end of the period, their trade/GDP ratio was almost identical to that of developing countries as a whole (Table 2), as both had grown to about 44 per cent, reflecting the greater integration of developing countries in the world economy, as measured by this indicator.

Total trade of the 42 countries at the end of the period (1997) accounted for 91 per cent of the trade of developing countries members of the WTO. The remaining, over 50 developing countries – mostly LDCs and other small economies, accounted only 9 per cent. Thus, with the exception of the LDCs the performance of the group of countries in the study can be taken to reflect the performance of developing countries as a whole, especially developing countries members of the WTO.³

Tables 2 and 3 provide more detailed information on the trade performance of the 42 countries by per capita income level and region as well as by broad commodity categories of exports and imports. Table 2 shows little variation in the export growth over the period when countries are grouped by per capita income level; though, the growth rate of exports was lowest among the highest per capita income group. Imports grew the fastest in the countries in the middle income group and in the Latin America region.

The trade/GDP ratio in both periods was highest for the high income countries and lowest for those in the low income group, suggesting that the degree of a country's integration in the world economy is positively related to per capita income. This is not necessarily the case, however, as the trade/GDP ratio is also affected by aggregate economic size, and many small, low income, raw material exporters in Sub-Saharan Africa have high trade/GDP ratios. On the other hand, one of the interesting facts brought out in this table is that, over the period 1989-1997, the ratio of trade/GDP rose the most for the low income group, suggesting their increasing integration in the world economy over time.

Table 2
Trends in Developing Countries' Merchandise Trade
Annual Rates of Growth and Trade / GDP(in %)

	Exports (1989-1997)	Imports (1989-1997)	Total Trade* / GDP (1989)	Total Trade* / GDP (1996)
42 Developing countries	10.2%	12.2%	36.2%	43.4%
High Income (4)	8.9%	10.1%	87.3%	83.9%
Middle Income (23)	11.0%	13.9%	30.8%	41.3%
Low Income (15)	9.4%	9.9%	24.0%	36.1%
Latin America and the Caribbean (13)	10.5%	15.8%	22.2%	27.3%
Asia and Pacific (12)	11.0%	11.4%	53.3%	64.4%
Sub-Sahara Africa (12)	4.5%	7.1%	45.3%	52.7%
Europe, Middle-East and North Africa (5)	9.5%	11.2%	30.7%	37.4%
All Developing countries	9.5%	10.4%	38.3%	44.0%

Explanation :

* Exports plus Imports relative to GDP.

High Income (H), Middle Income (M) and Low Income (L) : see World Bank Classification of Economies (1996)

Latin America and the Caribbean : Argentina (M), Bolivia (M), Brazil (M), Chile (M), Colombia (M), Costa Rica (M), Dominican Republic (M), El Salvador (M), Mexico (M), Paraguay (M), Peru (M), Uruguay (M), Venezuela (M).

Asia and Pacific : Bangladesh (L), Fiji (M), Hong Kong China (H), India (L), Indonesia (M), Korea (H), Malaysia (M), Pakistan (L), Philippines (M), Singapore (H), Sri Lanka (L), Thailand (M).

Sub-Sahara Africa : Benin (L), Cameroon (L), Côte d'Ivoire (L), Ghana (L), Kenya (L), Mauritius (M), Nigeria (L), Senegal (L), South Africa (M), Uganda (L), Zambia (L), Zimbabwe (L).

Europe, Middle- East and North Africa : Cyprus (H), Egypt (M), Morocco (M), Tunisia (M), Turkey (M).

Source: WTO, 1998 ; World Bank, 1998 ; IMF, 1998.

The table also shows that both exports and imports grew the slowest in the group of countries in Sub Sahara Africa, whose performance during this period was actually even worse than that of the LDCs.

Finally, Table 3 looks at the trade performance of the 42 countries by regional group in terms of their composition of trade as between manufactures and non-manufactures. The table highlights the strong expansion of manufactures exports in Latin America over the period; but also, somewhat surprisingly, among the Sub-Saharan countries, although the latter group was starting from a low base.

³The words "countries" and "economies" are used interchangeably in this study—although certain WTO members, for example, Hong Kong (China) are not sovereign states. The largest developing economies by trade value excluded from this analysis are China, Chinese Taipei and Saudi Arabia which are not members of the WTO.

The Table also shows the very slow growth in exports of non-manufactures by Sub-Saharan African countries, explained in good part by weak prices for their main raw material exports. Other studies (Martin, 1999) have shown that a significant portion of the growth in developing countries exports of manufactures in Latin America and Asia is the result of expanding trade among the developing countries themselves.

III. Developing Countries' Trade Policies and Institutions

The Trade Policy Reviews document in detail the great progress most developing countries members of the WTO have made in liberalizing their trade regimes during the last decade. The liberalization has had several dimensions: (a) applied tariffs have been lowered; (b) many countries have bound a significant number of tariff lines in the context of the URA; (c) the overall use of non-tariff barriers to trade has decreased in practically all countries; and (d) in general, the incidence

Table 3
Developing Countries Trade (1989-1997): Manufactures and Non Manufactures

Annual growth rates
(in %)

	Manufactures exports	Non manufactures exports	Manufactures imports	Non manufactures imports
42 Developing countries	14.2%	5.5%	14.6%	9.8%
Latin America and the Caribbean	15.3%	6.7%	17.7%	10.4%
Asia and Pacific	12.6%	6.0%	12.4%	8.8%
Sub-Sahara Africa	15.2%	1.7%	7.0%	7.5%
Europe, Middle-East and North Africa	11.1%	6.9%	12.5%	9.1%
All Developing countries	14.2%	8.5%	14.0%	9.7%

Explanations:

For definitions see Tables 1 and 2.

Source: WTO, 1998; World Bank, 1998.

of government intervention in trade has declined. Similar conclusions have been reached by many recent studies (Drabek and Laird, 1998; Finger and Schuknecht, 1999). This analysis permits us to document them with individual country details collected on a systematic basis.

The timing of liberalization varied: In some countries, for example, Bolivia, Chile and Morocco the bulk of the reforms occurred in the 1980's; in others, such as Brazil, Dominican Republic and Zambia they occurred in the early 1990's and were then consolidated in the context of the URA. In still others limited progress has been made in recent periods.

At the same time the TPRs help identify the remaining issues in the reform agenda and some of the new challenges faced by developing countries. For example, a lot of the tariff bindings are at levels much higher than applied tariffs, creating a degree of uncertainty to exporters wishing to access these countries' markets as well as an opportunity for resurgent protectionism; while the overall use of non-tariff measures has declined, the use of certain trade remedy measures such as anti-dumping is on the increase; Moreover, there is rising evidence of the difficulties institutions of developing countries, especially LDCs, are encountering in implementing WTO commitments in new areas such as Trade-related Intellectual Property Rights (TRIPS), Sanitary and Phytosanitary Measures, (SPS) and Technical Barriers to Trade (TBT).

The next two parts of this section are devoted to a review of developing countries' trade policies that directly affect imports and exports. In each case, there is a discussion of institutional issues. But no effort has been made to discuss other policies that affect trade, especially exchange rate or macro-economic policies or domestic subsidies or taxes. In cases where more than one TPR has been prepared it is possible to document the changes relatively precisely and show some of them in quantitative terms. In others, the TPRs provide us with snapshots of the situation at the time the most recent TPR was prepared.

A. Trade Policies that Affect Imports

1. Tariffs

The simple average applied MFN tariff level and the standard deviation in the applied tariff level for the latest year available, as well as the average level of binding, the average difference between applied and end of UR bound rates and the proportion of tariff lines unbound for the 42 developing countries in the sample are presented in Table 4. The table shows the great variability in developing country trade regimes. Average applied rates range from zero in Hong Kong and Singapore, to a range of 10-20 per cent in many countries in Latin America, to over 30 per cent in Egypt, India, Kenya, Pakistan, Tunisia and Thailand and several African countries.⁴ The simple average applied tariff rate for the countries in the sample was 19 per cent.⁵

Tariff rates also vary substantially within each country with overall standard deviations in excess of 10 for several countries; and similarly high coefficients of variation. Interestingly enough however, the variability in the applied tariff rate structure of the developing countries in the sample is not substantially different from that of many developed countries (See OECD, 1997, Tables 1.1-1.4). The main reason for this increasing similarity is the increased variability of the agricultural tariffs in developed countries as a consequence of tariffication in agriculture.

The Table also shows the significant variability in the proportion of total tariff lines developing countries have bound in the UR. On the whole, of course, the proportion of tariff lines bound by developing countries increased during the UR. But, while WTO Members have bound all their agricultural tariff lines, many developing country members have bound only a small proportion of the

⁴The main source of the data is the WTO Integrated Data Base (IDB) which is based on country notifications. In a few cases where the TPRs contain more up to date information on country applied rates than those notified, these later estimates have been used and are noted with an asterisk in Tables 4 and 5. TPR applied tariff information is sometimes available at the 2-digit HS classification.

⁵ This average needs to be used with caution as it refers to applied rates in different countries in different years, and some countries have subsequently reduced their tariff schedules. Unfortunately the data do not permit a calculation of an applied tariff average for the group of countries as of a given recent year post URA.

lines in the rest of their tariff schedules. There is an apparent regional pattern: In Latin America all the countries analysed have bound virtually all their tariff lines. But in Africa and Asia many countries have bound only a small proportion of tariffs outside agriculture. In some cases, e.g. Hong Kong, Singapore, countries committed to low applied tariff rates, 62 per cent and 34 per cent of the tariff schedule is unbound. Their practice, according to the TPR, appears to be motivated primarily by a desire to use the portion of the unbound tariff as a bargaining chip in future negotiations. In other countries, e.g. India, Nigeria, Pakistan, with equally or even higher proportion of their tariff schedules unbound, there may be a mixture of motivations which includes the desire to maintain the freedom to increase protection as needed, for development or other objectives.

Table 4 also illustrates the large differences, on average, between bound and applied rates in most developing countries. The bound rates reflect end period UR bindings. In a few cases, e.g. Pakistan, Philippines, the average applied rates exceed the UR bound rates as these countries have committed in the UR to reduce tariff rates (usually, in agriculture) over time. With these exceptions, most developing countries have bound their tariffs at substantially higher rates than those they apply, if they have bound them at all. Sometimes (e.g. Zimbabwe) the differences are in excess of 100 percent. For example, Brazil has bound all its tariff schedule but at ceiling rates of 32 per cent. For countries which have bound all their tariff schedule (Latin America, and a few others, e.g. Morocco) the average difference between applied and bound rates is 30 per cent. In some cases, e.g. India, Nigeria, Pakistan, countries have bound a small portion of their tariff schedule and have used ceiling bindings with high average rates for that part which has been bound.

Ceiling bindings, just like unbound rates, introduce flexibility in developing country policy, should governments feel the need to increase protection. However, they also carry significant risks. They leave governments open to protectionist pressures from domestic producers who would wish to raise the

Table 4
Developing Countries' Tariffs
(in %)

COUNTRY	YEAR	BOUND	APPLIED	SD	CV	MARGIN	% UNBOUND
Argentina	1997	35	14	2.1	0.2	22	0
Bangladesh	1996	84	29	15.0	0.5	54	...
Benin*	1998	114	13	6.4	0.49	101	...
Bolivia	1995	40	10	0.1	0.0	30	0
Brazil	1996	32	12	2.9	0.2	20	0
Cameroon	1994	80	21	4.7	0.2	59	...
Chile	1996	25	11	0.2	0.0	14	0
Colombia	1996	52	13	3.4	0.3	39	0
Costa Rica	1995	44	12	5.5	0.4	32	0
Côte d'Ivoire	1994	13	21	0.3	0.0	-7	...
Cyprus	1996	43	15	10.4	0.7	28	16
Dominican Rep.	1994	40	20	5.0	0.2	20	0
Egypt	1993	48	32	16.2	0.5	15	...
El Salvador	1994	38	10	7.6	0.8	28	0
Fiji*	1997	40	12	...	...	28	48
Ghana	1993	78	17	4.0	0.2	61	...
Hong Kong, China	1999	0	0	0.0	0.0	0	52
India*	1997	54	35	...	...	19	57
Indonesia*	1999	38	10	...	...	29	6
Kenya	1994	93	36	7.6	0.2	57	...
Korea	1996	26	15	57.1	3.9	11	17
Malaysia	1996	19	9	14.4	1.7	10	21
Mauritius*	1996	70	29	...	...	41	2
Mexico	1996	49	14	...	...	35	0
Morocco	1995	42	25	13.1	0.5	17	0
Nigeria*	1999	117	24	...	...	94	30
Pakistan	1996	68	68	16.3	0.2	0	70
Paraguay	1996	35	11	3.4	0.3	24	0
Peru	1993	32	19	2.3	0.1	13	0
Philippines	1996	28	30	10.1	0.3	-2	40
Senegal*	1989	17	12	...	...	5	42
Singapore	1995	9	0	...	...	8	34
South Africa	1993	22	16	9.7	0.6	6	2
Sri Lanka	1995	50	24	8.0	0.3	26	73
Thailand	1995	29	25	8.9	0.3	4	36
Tunisia	1995	69	31	7.5	0.2	38	47
Turkey	1995	30	11	4.8	0.4	19	55
Uganda	1996	62	17	4.7	0.3	45	75
Uruguay*	1999	31	12	7.3	0.6	19	0
Venezuela	1995	39	14	2.7	0.2	25	0
Zambia	1996	101	16	4.0	0.3	85	35
Zimbabwe	1994	123	17	6.4	0.4	106	9
Average		49	19	8.0	0.5	30	
Average***		38	14	4.3	0.3	24	

Explanation:

*** Average for 100% bound only

BOUND simple average bound rate at the end of implementation of URA

APPLIED simple average applied rate (latest year available)

SD standard deviation for applied tariff lines

CV coefficient of variation : SD divided by the APPLIED tariff

% UNBOUND proportion of total tariff lines unbound

MARGIN difference between the average bound and applied rates

Source: WTO, IDB ; *WTO, TPR, **Finger et. al., 1996, import weighted.

applied tariff to the ceiling binding; and they introduce uncertainty to foreign suppliers regarding market access conditions which may also inhibit foreign direct investment.

Table 5 provides the same information as Table 4, but distinguishes between "Agriculture" (HS1-24) and "Manufactures" (HS25-97). The Table shows that with the exception of six countries, average applied tariffs on agricultural products are higher than tariffs for the rest of the product groups - which include raw materials, fuels as well as manufactures. The same is true for bound tariffs with the exception of 12 countries which have chosen ceiling bindings at the same rates for both agricultural and other products.

A comparison of tariff rates for developing countries with those for industrial countries (see below section IV), shows that average applied tariff rates for agriculture are broadly similar for the two groups of countries. However, tariffs for manufactures are on average substantially higher for developing countries.

Finally, Table 6 shows simple averages for applied and bound tariffs as well as for differences between the two for different developing country income groups and regions. The averages contained in this Table should be used with caution for reasons discussed earlier (see footnote 6) and the small size of some groupings (for example high income developing countries) necessitate even greater caution. It is interesting, nonetheless, to note the pattern that both average bound and applied tariffs in manufactures and for all the products together tend to vary inversely with per capita income—i.e. the poorer the country, the higher the tariffs. This holds for all sectors and groups with the exception of applied tariffs in agriculture, where there is little difference between the average for the high income and middle income countries. Similarly, the average differences in the margins between applied and bound tariffs tend to be highest in the low income countries and lowest in the highest income ones.

Table 5
Developing Countries' Tariff Rates by Sector
(in %)

COUNTRY	HS2	BOUND	APPLIED	SD	CV	MARGIN
Argentina	Agriculture	23	9	1.4	0.2	14
	Manufactures	31	14	2.4	0.2	18
Bangladesh	Agriculture	84	30	14.5	0.5	54
	Manufactures	84	27	14.9	0.6	56
Benin*	Agriculture	79	...	...	...	...
	Manufactures	119	...	...	...	...
Bolivia	Agriculture	40	10	0.0	0.0	30
	Manufactures	40	10	0.1	0.0	30
Brazil	Agriculture	36	11	2.4	0.2	30
	Manufactures	52	13	3.0	0.2	26
Cameroon	Agriculture	80	23	4.9	0.2	57
	Manufactures	79	20	4.6	0.2	59
Chile	Agriculture	32	11	0.0	0.0	21
	Manufactures	25	11	0.2	0.0	14
Colombia	Agriculture	85	14	3.0	0.2	71
	Manufactures	40	12	3.5	0.3	28
Costa Rica	Agriculture	44	17	9.9	0.6	27
	Manufactures	45	11	4.1	0.4	34
Côte d'Ivoire	Agriculture	15	17	0.2	0.0	-2
	Manufactures	13	22	0.3	0.0	-9
Cyprus	Agriculture	47	29	24.9	0.9	18
	Manufactures	40	10	5.6	0.5	29
Dominican Republic	Agriculture	40	21	4.8	0.2	19
	Manufactures	40	20	5.1	0.3	20
Egypt	Agriculture	92	34	24.6	0.7	58
	Manufactures	33	31	13.5	0.4	1
El Salvador	Agriculture	47	14	6.0	0.4	33
	Manufactures	37	9	4.9	0.5	27
Fiji*	Agriculture	41	12		0.0	29
	Manufactures	40	13		0.0	27
Ghana	Agriculture	87	20	3.9	0.2	57
	Manufactures	67	16	4.0	0.3	52
Hong Kong, China	Agriculture	0	0	0.0	n.a.	0
	Manufactures	0	0	0.0	n.a.	0
India*	Agriculture	112	...	...	...	...
	Manufactures	44	...	...	...	...
Indonesia*	Agriculture	47	9	24.3	2.8	39
	Manufactures	37	10	15.7	1.6	27
Kenya	Agriculture	98	40	7.1	0.2	59
	Manufactures	84	35	7.7	0.2	49
Korea	Agriculture	60	49	131.7	2.7	11
	Manufactures	19	8	12.9	1.7	11
Malaysia	Agriculture	17	5	8.3	1.7	12
	Manufactures	20	9	14.9	1.6	10
Mauritius*	Agriculture	119	18	...	...	101

COUNTRY	HS2	BOUND	APPLIED	SD	CV	MARGIN
	Manufactures	65	30	...	...	35
Mexico	Agriculture	47	22	36.9	1.7	25
	Manufactures	49	13	7.2	0.6	36
Morocco	Agriculture	44	29	13.8	0.5	16
	Manufactures	42	24	12.9	0.5	18
Nigeria*	Agriculture	150	...	...	...	...
	Manufactures	46	...	...	...	...
Pakistan	Agriculture	101	71	16.6	0.2	30
	Manufactures	51	67	16.2	0.2	-16
Paraguay	Agriculture	0	10	2.6	0.3	-10
	Manufactures	0	11	3.7	0.3	-11
Peru	Agriculture	38	18	2.5	0.1	20
	Manufactures	30	19	2.2	0.1	11
Philippines	Agriculture	35	35	12.6	0.4	0
	Manufactures	26	29	9.2	0.3	-3
Senegal**	Agriculture	30	0	0	##	30
	Manufactures	12	13	...	...	0
Singapore	Agriculture	10	0	0.0	##	10
	Manufactures	8	0	0.0	##	8
South Africa	Agriculture	38	14	9.1	0.7	24
	Manufactures	16	16	9.9	0.6	0
Sri Lanka	Agriculture	50	35	10.6	0.3	15
	Manufactures	50	20	7.2	0.4	30
Thailand	Agriculture	34	38	8.0	0.2	-4
	Manufactures	27	21	9.1	0.4	6
Tunisia	Agriculture	115	35	7.4	0.2	80
	Manufactures	49	30	7.5	0.3	19
Turkey	Agriculture	53	18	10.1	0.6	35
	Manufactures	21	8	3.1	0.4	12
Uganda	Agriculture	61	23	5.6	0.2	38
	Manufactures	63	15	4.4	0.3	48
Uruguay*	Agriculture	35	13	7.3	0.6	22
	Manufactures	30	12	5.4	0.4	18
Venezuela	Agriculture	50	15	2.7	0.2	35
	Manufactures	35	14	2.7	0.2	22
Zambia	Agriculture	118	18	4.0	0.2	100
	Manufactures	80	15	4.0	0.3	64
Zimbabwe	Agriculture	134	15	6.4	0.4	119
	Manufactures	106	18	6.4	0.4	88
Average	Agriculture	59	21	12.2	0.6	34
	Manufactures	42	17	6.3	0.4	23

Explanation:

not applicable

See also Table 2

Agriculture products: HS1-24.

Manufactured products: HS25-97

Source: WTO, IDB; *WTO, TPR; **Finger et. al. 1996, import weighted.

There are a few points to note in the regional breakdown as well. First, the few Sub Saharan African countries that have bound tariffs, have done so at levels on average much higher than in the other regions. Also, the simple average bound tariffs on agricultural products (where all countries have bound 100% of tariff lines) in Africa and the Europe and Middle East region, tend to be much higher than in Asia and Latin America. In terms of applied tariffs, Latin America and the Caribbean countries have the lowest average tariffs both in manufactures and agriculture, but the differences among the other three regions are not large.

Table 6
Tariff Averages
(in %)

	BOUND			APPLIED			MARGIN		
	M	A	T	M	A	T	M	A	T
42 developing countries	42	59	49	17	21	19	23	34	30
High Income (4)	17	29	20	5	20	8	12	10	12
Middle Income (23)	34	48	39	16	18	17	18	30	22
Low Income (15)	64	86	75	24	27	25	38	52	50
Latin America and the Caribbean (13)	33	40	38	13	14	13	21	26	25
Asia and Pacific (12)	34	49	37	19	26	21	14	18	15
Sub-Sahara Africa (12)	63	84	74	20	19	20	39	59	54
Europe, Middle-East and North Africa (5)	37	70	46	21	29	23	16	41	23

Explanations :

M : Manufactures

A : Agriculture

T : Total

Source : WTO, IDB, WTO, TPR, Finger et. al. 1996, import weighted.

For most countries, the TPRs also contain a systematic estimation of escalation in the tariff schedule. Escalation is measured by calculating the average tariff rates applied to three groups of products, raw materials, intermediate products and final goods, which are consistently defined at the HS 6 digit level. Table 7 summarizes the information and reflects the judgements contained in the TPRs: thus a rating of "1" in the table is given to countries where "substantial" escalation has been found, involving rising average applied tariffs for all three product groups in ascending order. Negative escalation "2" is

defined as declining average rates as the stage of processing increases. A "mixed" rating, "3" is given to countries where average tariffs are higher for final goods - but there is no significant difference between raw materials and intermediates, or, as is sometimes the case, the average for intermediates is higher than for raw materials. A rating of zero is given when escalation is low or not significant.

The Table shows that while progress has been made in reducing tariff escalation in some country schedules in the post UR period (e.g. Korea, Mexico, South Africa, Thailand), the tariff schedules of 38 per cent of the countries on which information is available showed substantial escalation. In some cases, (e.g. Pakistan), countries have noted that the escalation in the tariff schedules has been designed explicitly to promote industrialization. Whatever the justification and merits of the policy, the facts are that tariff escalation in a large number of developing countries is quite extensive and involves higher degree of effective protection than escalation in developed countries (see below).

Unfortunately, while effective rates of protection were calculated in some TPRs , not enough information was available on a systematic basis to present in a tabular form. But it is clear that countries whose tariff schedules contain substantial escalation as shown in Table 7 as well as high average applied rates, i.e 30 per cent or more as shown in Tables 4 and 5, and high dispersion (e.g. Egypt, Kenya, Pakistan, Philippines, Tunisia), are likely to have effective rates of tariff protection of several hundred per cent in a number of products/sectors.

The other issue that the TPR bring out quite clearly, is the large differences between the applied MFN rates and the rates actually paid by importers. The differences are due to two factors: first, there is a growing number of preferential trade arrangements (PTA), usually of a regional nature, resulting in an increasing proportion of imports coming in at lower preferential rates; second, most developing countries provide tariff exemptions on a large number of products for a variety of purposes. Practically all countries exempt from duties and other taxes goods imported by international and charitable organizations,

Table 7
Developing Countries Tariffs: Escalation and Exemptions

COUNTRY	ESCALATION	EXEMPTIONS	COUNTRY	ESCALATION	EXEMPTIONS
Argentina(90)	1	0	Malaysia (97)	1	i
Argentina (98)	1	l	Mauritius	...	i,x,r
Bangladesh	3	i,r	Mexico (93)	1	i,x
Benin	2	x	Mexico (97)	3	i,x
Brazil (92)	1	i,x	Morocco (89)	...	i,x
Brazil (96)	1	0	Morocco (96)	1	i,x
Bolivia	0	i,x	Nigeria (91)	0	i,x
Cameroon	3	0	Nigeria(98)	0	i
Chile (91)	0	x	Pakistan	1	x
Chile (97)	0	x	Paraguay	3	i,x
Colombia (90)	1	x	Peru	...	x
Colombia (96)	...	x	Philippines	1	x
Costa Rica	0	x	Senegal	3	i
Côte d'Ivoire	1	i	Singapore (92)	0	x
Cyprus	3	0	Singapore (96)	0	x
D. Republic	3	0	S Africa/SACU (93)	1	i,x,r
Egypt	1	i,r	S Africa/SAC7 (97)	3	i,x,r
El Salvador	1	0	Sri Lanka	1	i,x
Fiji	1	x	Thailand (91)	1	i,x,r
Ghana	1	i,x,r	Thailand (95)	3	i,x,r
Hong Kong, China (90)	0	0	Tunisia	1	...
Hong Kong, China(98)	0	0	Turkey (94)	3	i,x,r
India (93)	1	i,r	Turkey(98)	3	i,x
India (97)	1	x	Uganda	0	i,x
Indonesia (91)	1	i,x,r	Uruguay (92)	1	i,x
Indonesia (98)	1	x	Uruguay(98)	1	i,x
Kenya	1	0	Venezuela	...	x
Korea (92)	1	i,x	Zambia	3	x
Korea (96)	0	i,x	Zimbabwe	...	i,x,r

Explanation:

Tariff Escalation:

0 = low or not significant
1 = significant
2 = negative
3 = mixed
... = no information

Tariff Exemption:

0 = de minimis
l = investment
r = regional development
x = exports
... = no information

Source: GATT, TPR; WTO, TPR..

diplomats, etc., which do not involve large amounts. Most also exempt products used in exports directly or indirectly (see below section B). This is essential in order to eliminate the disadvantages export industries would face if they had to pay higher than world prices for inputs they use. But many also provide duty exemptions for the pursuit of a variety of objectives ranging from regional development, investment in general - resulting in duty free importation of capital goods and raw materials - or investment in particular sectors or industries (see Table 7). In 1991, Mauritius, for example, collected US\$26 million in duties on imports (includes sales and excise taxes) but exempted US\$150 million, less than half of which was related to exports. In the same year Benin, collected less than 10 per cent of duties due, if the MFN rates were applied.

2. Non- Tariff Measures

The analysis of non-tariff measures (NTM) has three main dimensions: (a) the relative importance of the different policy measures employed by all developing countries in the sample, as measured by the frequency of their use; (b) the main product categories whose importation is affected by non-tariff measures across the countries in the sample; (c) the overall use of non-tariff measures by developing countries to control imports over the period 1989-1998 as measured by the overall frequency of application of such measures.

The analysis relies on frequency ratios as indicators of the existence and scope of application of various protective measures on different products by various countries. The advantages and limitations of frequency ratios as indicators of protection are well understood (See Deardorf and Stern, 1998; Noguez et.al. 1986; OECD, 1997). These ratios are indicators of the extent to which countries resort to particular measures and the proportion of total products in terms of tariff lines or product groups which are affected by such measures, irrespective of the value of the products actually imported. They do not necessarily capture the protective effect of the measures taken. The protective effect of a prohibition of the importation of a product e.g. in Thailand is going to be completely different from the application of a

variable levy in Uruguay or the use of a non-automatic license by India. The frequency ratios are presented here in order to give overall impressions of the trade regimes in place in individual countries, and the various measures used by different countries on different products - not to measure the actual protection provided to each product or product group. A detailed discussion of the estimating procedures followed and their limitations is presented in the Appendix. It is important to bear in mind these limitations and use the estimates of the prevalence of non-tariff measures with caution. These indicators are probably more useful in tracing the evolution of trade regimes within each country over time, than for making inter-country comparisons, especially when the differences in indicator values are small.

The non-tariff measures include import licencing (and approvals), import prohibitions (partial or total), quotas, tariff quotas, variable levies and/or minimum pricing, and import monitoring. Frequency ratios were calculated for each measure as well as a total for each country.

(a) The Relative Importance of Different Kinds of Non-Tariff Measures employed by developing countries is shown in Table 8. The table shows the product coverage of each non tariff measure employed by each developing country relative to 97 product categories at the HS-2 level. Thus, for example, the line for Argentina shows that non-automatic licensing affected products in 3 per cent of the 97 product categories during 1989-1994. Note that this table (and several others similar to it) presents a snapshot of a countries' non-tariff measures as of the time their TPRs were prepared, not a period average. The averages by measure show the relative frequency for each measure used only in the 17 the developing countries for which two TPRs had been prepared, one in each period.

The data reveal several policy tendencies for the developing countries analysed: First, non-automatic import licensing (including various forms of administrative approvals) continues to be the measure that affects by far the greatest number of products imported into these countries, with prohibitions of various kinds ranking second. An effort was made to exclude from consideration in these calculations the large number of products which are subject to licensing to ensure public health, safety,

environmental and other standards. These are frequently justified by reference to GATT Article XX in the TPRs. Even so, during the early period considered (1989-1994) non-automatic licensing affected large proportions of developing country imports: Non-automatic licensing was present in more than one third of the product categories. Several countries, such as Bangladesh, India, Nigeria and Pakistan have indicated that the licensing and prohibition measures which they have used derive from balance-of-payments difficulties.

No effort was made in this study to determine the consistency of these licensing arrangements or for that matter, any other member policies with GATT provisions. Only 39 WTO Members have made notifications on quantitative restrictions of which 22 are included in our study. Of the latter, 16 indicated the use of quantitative restrictions - mostly justified under GATT Article XX. Three members, India, Korea and Philippines also justified restrictions under the balance-of-payments provisions of Article XVIII^b. A recent report of the WTO Committee on Import licensing (WTO, 1998), showed that 19 of the 42 developing countries analysed in the study invoked the delayed application provisions of the WTO agreement regarding licensing procedures and that one quarter of the total (13) had not submitted notifications regarding publications and/or legislation concerning licensing procedures.

Second, while caution is needed in interpreting the findings regarding the evolution of policy over time because the sample of countries is partly different in the two sub-periods examined, the data strongly suggest that the utilisation of all "core" non tariff measures with clearly protective effect, such as licensing, prohibitions, quotas, and administered pricing has declined over time. This is shown by the decreasing frequency ratios for the 1995-1998 period for the large majorities of countries for which data are available for each of the two sub-periods. The only measure clearly showing an increase, is the use of tariff quotas which is permitted under the URA in agriculture. Furthermore, the Tables do not show further liberalization of the import regimes that has taken place

Table 8

Non-Tariff Measures in Developing Countries

Frequencies in Percent of Total HS 2 Categories, 1989-1998

Country	Non-Automatic Licensing		Prohibitions		Quotas		Tariff Quotas		Import Monitoring		Variable levies Min. Pricing	
	1989-94	1995-98	1989-94	1995-98	1989-94	1995-98	1989-94	1995-98	1989-94	1995-98	1989-94	1995-98
Argentina	3%	1%			2%	1%						1%
Bangladesh	34%	...	43%	...		...		...		...		...
Benin	...		...	1%	...		...		...		...
Bolivia		...		...		...		...		...		...
Brazil	10%	11%	7%	11%		1%			100%			1%
Cameroon	8%	...		...		...		...		...		...
Chile			1%	1%							5%	4%
Colombia	55%	6%	7%	1%	3%							6%
Costa Rica		6%	...		...			6%	...		...
Côte d'Ivoire	...	31%	...		...	5%	...		...		...
Cyprus	...	1%	...		...			21%	...		...
Dominican Rep.	...	5%	...	1%	...				1%	...		
Egypt	14%	...	53%	...		...		...		...		...
El Salvador	...	5%	...	1%	...	1%	...		...		...
Fiji	...	5%	...		...			...	...		...
Ghana	...		3%	...		...		...		...		...
Hong Kong, China	2%	2%							16%			
India	99%	94%	3%	1%								
Indonesia	53%	31%	5%		3%						1%	
Kenya	87%	...		...		...		...		...		...
Korea	32%				3%		26%	25%				
Malaysia	55%	20%	4%	14%	2%	2%		7%				
Mauritius	...	9%	...	7%	...			...		...		...
Mexico	28%	6%		1%	2%			7%			2%	
Morocco	51%	13%						1%			24%	
Nigeria		2%	14%	9%								
Pakistan	...		17%	...	1%	...		...		...		...
Paraguay	...		...	...	...	...		...		...		...
Peru	...										6%	...
Philippines	7%	...	4%	...	1%	...		...		...		...
Senegal	10%	...		...	5%	...		...		...		...
Singapore	1%	1%		1%								
South Africa	36%	5%				3%						
Sri Lanka	...	23%	...		...			...		...		...
Thailand	36%	11%		6%	2%	1%		12%	2%		3%	
Tunisia	54%	...		...		...		...			2%	...
Turkey	5%					8%		11%				
Uganda	...	3%	...		...			...		...		...
Uruguay					1%		1%			4%	31%	
Venezuela	...	2%	...	3%	...		...		...			13%
Zambia	...			1%	...		...		...			...
Zimbabwe	23%	...		...		...		...		...		...
Average	24%	10%	6%	2%	1%	1%	1%	3%	4%	0%	3%	1%

Explanation :

... not available.

Blank means zero.

Source: GATT, TPR; WTO, TPR.

⁶WTO database cited in Finger and Schuknecht, 1999.

since the TPR had been prepared (e.g. Tunisia) or commitments that countries have made (e.g. India) to liberalize non-tariff measures in the future.

(b) The Main Products whose importation is controlled by Non Tariff Measures in these developing countries – which account for the bulk of WTO member developing country trade, are shown in Tables 9. The table shows the percentage of countries using each measure to affect imports in each product category during the GATT period, 1989-1994 and during the WTO period, 1995-1998. Thus, for example, the line on HS product group VII (Plastics), under non-automatic licensing for 1995-1998, shows that 17 per cent of the 30 countries, for which there are TPRs for that period, used non-automatic licensing procedures to control some products in this group. Country detail at the HS2 level is provided in Appendix Table A-3.

The data show that agricultural products (Group I-IV or HS1-HS24) were the most subjected to overall controls especially in the earlier period. The number of countries imposing these controls has substantially declined in the period 1995-1998, following the tariffication in agriculture under the URA. In addition to agriculture, mineral products, in particular fuels (HS27), rubber products (HS40), machinery, especially Electrical Machinery (HS-85), and precious stones and metals continued to be subject to controls, especially through licensing in a significant number of countries during this period (See also Table A-3).⁷

⁷Table 17 below suggests that the product groups which are the focus of antidumping actions, both in developed and developing countries tend to be somewhat different and include especially basic metals and chemicals.

Table 9
Non-Tariff Measure by Product Group
in % of Countries Using Measure, 1989-1998

HS PRODUCT GROUP		NON AUTOMATIC LICENSING		PROHIBITIONS		QUOTAS		TARIFF QUOTAS		VARIABLE LEVIES & ADMINISTERED PRICING	
		1989-94	1995-98	1989-94	1995-98	1989-94	1995-98	1989-94	1995-98	1989-94	1995-98
		I	ANIMAL PRODUCTS	40%	14%	10%	3%	2%	0%	1%	9%	3%	3%
II	VEGETABLES	37%	19%	5%	3%	4%	2%	1%	9%	3%	3%
II	FATS AND OILS	45%	17%	14%	7%	0%	0%	0%	10%	3%	13%
IV	PREPARED FOODSTUFF	32%	11%	7%	2%	1%	1%	1%	4%	3%	3%
V	MINERALS	34%	24%	3%	6%	0%	0%	1%	2%	0%	0%
VI	CHEMICALS	18%	9%	4%	1%	0%	0%	1%	2%	1%	0%
VII	PLASTICS	21%	17%	5%	7%	0%	2%	3%	2%	5%	2%
VIII	LEATHER	14%	2%	2%	0%	0%	0%	1%	0%	0%	0%
IX	WOOD	14%	6%	2%	2%	0%	0%	2%	2%	1%	0%
X	PULP AND PAPER	22%	4%	3%	1%	0%	0%	1%	2%	3%	0%
XI	TEXTILES	24%	7%	10%	1%	0%	2%	1%	2%	5%	0%
XII	FOOTWEAR	14%	3%	3%	0%	0%	0%	0%	1%	1%	0%
XIII	GLASS	16%	6%	9%	1%	0%	0%	1%	1%	2%	0%
XIV	PEARLS	34%	17%	3%	0%	0%	0%	0%	0%	0%	0%
XV	BASE METALS	17%	7%	2%	2%	0%	0%	1%	2%	2%	0%
XVI	MACHINERY AND ELECTRICAL EQUIPMENT	45%	22%	12%	7%	0%	0%	0%	3%	7%	0%
XVII	VEHICLES	24%	11%	6%	6%	4%	2%	0%	1%	3%	0%
XVIII	INSTRUMENTS	16%	4%	3%	0%	0%	0%	0%	0%	0%	0%
XIX	ARMS	21%	3%	3%	0%	3%	0%	0%	3%	0%	0%
XX	OTHER MANUFACTURES	13%	7%	8%	1%	0%	0%	0%	0%	1%	0%
XXI	WORKS OF ART, ANTIQUES	10%	3%	0%	0%	0%	0%	0%	0%	0%	0%

Source : GATT, TPR ; WTO, TPR.

(c) The Overall Use of Non-Tariff Measures by developing countries during the GATT and WTO sub-periods is presented in Table 10. Column 1 shows country per capita income averaged over the period 1991-1995. Column 2 shows an openness index for each country calculated as the ratio of exports plus imports divided by GDP over the period 1991-1995. Column 3 shows the total frequency ratios (Tf_m) for "core" non tariff measures (see Appendix for a discussion of the meaning of total frequency ratios). Core measures are defined as those that involve quantitative restrictions or price controls on imports, i.e. non-automatic licensing of any kind, prohibitions, quotas and tariff quotas as well as variable import levies and administrative/minimum pricing.⁸ As a particular product category may be affected by more than one NTM, duplicative measures have been excluded in this calculation, i.e. if both a tariff-quota and an import license are imposed on the same products in HS17, it would be only counted once.

The first point to note from the Table is that in the "GATT" part of the period covered 1989-1994, the values of the total frequency ratios for NTMs using were extremely high for several countries - covering more than 50 per cent of products in such countries as Bangladesh, Colombia, Egypt, Kenya, India, Indonesia, Malaysia, Morocco and Tunisia. Without doubt NTMs at that time were an important feature of many developing countries in all regions. Subsequently, the data strongly suggest that the total frequency ratios have been substantially reduced, except for three of the countries (Brazil, Singapore, Turkey) for which data exist for both periods.

Second, there is some tendency for the total frequency ratios of non- tariff measures to be greater in countries with lower levels of per capita income and lower degrees of openness. The links however, are weak and the data need to be subjected to more systematic analysis for more definitive conclusions as to the relationship between these variables.

⁸See Noguez et. al. 1986 and OECD, 1997 on the definition of "core" non tariff measures. The definition used is similar to the one used by OECD except that trade remedies are treated separately.

Finally, while there has been a great deal of progress in liberalizing trade, there is still a number of countries where non-tariff measures continue to be applied to a wide range of imports. But in some of these cases, e.g. Korea, India, countries have already made commitments, sometimes after the most recent TPR has been prepared, to further liberalization of non tariff measures affecting their imports in the years ahead.

Table 10
Developing Countries : Total Core Non-Tariff Measures, 1989-1998

COUNTRY	GDP/CAP (US\$ 000)	OPENNESS	Total Core Non Tariff Measures	
	1991-95	1991-95	1989-94	1995-98
Argentina	3.73	0.25	3.1%	2.1%
Bangladesh	0.19	0.32	54.2%	...
Benin	0.35	0.48	...	1.0%
Bolivia	0.77	0.43	0.0%	...
Brazil	1.96	0.23	16.5%	21.6%
Cameroon	0.77	0.50	8.2%	...
Chile	2.29	0.76	5.2%	5.2%
Colombia	1.29	0.43	55.2%	10.3%
Costa Rica	1.83	0.89	...	6.2%
Côte d'Ivoire	0.74	0.66	...	30.9%
Cyprus	7.15	1.07	...	21.6%
Dominican Rep.	0.88	0.80	...	6.2%
Egypt	0.73	0.56	57.3%	...
El Salvador	0.95	0.64	...	5.2%
Fiji	2.12	0.67	...	5.2%
Ghana	0.41	0.59	3.1%	...
Hong Kong	11.21	4.03	2.1%	2.1%
India	0.39	0.17	99.0%	93.8%
Indonesia	0.64	0.47	53.6%	31.3%
Kenya	0.38	0.62	86.6%	...
Korea	4.99	0.86	50.0%	25.0%
Malaysia	2.76	1.80	56.3%	19.6%
Mauritius	2.37	1.32	...	16.7%
Mexico	1.84	0.53	27.8%	13.4%
Morocco	0.91	0.61	58.3%	13.4%
Nigeria	0.36	0.5	14.4%	11.5%
Pakistan	0.37	0.34	17.7%	...
Paraguay	1.03	1.17	...	0.0%
Peru	0.93	0.31	6.3%	...
Philippines	0.61	0.76	11.5%	...
Senegal	0.64	0.55	10.3%	...
Singapore	11.78	3.71	1.0%	2.1%
South Africa	2.17	0.62	36.5%	8.3%
Sri Lanka	0.47	0.74	...	22.7%

COUNTRY	GDP/CAP (US\$ 000)	OPENNESS	Total Core Non Tariff Measures	
	1991-95	1991-95	1989-94	1995-98
Thailand	1.60	0.89	36.5%	17.5%
Tunisia	1.40	0.87	54.2%	...
Turkey	1.81	0.43	5.2%	19.8%
Uganda	0.51	0.23	...	3.1%
Uruguay	2.70	0.58	32.3%	0.0%
Venezuela	2.73	0.49	...	17.7%
Zambia	0.28	0.71	...	1.0%
Zimbabwe	0.62	0.63	22.7%	...

Explanation :

GDP/CAP--

Per capita GDP in constant 1987 US\$, US\$ 000 (average, 1991-1995).

Openness--

Merchandise Exports plus Imports divided by GDP (average, 1991-1995).

Total Core NTMS--

Frequency ratio in % relative to total 2-digit HS categories.

Source : GATT, TPR ; WTO, TPR ; World Bank, 1998.

3. Trade Remedies

Trade remedies are defined to include anti-dumping, countervailing and safeguard actions. In principle such actions are consistent with GATT provisions. The legal basis and procedures for the imposition of trade remedies in each instance are different as are the remedies, which usually do not involve quantitative restrictions but changes in duties and charges to address the problem as appropriate in each case. In the case of antidumping and countervailing duties, remedies are intended to correct for distortions that occur when exporters are obtaining subsidies and engaging in discriminatory pricing practices which result in injury to domestic producers. In the case of safeguards, the issue is simply injury to domestic producers - even if no unfair trade practices are involved.⁹

The evidence regarding the frequency with which developing countries have taken trade remedy actions is presented in Table 11. For antidumping measures, the WTO data base contains information from which tariff line frequencies were calculated. As it has been argued that the mere initiation of investigations regarding antidumping action tends to have a restraining effect on imports - irrespective of

⁹Also, countervailing and anti-dumping actions are directed against the imports from only one country and not all trade— although they may thereby create disincentives to exporters of other countries as well. For these reasons, it is considered appropriate to keep the total frequency ratios for each group of measures separate (unlike the OECD study which adds them up for each country; see OECD, 1997, Table 5.1).

the final disposition of the case (Finger 1993; OECD, 1997), the main indicator used is the number of anti-dumping investigations that had been initiated as of the time of the TPR. For safeguards and countervailing, the actions were so infrequent, that the data shown refer to the number of specific products, usually narrowly defined, on which there were either affirmative actions in place or on going investigations as of the time of the most recent TPR, using both TPR data and WTO notifications. Thus, while the two sets of data in Table 11 are not directly comparable, the frequency of safeguard and countervailing actions is likely to be much smaller than those for anti-dumping.

The data verify and provide detail on the well known increasing use of antidumping actions, especially by higher middle income developing countries and the emergence of antidumping as the

Table 11
Trade Remedies by Developing Countries, 1989-1998
(in % and Number of Products)

COUNTRY	Antidumping* (1)		Countervailing** (2)		Safeguards** (3)	
	1989-94	1995-98	1989-94	1995-98	1989-94	1995-98
Argentina	0.70%	1.12%	2	3		2
Bangladesh						
Benin						
Bolivia						
Brazil	1.28%	0.54%	2	2		1
Cameroon						
Chile	0.01%	0.74%	2	5		
Colombia		0.14%				
Costa Rica		0.23%				
Côte d'Ivoire						
Cyprus						
Dominican Rep.						
Egypt		x				
El Salvador				1		1
Fiji						
Ghana						
Hong Kong, China						
India	0.07%	0.72%				
Indonesia		0.16%				
Kenya						
Korea	0.27%	0.53%				3
Malaysia		0.16%				
Mauritius						
Mexico	16.31%	28.12%		3		
Morocco						

COUNTRY	Antidumping*		Countervailing**		Safeguards**	
	(1)	(2)	(3)	(4)	(5)	(6)
	1989-94	1995-98	1989-94	1995-98	1989-94	1995-98
Nigeria						
Pakistan						
Paraguay						
Peru	0.05%	3.50%				
Philippines	0.06%	0.51%				
Senegal						
Singapore		0.02%				
South Africa		0.76%				
Sri Lanka						
Thailand	0.05%	0.05%				
Tunisia						
Turkey	0.45%	0.22%				
Uganda						
Uruguay						
Venezuela	0.03%	0.12%			1	
Zambia						
Zimbabwe						

Explanation :

* Investigations based on WTO database. Frequency ratio relative to total tariff lines

** Number of Products, based on TPR's and WTO notifications

x = 2 tariff lines

Blanks means zero

** Source: GATT, TPR ; WTO, TPR ; WTO. Antidumping Measures Database.

most frequent used remedy both by developed and developing countries (Miranda et. al.1998; Finger and Schuknecht, 1999). The countries in our sample taking such action increased from 11 in the period 1989-1994 to 18 in 1995-1998. They include most of the developing country members of the WTO which have taken anti-dumping actions.¹⁰ The Table also shows that only four developing countries out of the 42 in our sample have used safeguard actions and only six countries have taken countervailing actions, mostly in the period since 1994; and in each instance affecting only a few isolated products.

The average frequency ratio for anti-dumping actions taken by developing countries, which had taken action in both periods, also increased over the period, from an average of 1.75 per cent of tariff lines to 3.29 per cent. Despite increases in anti-dumping actions by developing countries, a comparison with Table 10 and Table A-2 in the Appendix (keeping in mind some of the methodological and data

¹⁰Recent notifications for 1998 suggest that the number is increasing. In addition to the countries above, Guatemala, Trinidad and Tobago, Nicaragua, Ecuador and Panama have initiated investigations since 1996, the last three for the first time in 1997-1998, (WTO, 1999a).

differences) suggests that anti-dumping actions still continue to affect less product categories and tariff lines than non-tariff measures such as licensing. This conclusion is reinforced if one considers the number of developing countries and products on which provisional and definite measures are taken – which is typically significantly smaller than that for investigations.

Among developing countries, anti-dumping is, for the most part, a middle and higher income developing country practice. With the exception of India, all developing countries taking antidumping action had per capita income in 1996 of more than US\$785. It is interesting to note that these seventeen countries (with one exception, Pakistan) are the countries which have initiated trade complaints using the WTO Dispute Settlement Mechanism (DSM) and more broadly can be considered as among the developing countries most fully integrated in the WTO (Michalopoulos, 1999).

Mexico is the developing country that has used anti-dumping actions affecting by far the largest number of product lines (16 per cent of its total tariff lines in the early period and 28 per cent in the later one). The main reason for this increased frequency was not primarily that Mexico took more AD actions more frequently in the latter period; but rather that when it did, it applied antidumping measures across broad categories of products - i.e all the tariff lines in several whole HS2 product groups, such as textiles.¹¹

B Trade Policies Affecting Exports

There are clear links between country trade policies that affect their exports and those that affect their imports: For example, measures which control exports of raw materials that are used as inputs into domestic industries introduce distortions in resource allocation in much the same way as import protection of that industry. Similarly, the imposition of measures that restrict the quantity and increase

the domestic price of imports, may adversely affect the profitability of exports and lead countries to take offsetting measures in favour of exporters.¹² Thus, it is not surprising to find that over the period reviewed, developing countries liberalized their policies affecting exports in much the same direction as they liberalized policies affecting imports.

Developing country policies towards their exports are characterised by two broad tendencies: Countries have tended to impose controls and taxes on their exports of primary products and foodstuffs; while they have tended to provide incentives and subsidies to their exports of manufactures. The controls and taxation of exports of primary products has been driven by two sets of considerations: First, to capture some of the rents from the production and sale of raw materials; second, to provide incentives to industrialization by taxing the exportation of raw material and other inputs, and thereby make them available to domestic industries at lower than world prices. For foodstuffs, the main justification is the promotion of food security. Manufacturing or, more broadly, non-traditional exports (some of which may involve processed agricultural or related products) are being provided with incentives because they are believed to contribute to long term growth and development - and because it is felt that, without government assistance, developing country exporters would face difficulties in breaking into foreign markets due to externalities of various kinds. Also, some so called "incentives" amount to no more than government efforts to offset the disincentives to non-traditional exports created by the import regime.

1. Measures Which Tend to Tax or Regulate Exports

Table 12 shows the frequency in developing country use of different kinds of policy measures to tax or regulate their exports. It is constructed much like the tables on imports and shows the frequency of use of different measures by various countries in snapshots at two time periods. The frequencies are

¹¹As with all other aspects of this study, no inference should be drawn about the compatibility of the measures taken with GATT provisions. It should be noted however, that the anti-dumping measures taken by Mexico and several other countries have been increasingly directed against imports from non-WTO members.

¹²The broad theoretical point is covered in the so called Lerner symmetry theorem on the equivalence of import and export taxes (Lerner, 1936).

defined in terms of the proportion of total product groups at the HS2 level which may contain products taxed or regulated by different measures in different countries. The measures include export taxes or similar levies, minimum export prices, non-automatic export licensing (or approval), export prohibitions (total or partial) and export quotas.

Just as with respect to imports, non-automatic licensing procedures are the most commonly used measure, with export levies the next most important. The variation among countries, especially during the earlier period is rather large, with some countries, such as Brazil, Indonesia, Korea, Mexico and the Philippines controlling more than 20 per cent of export product groups through licensing or other approval procedures, while many others limit such licensing only to the implementation of health and safety standards, environmental obligations etc.¹³

As with imports though, it appears that the frequency of use of these measures declined over time. This seems almost certain to be the case with respect to export licensing. On the other hand, it appears that export taxation increased slightly on average in countries for which information is available in both periods. With respect to the other measures, the results are ambiguous and are affected by the inclusion of different countries in the measures during the different periods.

The data also permit a broad analysis of the product groups most likely to be affected by export regulation or taxation. Table 13 shows the proportion of the total countries in each of the two sub-periods which applied different types of export measures by product group. The purpose of the table is to show which are the product groups which developing countries tend to tax or regulate most frequently. Thus, subjected such products to export licensing in the 1989-1994 sample. Details by the specific number of

¹³Just like the estimates of non-automatic licensing affecting imports, the analysis has attempted to exclude licensing which the authorities state they undertake in order to meet health, environmental and safety standards, national security reasons or the implementation of voluntary export restraints negotiated with developed countries or the implementation of the Agreement on Textiles and Clothing (ATC).

Table 12
Developing Countries' Trade Policies Affecting Exports
Frequencies in % of Total 2-Digit HS Categories Affected by Each Measure

Country	Export Levies		Minimum Export Prices		Export Licensing		Export Prohibitions		Export Quotas	
	1989-94	1995-98	1989-94	1995-98	1989-94	1995-98	1989-94	1995-98	1989-94	1995-98
Argentina	1%	2%	1%				1%			
Bangladesh	3%	...	1%	...	20%	...	9%	...	1%	...
Benin	...	3%	...		...	1%	...	2%	...	
Bolivia		...		...	1%	...	...	...		...
Brazil	1%	3%	1%		29%	1%	...	1%	3%	3%
Cameroon	6%	...		...	3%	...	1%	...	2%	...
Chile										
Colombia	1%	3%	2%	3%		2%	1%	1%		1%
Costa Rica	...	4%	...	1%	...		...		...	1%
Côte d'Ivoire	...	5%	...	9%	...	2%	...		...	3%
Cyprus	...		...		...		...		...
Dominican Rep.	...		...		...		...		...	1%
Egypt	1%	...		...	1%	...	4%	...	3%	...
El Salvador	...		...		...		...	1%	...	1%
Fiji	...	2%	...		...	7%	...		...
Ghana	1%	...	24%	...	3%	...	1%	...		...
Honk Kong, China					1%					
India	1%	13%	4%	1%	10%	9%	2%	3%	4%	5%
Indonesia	6%	5%			33%	19%	6%		3%	
Kenya	10%	...		...	16%	...		...		...
Korea					42%					4%
Malaysia	9%	10%			15%	35%				
Mauritius	...	1%	...		...	4%	...	3%	...	
Mexico	3%	14%			24%	7%		9%		
Morocco	2%	2%			5%	2%				2%
Nigeria		1%		1%	2%	2%	5%	5%		1%
Pakistan	21%	...	3%	...	20%	...	13%	...		...
Paraguay	...		...		...	6%	...	1%	...	1%
Peru		...		...		...	1%	...		...
Philippines		...		...	26%	...		...	15%	...
Senegal	1%	...	3%	...	4%	...		...		...
Singapore	1%				6%	2%				
South Africa	1%	1%			9%	8%	2%	1%		
Sri Lanka	...	6%	...	1%	...	7%	...	1%	...	
Thailand	3%	4%	2%		11%	8%		4%		1%
Tunisia		...	1%	...		...	1%	...	1%	...
Turkey	4%	2%	1%			3%	1%		1%	
Uganda	...	1%	...	1%	...	4%	...		...
Uruguay	5%	3%								
Venezuela	...	1%	...		...	7%	...		...	1%
Zambia	...		...		...	1%	...		...
Zimbabwe		...		...	9%	...		...		...

Explanation :

... : Not available

Blank means

Source: GATT, TPR; WTO, TPR.

countries at the HS-2 level are presented in Appendix Table A-4. The TPRs suggest that usually a combination of measures - sometimes a quantitative measure, such as a license in combination with a price linked measure, such as an export levy - would be used. It was not possible, however, to develop aggregate indicators of export restraint which excluded duplicative measures.

Nevertheless, a rather crude adding up of the number of countries and measures that are imposed by product group shows that the five most frequently regulated/taxed product groups of exports by developing countries in 1989 – 1994, at the HS-2 level, were live animals, coffee and tea, fuels, hides and skins and cotton (See Appendix Table A-4). The list was identical in 1995-1998, except that, at the HS2 level, wood and wood products substituted for cotton. Again, without more detailed analysis, the findings regarding which exports are being regulated/taxed lends support to the conclusion that there are two main motivations for export restrictions: (a) to gain revenue from taxation; and (b) to promote the development of downstream manufacturing activities using domestically produced raw materials as inputs. But these results should not be used to draw inferences about the restrictiveness of the measures or the impact of the export regulation or controls on the volume or value of developing country exports.

Table 13
Non-Tariff Measure by Product Group
in % of Countries Using Measure, 1989-1998

PRODUCT GROUP		EXPORT TAXES/LEVIES		MINIMUM EXPORT PRICES		EXPORT LICENSING		EXPORT PROHIBITIONS		EXPORT QUOTAS	
		1989-1994	1995-1998	1989-1994	1995-1998	1989-1994	1995-1998	1989-1994	1995-1998	1989-1994	1995-1998
I	ANIMAL PRODUCTS	7%	5%	3%	1%	19%	9%	7%	4%	3%	3%
II	VEGETABLES	8%	7%	3%	2%	15%	9%	5%	2%	3%	3%
II	FATS AND OILS	0%	10%	3%	3%	10%	10%	3%	7%	7%	0%
IV	PREPARED FOODSTUFF	2%	4%	2%	1%	11%	7%	0%	0%	2%	1%
V	MINERALS	6%	9%	2%	4%	29%	14%	2%	3%	2%	2%
VI	CHEMICALS	1%	1%	0%	0%	4%	3%	0%	1%	1%	0%
VII	PLASTICS	3%	2%	2%	0%	7%	2%	2%	0%	0%	0%
VIII	LEATHER	8%	10%	2%	1%	10%	7%	6%	3%	2%	0%
IX	WOOD	5%	4%	1%	1%	10%	8%	6%	6%	1%	1%
X	PULP AND PAPER	1%	0%	0%	0%	9%	1%	5%	0%	0%	0%
XI	TEXTILES	2%	3%	4%	0%	14%	3%	0%	0%	4%	0%
XII	FOOTWEAR	0%	0%	0%	0%	4%	2%	0%	0%	0%	1%
XIII	GLASS	0%	0%	0%	0%	3%	2%	0%	0%	0%	0%
XIX	PEARLS	3%	10%	3%	0%	21%	17%	0%	7%	0%	0%
XV	BASE METALS	3%	1%	1%	0%	5%	2%	1%	0%	0%	0%
XVI	MACHINERY AND ELECTRICAL EQUIPMENT	0%	2%	0%	0%	16%	2%	0%	0%	0%	2%
XVII	VEHICLES	0%	0%	0%	0%	10%	3%	0%	0%	0%	0%
XVIII	INSTRUMENTS	0%	0%	0%	0%	1%	1%	0%	0%	0%	0%
XIX	ARMS	0%	0%	0%	0%	3%	3%	0%	0%	0%	0%
XX	OTHER MANUFACTURES	0%	0%	0%	0%	6%	0%	0%	0%	0%	0%
XXI	WORKS OF ART, ANTIQUES	0%	3%	0%	0%	7%	0%	7%	3%	0%	0%

Explanation :

Total Number of Countries : 1989-1994 = 29 ; 1995-1998 = 30

Source : GATT, TPR ; WTO, TPR.

2. Export Incentives and Institutional Support

Practically all developing countries reviewed undertake a variety of policies and institutional measures of support for non-traditional exports. In some cases explicit export subsidies have been introduced. But more frequently the measures involve policies aimed at offsetting the impact of import controls as well as institutional support through the provision of export financing - sometimes on concessional terms - and insurance, marketing and the establishment of export processing zones (EPZ) or similar arrangements of temporary admission aimed at export promotion. In most cases the measures are not product specific. Rather, the incentives are available for broad categories of products - usually defined as non-traditional or manufacturing exports. Sometimes, the incentives are available only to certain groups of producing/exporting units, such as small and medium enterprises.

Since the incentives are not product specific, it was not possible to undertake an analysis at the tariff line or product group level as was undertaken for other policies affecting imports or exports. Rather, it was only possible to note the presence or absence of a particular kind of program and its main characteristics. Also, it was not possible to evaluate the effectiveness of any of the programs or institutions reported. While some TPRs identify problems or constraints affecting the effectiveness of programs or institutions, this was not the case as a rule.¹⁴ Thus, the results reported here should not be interpreted to imply that the programs mentioned accomplished their intended objectives in support of exports. Finally, it should be noted that, while in general, the TPRs are a good source of information about such programs, in some instances their information may not have been complete; and since this information has not been checked with other sources, the results of the analysis should be considered indicative only of general tendencies and not of the specifics affecting a particular country or program.

¹⁴ It should be noted that assessment of the effectiveness of institutions in support of trade or the needs of developing countries for technical assistance, goes beyond the current terms for TPRs and in any case could not be undertaken with the available Secretariat resources.

Table 14 shows the main programs and institutional arrangements reported in support of exports. It shows that 41 per cent of the countries for which TPRs are available in the WTO period reported the use of export subsidies (Column 3), while several others (India, Korea, Malaysia, Venezuela) are using more generalized production support which does not differentiate as between support for sales in the domestic market and exports. In some cases, countries which reported export subsidy programs in place indicated their intention to terminate them at some specific date in the future (eg. Costa Rica). At the same time, most of the countries have reported the establishment of incentives regimes aimed to attract foreign direct investment geared to the production of exportables.

On the other hand practically all countries have introduced some type of duty drawback system (Column 2).¹⁵ In many of the countries the system is intended to cover both duties and other border taxes as well as domestic taxes such as VAT. In an increasing number of cases it also covers taxes on domestically produced inputs. Frequently, in order to facilitate administration, the actual tax rebate mechanism involves the reimbursement or credit for a certain percentage of the firms overall tax liability, rather than the rebate of specific duties or taxes. As a consequence, some of these programs may contain an element of implicit export subsidy. On the other hand, this is one area where several TPRs reported problems and difficulties with delays in payment and rebates which result de facto in penalizing exporters relative to their overseas competitors. Many countries have also introduced programs or institutions aimed at ensuring the availability of trade finance (as well as insurance) both for imports and exports. Roughly half of the countries, on which there are reports of such programs, indicate that they offer concessional credit terms. In some instances, e.g. Bolivia, concessional terms are reserved for SMEs, in others, e.g. Fiji, they are not. It is interesting to note that some countries (Bolivia, Fiji) which reported no explicit export subsidy programs also reported the existence of concessional export finance facilities

Table 14

Developing Countries' Measures to Support or Promote Exports

COUNTRY	Duty Drawback	Export Subsidy	Export Finance	Export Marketing	Export Insurance	Export Processing Zones
Argentina (92)	2	1	1	...	1	1
Argentina (98)	3	1	1	1	1	1
Bangladesh	2	1	2	1	1	2
Benin	0	0	0	0	0	0
Brazil (92)	3	1	1	1	1	2
Brazil (96)	3	1	2	1	0	2
Bolivia	2	0	2	1	...	1
Cameroon	0	1	0	0	0	1
Chile (91)	3	1	1	1	1	1
Chile (97)	3	...	1	1	1	1
Colombia (90)	3	1	1	1	1	2
Colombia (96)	2	1	1	1	1	2
Costa Rica	3	1	1	1	1	2
Côte d'Ivoire	0	0	0	0	0	1
Cyprus	1	0	...	1	1	1
Dominican Rep.	0	0	1	1	0	3
Egypt	1	1	2	1	0	2
El Salvador	1	0	1	1	0	3
Fiji	2	0	2	0	0	2
Ghana	3	0	1	1	0	0
Hong Kong, China (90)	0	0	...	...	1	0
Hong Kong, China (98)	0	0	...	1	1	0
India (93)	2	1	2	...	1	2
India (97)	3	2	2	...	1	3
Indonesia (91)	2	1	2	1	1	1
Indonesia (98)	3	1	1	1	1	1
Kenya	2	0	1	1	0	1
Korea (92)	3	1	2	1	1	2
Korea (96)	3	2	1	1	1	0
Malaysia (93)	3	2	1	1	1	3
Malaysia (97)	3	2	1	1	1	3
Mauritius	1	1	1	1	...	3
Mexico (93)	3	1	2	1	1	3
Mexico (97)	2	1	...	1	1	3
Morocco (89)	3	1	...	1	1	...
Morocco (96)	3	1	...	1	1	...
Nigeria (92)	3	0	1	1	...	2
Nigeria (98)	1	1	1	...	0	1
Pakistan	2	1	2	...	1	0
Paraguay	3	0	1	0	...	0
Peru	3	0	1	1	1	2
Philippines	2	0	1	...	1	2
Senegal	2	3	2	1	1	2
Singapore (92)	3	0	1	1	1	0
Singapore (96)	0	0	1	1	1	0
S Africa/SACU (93)	3	1	1	1	1	0
S Africa/SACU (97)	3	3	2	1	1	0
Sri Lanka	2	0	1	1	1	2

¹⁵ The only economies in which such a program was not reported to exist were Hong Kong (which has no import duties), three African countries (Benin, Cameroon, Ivory Coast) and the Dominican Republic, where the export incentives focus on the EPZs.

COUNTRY	Duty Drawback	Export Subsidy	Export Finance	Export Marketing	Export Insurance	Export Processing Zones
Thailand (91)	3	1	2	1	0	2
Thailand (95)	3	0	1	1	0	0
Tunisia	...	...	...	1	1	3
Turkey (94)	3	1	2	1	1	2
Turkey (98)	2	1	1	1	1	2
Uganda	2	3	2	1	0	0
Uruguay (92)	2	0	1	1	1	2
Uruguay (98)	3	0	2	1	1	2
Venezuela	3	2	2	1	1	2
Zambia	3	3	2	0	...	2
Zimbabwe	2	...	2	1	1	0

Explanation :

For All measures

0 = no program; --- = no information; 1 = program in place

Duty Drawback plus indirect

1 = duty drawback only;

2 = duties plus domestic taxes;

3 = duties, domestic taxes

Export Subsidies:

1 = export subsidy

2 = Production subsidies;

3 = de minimis

Export Finance:

1 = Market terms

2 = Concessionary terms

Export Processing Zones:

1 = De minimis

2 = Less than 20% of exports affected 3 = More than 20% of exports affected

Source: GATT, TPR; WTO, TPR.

Over three quarters of the countries reported the existence of one or more export processing zones or temporary admission schemes. While a significant number of countries has reported the establishment of such schemes, a much smaller number, including Dominican Republic, El Salvador, India, Malaysia, Mauritius, Mexico and Tunisia derive more than 20 per cent of their exports from such schemes.

Finally, practically all countries have established some kind of an export promotion agency with responsibilities to help in marketing exports abroad. Unfortunately, there is little information on the specific aims of these institutions or their effectiveness.

C. Other Institutions and Measures that Affect Trade

Beyond the institutions and policies that directly support exports, there are a number of other, usually governmental, institutions that affect trade in goods. These include institutions that ensure proper classification and valuation of products entering trade as well ensuring that such products meet technical and sanitary and phytosanitary standards. The strength of these institutions in developing countries is

important for several reasons: First, proper valuation and classification of products is important in these countries because they rely to a much greater extent than industrial countries on tariffs as a source of budgetary revenue¹⁶. Second, the existence of regulations that address technical and other standards and the effectiveness of domestic institutions entrusted with the implementation of these regulations is of importance not only to the health of the population and the performance of firms but also to their capacity to export abroad. Weak domestic institutions and non-adherence to international standards can result in developing country exports being denied access to foreign markets.

The TPRs contain information regarding a number of institutions. But usually the information is limited to the identification of the existence of a set of rules or regulations and the presence of an institution. For this reason, TPR discussions of these issues was supplemented with a review of the needs assessments for trade-related technical assistance prepared for the LDCs following the 1997 HLM. Even so, the institutional discussion presented below is much less systematic than the policy analyses in other parts of this study and a great deal more information is needed to make an assessment of the issues and constraints facing developing countries in this aspect of their integration into the multilateral trading system.

1. Customs Valuation, Preshipment Inspection

Developing countries are actively engaged in efforts to bring their customs valuation procedures into conformity with the WTO valuation system by the year 2000, as provided in the WTO Agreement on Customs Valuation. The TPRs typically reaffirm the commitments of authorities to meet their obligations under the agreements by the stated timetables. In many countries this would involve significant changes because valuation of goods for customs purposes is frequently based on the Brussels definition of value. The issues here involve both the enactment of new legislation, changes in the relevant

¹⁶Despite the fact that tariff regimes in developing countries are also more likely to contain exemptions.

rules and procedures, the issuance of new documentation, the adoption of new software as well as the training of officials in the new procedures and documentation requirements. Many least-developed countries have requested technical assistance for this purpose in the context of the needs assessments they have prepared. While it is clear that LDCs have significant needs in this area, it is also possible that other developing countries also have needs which have not been assessed, and would face difficulties in meeting their commitments without technical assistance.

The TPRs provide substantial information on problems developing countries have faced in under-valuation of products more broadly which give rise to requirements for preshipment inspection. According to the most recent information provided by the WTO, sixteen of the countries investigated had a PSI program (WTO, 1999b; see also Low, 1995). And there were an additional 18, usually small low income countries or LDCs using such services for which TPRs had not been prepared.

2. Technical Barriers to Trade, Sanitary and Phytosanitary Measures

The reviews show that practically all developing countries had established institutions to maintain technical standards as well as enforce health, sanitary and phytosanitary regulations. The information available for most countries however, was not sufficiently detailed to permit judgements about the capacity of the institutions to implement regulations. In some cases, for example, some of the countries in Latin America and East Asia, there was little doubt about the adequacy of the institution; In others, especially in Africa, it was difficult to tell. For example, most developing countries have legislation defining national standards which are based on those of the International Standards Organization (ISO), of which many are also members. But in some cases, e.g. Zambia, there appear to be no government testing facilities. Most countries report that they have concluded many formal bilateral mutual recognition agreements on technical standards. But it is not clear whether these agreements provide adequate information to their producers about appropriate standards in countries where they may consider marketing their products.

The situation regarding sanitary and phytosanitary measures appears to be quite similar: Countries have established regulations requiring sanitary or phytosanitary certificates for imports of food, drugs and similar agriculture and veterinary products. Again, the standards used are reportedly based on those of international agreements such as the Codex Alimentarius. But it is difficult to judge the adequacy of the regulations or the effectiveness of the institutions entrusted with their implementation.

On the other hand the technical assistance needs assessments of the LDCs carried out following the HLM suggest many weaknesses in these countries' institutions entrusted with the enforcement of technical or sanitary and phytosanitary standards. The areas in which assistance was being sought ranged from the preparation of appropriate TBT and SPS legislation and regulations, to actually setting up of standards institutions, test laboratories and inspection services, to staff training in all aspects related to standards monitoring and implementation. Most assessments reported urgent needs in increasing the general dissemination of information regarding standards which would make them conform to WTO regulations and the setting up of "enquiry" points regarding standards used by major importers to enhance access to their markets. There is little in these analyses to suggest that other low income countries may not suffer from similar institutional weaknesses in these areas, if only to a smaller degree.

In response to these problems, a variety of technical co-operation activities have been established by the WTO, other international organizations and bilateral donors. Some of these activities focus on the LDCs and derive from the initiatives undertaken in the aftermath of the HLM in 1997; others are broader in nature and are designed to address the needs of all developing countries members of the WTO.¹⁷

3. Adjustment Assistance

The trade liberalizing policies pursued by developing countries in the last decade undoubtedly generated significant benefits; but also gave rise to costs to firms and individuals adversely affected by

import competition. The private costs of trade liberalization take the form of reduced employment and incomes in industries affected by increased competition from imports. They are not the same as the social costs: the latter are likely to be lower than private costs because of the benefits, in the form of employment and income, that accrue to workers in export industries, whose output is likely to increase following import liberalization (Matusz and Tarr, 1998). But, whatever their size, private costs are likely to exist and influence the political economy of trade reform. It could be argued that prospects for further liberalization could be affected by whether or not developing countries have institutions which can effectively mitigate the costs to firms or to individuals of increased competition resulting from trade liberalization.

The TPRs revealed that only seven of the forty two developing countries had trade-related adjustment assistance programs. In some cases, e.g. Mexico, the programs focused on providing assistance to firms facing increased competition from imports. In others, e.g. Egypt, the focus was on providing a safety net for affected workers. In still others, trade-related adjustment assistance was offered in the context of programs with wider objectives of raising productivity or strengthening the profitability of SMEs. In none of the cases was it possible to form a judgement as to how significant were the private costs associated with trade reform or on the role adjustment assistance programs played in addressing them. In a few cases, e.g. India, it appeared that the program of assistance had little impact on firms affected by import competition. But there was very little information to suggest that developing countries more broadly have the institutional capacity to cope with the adjustment costs associated with trade reform, especially the private costs incurred by displaced workers

It may not be necessary or even optimal to design adjustment assistance programs focusing narrowly on adjustment linked to increase competition from imports. More broadly based programs

¹⁷ For a more detailed discussion of these issues see Michalopoulos, 1999.

and/or a broad and effective social safety net may be a better way of dealing with adjustment costs. The point is that whatever the optimal instrument may be, few countries appear to have the institutional capacity to deal with the problem of adjustment to increased competition.

IV. The External Environment

The period under review witnessed mixed developments in the external environment affecting developing countries' trade. On the one hand, GDP in developed countries, an important determinant of overall demand for developing country exports, increased at a rate slightly *lower* than longer term growth trends in these countries - at about 2.0 per cent for the period 1989-1997 compared to 2.2 percent in the 1980's and 3.0 per cent in the 1970's (OECD, 1998). On the other hand, market access conditions for developing countries improved, in part as a result of standstills and subsequent liberalization linked to the URA as well as through subsequent reductions in tariffs following the Information Technology Agreement. The actual implementation of the URA had not been completed by the end of the period examined, nor the ITA. But there is evidence that access conditions improved in many respects in the markets of developed countries through most of the period under review. Nevertheless, access continued to be impeded by high trade barriers in certain sectors, such as agriculture and textiles; and, while progress was made on issues such as escalation, the problem persisted in certain sectors, for example textiles and leather products. Moreover, towards the end of 1998, evidence mounted on the resurgence of protectionism in certain sectors e.g. steel, in both the US and the EU markets. Finally, as part of the URA, WTO members committed themselves to take several explicit additional steps in favor of developing countries in areas such as anti-dumping, whose implementation it would be interesting to review.¹⁸

The market access analysis for this study relied to a large extent on analyses of indicators of tariff and non-tariff barriers prepared by the OECD. The focus is on market access conditions in the

Quad (Canada, EU, Japan and US) countries which account for the bulk of developing country exports to developed country markets. These analyses were supplemented by information gathered from TPRs of major developed countries as they relate to market access conditions for developing countries.

A. Tariffs

1. Overall Averages

The results of the URA on the MFN tariffs of the developed countries have been studied extensively in previous studies whose main findings will be summarized here (Martin & Winters, 1996; UNCTAD/WTO, 1997; OECD, 1997). Broadly speaking, tariffs on imports of manufactures into the major industrial countries markets were reduced by an average of 40 per cent from a trade weighed average of 6.3 per cent to 3.8 per cent with the reductions to be phased in over five years and the first instalment to be put in place on January 1, 1995.¹⁹ Countries have reduced their tariff rates accordingly since then. Moreover, in 1997, following the Information Technology agreement, duties on a number of products in this sector were reduced to zero on an MFN basis (See Finger and Schuknecht, 1999).

The tariffication of various measures of support and protection in the agricultural sector has resulted in substantial increases in the initial tariff levels applicable to a wide range of agricultural products in some major markets. Thus, the average applied MFN rate for agricultural commodities (production weighted) in 1996 ranged from 7.9 per cent in the U.S, and 10.7 per cent in the EU, to 0.5 per cent in Australia (OECD, 1997, Table 3.1). Subsequently, developed countries are to reduce agricultural tariffs by 36 per cent across the board, at the same time as access for agricultural products is being enhanced through reductions in domestic support measures.

¹⁸See Article 15 of the UR Agreement on the Procedures for Implementation of GATT Article VI.

¹⁹The EU advanced from January 1, 1997 to January 1, 1996 its schedule of implementation of the third stage of tariff reductions for most non-agricultural products as part of its compensation for the EU enlargement through the accession of Austria, Finland and Sweden (WTO, TPR, European Union, 1997, p.15).

In most developed country markets, applied MFN tariffs for other products, are on average lower than in agriculture. Upon conclusion of the liberalization committed under the URA, applied MFN tariffs on products other than agriculture will range, for example, from an average of 0.8 per cent in Japan to 3.7 per cent in the US and 4.0 per cent in the EU (UNCTAD/WTO, 1997, Annex Table 3.1). But the rates on products of interest to developing countries are higher (Martin,1999). At the same time, for the Quad countries (Canada, EU, Japan, US), one third of all MFN tariff lines will be duty free, involving a large range of products of export interest to the developing countries.

2. Preferences

The actual tariff rates applied to imports from individual developing countries tend to be even lower than the above MFN rates suggest, however. This is for two main reasons: First, the existence of the Generalized System of Preferences (GSP) which reduce tariffs further for selected commodities and countries. Second, the existence of preferential arrangements in favor of particular countries in specific developed country markets, such, as for example, the preferences afforded to the ACP countries in the EU market, and the ones enjoyed by Mexico as part of NAFTA or the Caribbean and Central American countries preferences in the US market as a consequence of the Caribbean Basin Initiative. Also, individual developed countries have introduced even further preferential treatment for imports from the Least Developed Countries following the High Level Meeting on Trade-related Measures for LDCs in 1997. For example, in this connection, the EU announced that it would extend to the least developed countries the same duty free treatment it extends to all ACP members - which tends to provide greater preferences than the GSP.

Given the complexity of the various preferential systems in place, it is very difficult to assess their overall effect on the average tariff level applied to developing countries that are eligible beneficiaries. One study suggested that the GSP, "remains a valuable tool for promoting developing country exports"(UNCTAD/WTO, 1997, p.9) despite the erosion of preferences associated with the MFN

reduction of tariffs and the increasing limitations on product and country eligibility imposed by the "graduation" features of various programs. This is because when GSP is taken into account, average applied tariff rates would decline further in major markets as the frequency of items on which duties are set at zero increases substantially - doubling, for example, in the US. Notwithstanding such benefits, the GSP as well as other unilateral preferential schemes may create the wrong types of "dependency" incentives in developing countries and retard rather than promote the fuller integration of developing countries into the international trading system (Finger and Winters, 1998; Srinivasan, 1998).

3. Peaks

Despite the overall declines in the average applied MFN tariff levels following the URA, there is a number of sectors and product groups in various developed countries where tariffs are at substantially higher levels which would limit market access. The URA tended to increase the tariff dispersion in some developed country markets and decrease it in others (OECD p.18, 1997; Daly and Kuwahara p.223, 1998). But in all countries there are many products and product groups in which the average MFN applied tariff level following the URA agreements exceeds 12 per cent, or roughly three times the overall average MFN applied tariff level of developed countries. These products and groups can be defined as having tariff "peaks". They exist in both agriculture and manufactures in different developed country markets. But the very high rates typically have been the consequence of tariffication in agriculture. The main products in which such tariff peaks can be observed in various markets are the following:

-- Major agricultural staple food products, such as meat, sugar, milk and dairy products, cereals, where the tariffication of quantitative restrictions has resulted in tariff rates frequently exceeding 100 per cent and ranging, for example up to 550 per cent for rice in Japan.²⁰

²⁰These are estimates reported in UNCTAD/WTO, 1997. It is difficult to estimate accurately the ad-valorem tariff equivalents for many agricultural commodities where tariffication involves the adoption of specific duties often combined with quotas.

-- Similarly high rates for similar reasons occur in products such as cotton and tobacco, with rates on the latter reaching 350 per cent in the US.

-- Fruits and Vegetables - including 180 per cent for above quota bananas in the EU, and 550 per cent and 132 per cent for shelled groundnuts in Japan and the US respectively.

-- Food industry products, including fruit juices, canned meat, peanut butter, sugar confectionery with many rates exceeding 30 per cent in several markets and ranging up to 230 per cent for grape juice in the EU.

-- Textiles and Clothing, where tariff rates are in the 12-30 per cent range for a large number of products in Canada, the EU and the US - although developing country exports of these products are at present being simultaneously restrained (but on a declining basis) through the ATC.

-- Footwear and leather products, with tariff peaks in excess of 35 per cent in 10 per cent of the products in Japan (ranging up to 160 per cent for shoes) and 17 per cent of the products of Australia (Smeets and Fournier, 1998).

-- Some selected automotive and transport sector products (trucks in the US and the EU, ships and boats in Canada) with rates exceeding 20 per cent.

The GSP and other preferential schemes operated by the various developed countries would tend to reduce - in some cases significantly, the tariff rates applicable to imports of these products from developing countries. However, in almost all cases where tariff peaks are present, the sensitivity of the domestic industry to imports results in exclusions of various products from the schemes or some type of limitations either in the amounts that can be imported under the preferential rates or the countries that are eligible. For example, the US completely excludes most textile products from its GSP scheme, the EU limits preferential margins and imposes country/sector quotas; quota limitations also exist for non-traditional suppliers of various fruits and vegetables in the EU market and in Japan's market for leather goods and footwear.

Given the attention that the international community has been devoting to the issue of the integration of the LDCs into the international trading system, it is worth noting, that partly as a result of the composition of their exports and partly as a consequence of the special preferences these countries typically enjoy in developed countries, that the average tariff rates they face in developed country markets are generally much lower than those facing other countries. It has been estimated that in 1995 the overall unweighted average applied tariff facing LDCs main exports to seven main developed country markets (the Quad plus Australia, Norway and Switzerland), taking account of all the preferences they enjoy, was 1.8 per cent, and was going to decline further as a consequence of the implementation of the URA. But for a number of products (beef, asparagus, cigarettes, processed wood, clothing and footwear) amounting to about 10 per cent of their total exports, tariffs in these seven developed country markets ranged between 5 and 15 per cent (UNCTAD/WTO, 1997).

4. Escalation

Tariff escalation has been a matter of concern for developing countries in the context of market access because it tends to increase the rate of effective protection at higher stages of processing - thereby making market access more difficult for finished manufactured products - which in turn could have adverse consequences on developing countries' industrialization efforts. There is little disagreement that as a consequence of the URA, the degree of overall escalation has decreased. But evidence from a number of sectors suggests that it is still a matter of concern.

The URA has tended to increase the tariffs for agricultural products. As a consequence, if one combines tariffs for raw materials and unprocessed agriculture products in the calculation of primary products, they were no longer (in 1996) higher than those for semi-manufactures in a number of developed country markets (the US, EU, Canada and Norway). But this simply means that the pre-URA calculations of tariff escalation - which did not include the non-tariff barriers present in agriculture were biased upwards and the apparent improvement less significant. At the same time, whereas the overall

degree of escalation declined in all countries studied, tariffs for finished manufactured products continued to be higher than those for semi-manufactures in developed countries except for the US, Japan and Australia (OECD, 1997). Furthermore, various studies of specific product chains in various developed countries show continued tariff escalation in such products as processed foods (wheat flour, orange juice, vegetable oils, dairy products), clothing, leather and wood products (Lindbland, 1997; WTC, 1998, UNCTAD/WTO,1997). These results should be interpreted with caution because of data limitations as well as the continued existence of non-tariff measures in some of these product chains which make calculation of the effective rates of protection difficult. But they all point to the conclusion that tariff escalation - much as tariff peaks - in certain products, though reduced by the URA, continues to be an area of concern related to market access for developing country exports.

B. Non-Tariff Measures

In the aftermath of the URA, it is probably fair to say that the pervasiveness of core non-tariff measures in developed country trade regimes is at its lowest point in more than 50 years. By core non-tariff measures, we mean, as in the case of developing countries, the use of non-automatic licensing, quotas and tariff quotas and voluntary export restraints as well as price control measures such as variable charges, minimum prices or voluntary export price restraints.

Following the URA, non-tariff measures have been drastically reduced in agriculture, where only tariff quotas exist in a number of products in some of the major developed markets. At the same time, as a result of the URA, non-automatic licensing has been reduced in all major developed country markets, and is now focusing primarily on restraints linked to the maintenance of sanitary and phytosanitary standards, technical standards or protection for the environment.²¹ Finally, as part of the URA, voluntary

²¹Some concerns however, have been raised as to whether the implementation of WTO agreements in these areas has been motivated by protection of domestic industries and a number of disputes have arisen regarding the compatibility of certain measures implemented by some countries with these agreements.

export restraints were supposed to be phased out by the end of 1998; and the remaining restraints in developed countries appear to be directed in significant measure against non-WTO Members.

The total frequency ratios for core non-tariff measures in developed country markets are presented in Table 15. This ratio, is the same frequency measure used in the context of developing countries in the previous section but relates to the ratio of tariff lines affected by a core non-tariff and the measure relative to the total tariff lines.²² As can be seen from the table there has been a decline in the frequency of imposition of non-tariffs in all developed countries and for all measures between 1993-1996. In two countries, Australia and Switzerland, the markets are virtually free of any non-tariff barriers. In the Quad countries the total frequency ratio of border non-tariff measures ranges from a low of 1.2 per cent in Canada to a 3.8 per cent in the European Union. Comparison with Table 8 as well as Appendix Table 2, and keeping in mind the methodological limitations in some of these measures, strongly suggests that non-tariff measures are much more pervasive in developing than in developed country markets.

The decline in the pervasiveness of NTMs reflects several factors: (a) the tariffication process in agriculture which reduced quantitative controls as well as price related measures such as variable charges (though, of course, it also increased tariffs); (b) the termination of VERs - some, e.g. the VER on sardines by the EU has already been terminated; others were supposed to expire at the end of 1998 - and presumably will lead to further declines in the frequency ratios reported in Table 14; (c) other ad hoc reductions of NTMs.

While the vast majority of products enter developed countries free of non-tariff controls, such controls are pervasive in a few sectors. These sectors include apparel and clothing in the US, EU and Canada, and silk and man made staple fibers in Japan (OECD, 1997, p.61). This reflects to a large extent

²² As with the developing country data, the information assumes that measures apply across the board to imports from all countries, and is not based on transaction by transaction information.

the continued influence of the ATC, which at present constitutes the main remaining NTM restricting access to developed country markets

Under the terms of the URA, the integration of the textile and clothing sector into GATT (i.e. the elimination of quantitative restrictions which would otherwise not be permitted by the GATT) is taking place in stages: Stage 1, involved the integration into GATT of 16 per cent of the products (in volume of 1990 imports, in four specific categories) on the date of entry of the WTO Agreement. Stage 2, involving the integration of another 17 per cent by volume occurred on January 1, 1998. Stage three involving 18 per cent will occur on January 1, 2002, and the balance will be integrated on January 1, 2005. In parallel, specific quotas were to be eliminated as a consequence of the integration process and the remaining ones enlarged at specified rates.

In 1997, the Textile Monitoring Body (TMB) set up to monitor the implementation of the ATC conducted a review of: (a) the liberalization steps members had taken during the first stage of the implementation of the agreement; (b) the plans for further liberalization of textiles and clothing²³ during the second stage of implementation of the ATC; and (c) other aspects of the implementation of the ATC, including the use of a transitional safeguard mechanism, and special provisions regarding least developed countries and cotton producing exporters (WTO, 1997b).

The review revealed that the four major developed country members which maintained restraints (US, EU, Canada and Norway) met their ATC commitments in terms of the liberalization of 16 per cent of their 1990 imports by volume (of the appropriate textile and clothing categories) during the first stage and their planned integration of another 17 per cent of 1990 imports by volume during the second stage. However, they chose to do so - which they had the right to under the ATC - by including low value

²³The precise term used is the "integration of a volume of textile and clothing products in GATT1994" which implies the elimination of quantitative restraints permitted under the ATC.

products. As a consequence, the liberalization of textiles through the second stage (i.e. through 2001) will only amount to between 18 per cent-29 per cent in value terms of 1990 imports - leaving the bulk of the liberalization to take place at the end of the period. In addition, the review suggested that quotas would be actually eliminated only on a few products in stages 1&2 and the annual growth rates in remaining quotas would be small.

Thus, while implementation of the ATC can be considered to have been consistent with its legal provisions, the manner in which it has been implemented has raised concerns about whether developed countries would find it possible to live up to their commitment to integrate all of the textile and clothing sector into mainstream GATT rules by 2005.²⁴

As the value of textile and clothing imports liberalized in countries that have quotas under the ATC has been small, the Review raised concerns about the likelihood of future elimination of trade barriers in the developed countries, rather than about an increase in trade barriers in the sector up to now. But as the full implementation of liberalization in the context of ATC was an important aspect of the overall balance of commitments and concessions made by developing countries in the course of the URA, doubts as to the capacity of the developed countries to undertake the necessary adjustment steps needed for further integration of the textile and clothing sector in the GATT, tend to cloud the atmosphere for negotiations in other areas.

²⁴Some developing countries also feel that neither the commitment regarding the consultations with cotton exporters, nor the special consideration to the interests of least developed countries in implementing the transitional safeguards were fully implemented.

Table 15

Non Tariff Measures and Trade Remedies in Selected Major Developed Country Markets, 1993-1996

(Tariff Line Frequencies in %)

	Australia		Canada		EU		Japan		Norway		Switzerland		U.S.	
	1993	1996	1993	1996	1993	1996	1993	1996	1993	1996	1993	1996	1993	1996
NTMS-TOTAL	0.3	0.3	1.4	1.2	9.4	4.2	3.8	2.6	24.0	3.8	3.5	0.2	10.3	2.9
Licensing Non-Automatic	0.0	0.0	0.0	0.0	1.7	0.8	1.3	1.3	3.5	2.6	0.4	0.0	0.0	0.0
Export Restrictions	0.0	0.0	1.4	1.2	5.6	3.0	0.0	0.0	13.8	1.2	0.0	0.0	10.1	2.7
Other QRs	0.0	0.0	0.3	0.0	0.0	0.0	1.7	0.6	0.2	0.0	1.4	0.2	0.2	0.0
Variable Charges	0.0	0.0	0.0	0.0	1.5	0.1	0.8	0.7	5.4	0.0	1.6	0.0	0.0	0.1
Other PCMs	0.3	0.3	0.0	0.0	0.6	0.3	0.0	0.0	1.1	0.0	0.1	0.0	0.0	0.1
TRADE REMEDIES														
AD/CV and VEPRs	0.4	0.4	0.8	0.7	1.3	0.2	0.0	0.0	1.9	0.0	0.0	0.0	7.3	5.0

Source: OECD, 1997, Table 5.1.

C. Trade Remedies

As noted earlier (in Section III), anti-dumping and countervailing actions, in particular investigations, are being reviewed in this study as potential indicators of market access restrictions, irrespective of their consistency with WTO provisions. The evidence shows that the frequency of antidumping and countervailing actions (as well as other price related controls) in developed countries declined significantly over the period 1994-1997. Several developed countries (Japan , Switzerland, Norway) did not use such measures at all; while in others (EU, Canada) the frequency of their use fell to less than 1 per cent of the total tariff lines.

This evidence is corroborated by detailed analysis of antidumping actions initiated by developed countries based on the WTO antidumping data base. Table 16 shows that the annual average number of anti-dumping investigations initiated by developed countries fell from 160 cases in the period 1989-1993 to 95 in the period 1994-1997; although they increased in 1997, after declining for four straight years. Also, in recent months there has been a significant increase of announced anti-dumping actions by the US involving steel products. And there have been press reports that the EU will take similar actions. It is too early to say whether this is the beginning of a series of actions

It is worth noting also that the share of developed countries in anti-dumping investigations fell to less than 50 per cent of the total antidumping investigations in the latter period - i.e. in the latter period, developing rather than developed countries initiated the majority of anti-dumping investigations. The use of antidumping as a trade remedy in a number of developing countries has given rise to requests from many others for technical assistance from international organizations to help establish similar capacity to bring antidumping actions.

Table 16
Developed and Developing Economies: Anti-Dumping Investigations
by WTO Reporting Members 1989-1997

(in number of cases and %)

	Developed Members	Developing Members	Developed As % of Total
1989	66	30	69
1990	147	18	89
1991	184	44	81
1992	261	65	80
1993	141	158	47
1994	115	113	50
1995	73	83	47
1996	73	148	33
1997	118	115	51

Explanation :

*Includes Poland (25 investigations) and Israel (15 investigations).

Source: WTO, Antidumping database.

Most of developed country antidumping investigations and definitive measures against developing countries have been directed to higher and middle income developing countries - frequently the same countries which have been making an increasing use of antidumping measures themselves - and non WTO Members (see below). Bangladesh is the only least-developed country to have been subjected to antidumping investigations and definitive measures on three occasions, in 1992 (see Miranda et al., 1998).

The major product groups which are the object of anti-dumping investigations are much the same for developed as for developing countries: Table 17 shows that Basic Metals, Chemicals, Plastics and Machinery and Electrical Equipment are the four sectors which account for the bulk of anti-dumping investigations in both developed and developing countries - although the emphasis naturally tends to differ from country to country. The four sectors together accounted for more than two-thirds of all the antidumping investigations world-wide over the decade 1987-1997.

Finally, it is important to recall that during the URA, and in the context of the Agreement on the Implementation of GATT Article VI on antidumping, the developed countries committed themselves in Article 15 of the Agreement, to give special regard to the "special situation of developing country Members when considering anti-dumping measures under the this Agreement. Possibilities of constructive remedies provided for by this Agreement shall be explored before applying anti-dumping duties where they would affect the essential interests of developing country Members."

There is little guidance regarding how this article is to be implemented. In particular, it is not clear how "the special situation of developing country members is to be taken into account."

Table 17
Sectoral Distribution of Anti-Dumping Investigations by Developed
and Developing Countries 1987-1997

(in number of cases and in %)

	Developed	%	Developing*	%
I. Animal products	8	0.6	17	2.2
II. Vegetables	11	0.8	18	2.3
III. Fats and oils	4	0.3	13	1.7
IV. Prepared foodstuff	52	3.7	9	1.2
V. Minerals	41	2.9	11	1.4
VI. Chemicals	210	15.0	157	20.2
VII. Plastics	147	10.5	102	13.1
VIII. Leather	8	0.6	1	0.1
IX. Wood	16	1.2	8	1.0
X. Pulp and paper	65	4.6	47	6.0
XI. Textiles	95	6.8	55	7.1
XII. Footwear	24	1.7	9	1.2
XIII. Glass	59	4.2	15	1.9
XV. Base metals	374	26.7	178	22.9
XVI. Machinery and electrical equipment	212	15.1	83	10.7
XVII. Vehicles	27	1.9	7	0.9
XVIII. Instruments	19	1.4	21	2.7
XIX. Arms	3	0.2	0	0.0
XX. Other Manufactures	27	1.9	27	3.5
	1402	100	778	100

Explanation :

*Includes Poland (25 investigations) and Israel (15 investigations).

Source: WTO, Antidumping database.

The article does not appear to commit developed countries to do anything more than to use the "constructive remedies" provided by the Agreement before applying anti-dumping duties - but presumably, they would have to do this in all cases - not only for developing countries.

The actual experience regarding the initiation of anti-dumping investigations and the imposition of definitive measures against developing countries following the URA is mixed: on the one hand, the overall use of anti-dumping by developed countries including the total number of cases brought against developing countries declined following the URA. On the other hand, the proportion of overall investigations in which a developing country is affected is much higher than the share of developing countries in world exports (See Table 18). While this ratio of the two shares, R_{ad} , should be interpreted with care because the proportion of investigations may not accurately reflect the actual amounts of exports affected, it would be difficult to conclude from the data anything other than that the developing countries have sustained a disproportionate amount of anti-dumping investigations over the last ten years. R_{ad} investigations for developing countries had a value of 1.6 compared to an R_{ad} of 0.6 for the developed countries for the period 1987-1997. This means that developing countries, over the last decade, were more than twice as likely to have their imports affected by an antidumping investigation (relative to their share in international trade) than developed countries.

The situation has not changed in the last three years, (1995-1997) i.e. after the WTO came into being. Table 18 shows that the R_{ad} values have basically remained the same, both for developing countries and developed, but the latter continued to be much lower than the former.

The Table also shows the very large incidence of anti-dumping actions taken against non-WTO members, especially so called "non-market economies" which have seen their exports being targeted for anti-dumping investigations at a far greater rate than their share in world trade. Indeed, controlling for the

Table 18
Antidumping: Share of Affected Economies in Total Cases
Relative to Share in World Exports

(in % and ratios)

Affected Economies	Share in World Exports %		Share in Total Anti-Dumping Investigations %		Share in Total Definitive Measures %		Rad Investigations		Rad Definitive Measures	
	1989-1997	1995-1997	1987-1997	1995-1997	1987-1997	1995-1997	1987-1997	1995-1997	1987-1997	1995-1997
WTO Members	88.2	87.7	77.8	73.4	73.9	63.9	0.9	0.8	0.8	0.7
Developed	63.5	62.5	38.1	34.1	34.9	21.7	0.6	0.5	0.5	0.3
Developing	21.6	22.0	34.5	34.4	32.9	36.1	1.6	1.6	1.5	1.6
Transition and Other	3.0	3.2	5.0	4.8	6.2	6.1	1.7	1.5	2.1	1.9
Non WTO Members	11.8	12.3	22.2	26.6	26.1	36.1	1.9	2.2	2.2	2.9
"Non Market"	6.3	6.9	16.4	20.8	21.4	32.1	2.6	3.0	3.4	4.7
Other	5.5	5.4	5.8	5.8	4.7	4.0	1.0	1.1	0.8	0.7

Explanation :

R_{ad} : Share in Investigations (Measures)/Share in World Exports

Source: WTO, IDB and Antidumping Data Base, J. Miranda et. al., 1998.

value of total exports, an antidumping investigation over the last decade was at least 4 times more likely to be directed against a product from a non-market economy which is not a WTO Member than a product from a developed market economy. In this regard, the situation of "non-market" economies which are not WTO members (essentially China and the countries of the former Soviet Union) has deteriorated further since the establishment of the WTO. In the period 1995-1997, their exports were being targeted for antidumping investigations six times more frequently than exports from developed countries.

The differences between country groups become even more pronounced when R_{ad} values are calculated for antidumping definitive measures (shown in last two columns of Table 18). In the 1995-1997 period definitive measures were five times more likely to be taken against developing country compared to developed country exports; and they were even more likely to be taken against WTO non-members, especially countries classified as non-market economies. These countries, which account for less than 7% of world exports have been affected by about a third of all the definitive anti-dumping measures taken during the 1995-1997 period.

In discussing these trends in anti-dumping investigations, a recent paper suggested that the reason for the disproportionate share of investigations against "transition" economies and developing countries is that "the latest arrivals in the world markets tend to price their exports competitively, because otherwise they cannot capture market share from incumbents." (Jorge Miranda et.al. 1998, p.67). Table 18 suggests that some other factors may also be at play: The very high incidence of antidumping actions against non-WTO Members, classified as "non-market" transition economies by the EU and the US, as compared to the incidence of investigations and definitive actions against transition economies which are already WTO Members, suggests that countries taking anti-dumping action may feel less constrained when taking action against non-WTO Member countries. And with respect to so called non-market economies, there is evidence suggesting that the procedures used tend to be more opaque and may

well lead to a greater incidence of definitive findings than those against other economies (Michalopoulos and Winters 1997).

What can be concluded from this analysis of the prevalence of anti-dumping actions against developing countries as an indicator of market access to developed country markets? There appears to be an improvement in recent periods, because fewer overall anti-dumping actions have been taken by developed countries; but the share of antidumping actions against developing countries, taking account of the value of their exports, has not changed and tends to be disproportionately high for investigations and even more so for definitive actions. This is a somewhat mixed experience in the implementation by the developed countries of their commitment "to give special regard to the special situation of developing countries."

V. Conclusions and Policy Implications

The integration of the developing countries into the multilateral trading system was substantially advanced by the Uruguay Round , which contributed to the liberalization of developing countries' own trade regimes and improvements in the conditions affecting access to the major markets for their export products. The integration process has been especially impressive for a group of perhaps 15-20 middle and higher income countries in Latin America and Asia. For many others, progress has been slower.

One of the interesting findings of the study is that following the URA, protection both through tariff and non-tariff measures appears to be greater in low- income than in middle- and higher- income developing countries. While this conclusion is subject to a number of methodological caveats discussed in the paper and needs to be subjected to further testing, it is suggestive of the many challenges and opportunities low income developing countries face in their efforts to achieve fuller integration into the multilateral trading system. Some of these could be addressed in the context of future WTO negotiations. Other issues may require special action by the international community and the developing

countries. This section presents a summary of the issues as they arise from the analysis and their implications for action by different groups of developing countries and the international community.

1. Agriculture

The main finding of the analysis is that while the URA resulted in a major step forward by bringing the agriculture sector under the disciplines of the GATT, very substantial protection continues to be present through a variety of controls and interventions that encumber international trade. The analysis above suggests that various developing countries face different situations and challenges in their agricultural sector, which may well result in different groups of developing countries emphasizing different issues in the up-coming WTO negotiations scheduled to begin by the year 2000. First, there is a number of developing countries, members of the Cairns group, with relatively low protection of agriculture who are major exporters of agricultural commodities. These countries face two major challenges in expanding their agricultural exports: (a) the continued presence of high tariffs and substantial Aggregate Measures of Support (AMS) by developed countries which restricts market access, (b) developed country export subsidies which make it difficult for them to compete in third country markets.

Second, there is another group of countries which includes the traditional net food importing developing countries (NFIDCs) and others with substantial protection of agriculture which, are concerned that export subsidy reduction by the developed countries will increase their import bills. These countries have been seeking to obtain an increased amount of food aid through the recently renegotiated Food Aid Convention (International Grains Council, 1999) to compensate for whatever increased costs export subsidy reduction may entail. The Convention provides for greater commitments in food aid volumes, increased flexibility - including the provision of commodities under food aid programs and full coverage of all NFIDCs identified by the WTO - as well as LDCs and low income countries.

While the revised Convention should prove of greater assistance to developing countries as a whole, and could help in a small way in dealing with some of the food security problems many face, it is not a substitute for further liberalization of agricultural trade - indeed it should be viewed as a supporting element for such liberalization. Reduced protection in developed country markets will improve market access prospects both for existing and potential exporters; while reduced export subsidies by developed countries will reduce international market distortions that impede the expansion of developing country agricultural production; and reduction in their own protection of agriculture (as part of a broader reduction in protection) will stimulate efficiency through improved allocation of their own resources.

2. Manufactures

The policy issues surrounding protection in trade of manufactures can be divided into three distinct topics: tariffs, non-tariff measures and trade remedies.

(a) Tariffs: There is no agreement yet that tariff reduction (outside agriculture) be part of a future WTO negotiation. There is however, mounting support by several countries --both developed and developing--for this topic to be included. In such negotiations, developing countries have been concerned about tariff peaks and escalation in developed country markets for some categories of manufacturing products. The analysis above shows that there are peaks in agricultural commodities and processed foodstuffs (which should be the subject of the negotiations in agriculture), textiles and clothing and a few other sectors including leather products and automobiles. The analysis also shows that applied tariffs for manufactures are on average higher in developing countries than in developed countries; that this even more the case, when bound rates are compared; and that many developing countries have not bound a significant proportion of their tariffs on manufactures.

Clearly, further tariff reduction in manufactures would benefit all countries, because of the efficiency losses caused by the protection to the country imposing it. If tariffs are included in a future

WTO negotiation however, this is likely to involve a negotiation process similar to that in the UR in which developing countries would be expected to make a contribution - whether fully reciprocal or not may be depend on the countries involved. In such a scenario, the following considerations drawn from the analysis above should be taken into account. First, there would be pressure for the developing countries to take considerable action in this area because their tariff levels are much higher than those in developed countries. They will also be under pressure to reduce ceiling bindings as well as to bind a significant portion of the tariffs remaining unbound in many countries. Second, as the developed countries have already reduced tariffs in most manufactures, the remaining ones are concentrated in a few "sensitive sectors". There will be opposition from some major developed countries to include reductions in tariffs in these areas, especially for textiles and clothing, since following the implementation of ATC, tariffs will be the sole means of protection available to this sector.

The implications of this situation are that first, developing countries should take advantage of any opportunities offered by the inclusion of tariffs on manufactures in a new WTO negotiation to reduce their own ceiling bindings and applied rates on manufactures as well as to increase the number of products in which tariffs are bound. This would be helpful to their economies as well as provide negotiating leverage which could be used to obtain, through negotiations, developed country commitments for reductions in tariffs in sectors where there are tariff peaks. Recognizing that there are few such sectors outside agriculture, developing countries need to seek a formula for reducing tariffs which would permit them to exchange reductions of tariffs along a broad area of products on their part, for reductions in the peaks in manufacturing sectors of developed countries. Finally, as trade in manufactures is rapidly expanding among the developing countries themselves, they would obtain significant benefits from mutual reductions in tariff barriers that affect their exports in other developing country markets.

(b) Non-Tariff Barriers: As there are few non-tariff barriers (NTBs) still in place in the developed countries, the key issue for developing countries here has to do with ensuring that first, commitments under the ATC are implemented and second, that NTBs are not imposed under the guise of any other rules or arrangements. One way in which this may occur is through the application of discriminatory rules and practices under the SPS and TBT agreements. The way to guard against such developments is to be vigilant and scrutinize actions of developed countries to ensure appropriate implementation of the relevant agreements. But while textiles and clothing actions are being monitored systematically through the Textile Bureau, no similar arrangement is present with regard to SPS and TBT - areas in which many developing countries have limited institutional capacities - which may constrain their ability to scrutinize the consistency of developed country actions.

At the same time it is clear that some developing countries continue to impose non-tariff measures on manufacturing imports. These have been shown to be very damaging to their economies for a variety of reasons including through the lack of transparency, the generation of rents and corruption etc. NTBs are also sub-optimal as a means for addressing of balance-of-payments problems. There is no difference in this regard between LDCs and other developing countries. These measures should be eliminated at the earliest possible opportunity, or, where appropriate, converted into tariffs that will be subject to reductions over time, possibly as part of multilateral WTO negotiations involving tariffs in agriculture and/or manufactures.

(c) Trade Remedies: The experience of the last few years suggests strongly that anti-dumping action has become the instrument of choice for providing trade remedies by both developed and higher and middle income developing countries. Many of these developing countries, consistent with their WTO obligations, have abandoned the use of non-tariff measures to protect their manufacturing sector, and are in effect emulating developed country practices regarding trade remedies, which are consistent with WTO rules and procedures: In this manner they can be considered to have become more

effectively integrated into the multilateral trading system. Their example is likely to be followed by other developing countries in the future. Although anti-dumping actions carry the potential of shielding inefficient domestic producers, their proliferation in developing countries and especially against developed country exporters, could well provide the balance needed for a longer term reconsideration and tightening of the WTO anti-dumping agreement provisions. Such a reconsideration should aim at reducing the flexibility all countries have in granting relief through this instrument and induce governments to rely more on safeguard actions, which tend to be more transparent and time-limited.

3 Export Policies

The analysis above shows that developing countries have over time reduced their interventions aimed at controlling or taxing primary exports, while bringing their practices in promoting manufacturing exports more in line with the overall disciplines of the WTO, e.g. with regard to the use of export subsidies. Nonetheless, export controls on primary products continue to be present in a number of countries. Such controls and taxes pose two dangers: First, they create disincentives to production for export which may reduce export earnings. Second, export controls, including taxation, result in domestic prices of exportables which are lower than international prices. This could lead to the establishment of inefficient domestic processing industries, which can only survive through the implicit protection afforded by the artificially lower domestic input prices. A better set of policies would include: (a) the establishment of instruments of taxation that are neutral as between income derived from exports and income from domestic sales; (b) the provision of support to domestic processing activities which does not rely on artificially depressing the domestic prices of exportable primary commodities and raw materials.

4 Capacity Building

Many developing countries, especially lower income and LDCs, face significant constraints in their capacity to implement effectively their WTO obligations in a number of areas, including customs administration, SPS, and TBT as well as adjustment assistance. These constraints have been recognized

in the WTO agreements, which permit developing countries longer time frames to bring their policies and institutions into line with their WTO obligations in some of these areas, as well as encourage developed country members to provide technical assistance in support of developing country efforts to strengthen their institutions.

A detailed analysis of the implementation of these provisions and of other measures to assist developing countries, and especially LDCs, in capacity building efforts was beyond the scope of this study. However, some of the conclusions and recommendations of other studies of the issue may be useful to recall in this context. In particular, regarding technical assistance, it appears that considerable amounts are available from a variety of bilateral donors and international organizations. There are problems, however, regarding the effective co-ordination of such assistance and ensuring that it is not supply-driven and reflects accurately the priorities and needs of the developing countries concerned. An effort to co-ordinate such assistance to LDCs was launched in 1997, but has produced little tangible results so far. While the WTO has increased its technical co-operation efforts in recent years, and together with other international agencies has launched the Integrated Program for Technical Assistance, more resources from its own budget may usefully be employed in this and other programs to assist developing country members. This is needed both in order to permit the WTO to provide leadership in international co-ordination of technical assistance efforts, and in order to provide support in areas in which the WTO has particular expertise and responsibilities (Michalopoulos, 1999).

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APPENDIX
Methodology in Estimating Frequency Ratios

The TPR data permitted us to estimate frequencies, in the applications of these non-tariff measures at the HS2 digit level involving 97 product categories. Thus, the frequency ratios (f) calculated from the TPR relate to the proportion of HS2 product categories out of the total which is affected by a particular measure. The weakness of this indicator is that it gives equal weight to the presence of a measure in a country that could affect only one or a few lines in an HS2 category, for example HS72, Iron and Steel, with the presence of the same measure in another country which affects a large number of tariff lines or, for example all steel products.

Formally, let N_{qm} be a non-tariff measure imposed by country m on a product or group of products q . Then the frequency ratio for that measure, $f_{nm} = \Sigma N_{qm} / \Sigma Q_m$, where Q_m is the total number of products, measured in total tariff lines or product groups. Thus, for the calculation of (f), using the HS2 product breakdown employed in most of the analysis for the $Q_m = 97$. Where tariff line information was available, as for example in the case of anti-dumping measures for the calculation of (f), a standard HS 6-digit tariff line classification of approximately 5200 lines was used. Two other frequency ratio concepts are used in the paper: The total frequency ratio (Tf_m), which is simply the sum of all frequency ratios of NTM used by country m ; and the average frequency ratio (Af_n) which shows the average use of a particular non-tariff measure for the countries in the group.

It may appear at first glance, that f would always be larger than f' . This is not the case, however. The two different frequency ratios show different aspects of a country's trade regime: If a specific non-tariff measure involves a large number of tariff lines concentrated in one or two groups of products, f may be smaller than f' ; the converse will be the case if a particular measure applies to a few products in a large number of groups. A simple example from one of the countries, Thailand, in which tariff line and

broader category measures are available for the same year, can be used to illustrate this point: In 1997 Thailand applied non-automatic licensing on a total of 25 product categories, involving 713 tariff lines. In this case, $f = 26\%$ while $f^1 = 14\%$. For the same year, Thailand's prohibitions were concentrated in 6 product categories involving 613 tariff lines. In this case $f = 6\%$ while $f^1 = 12\%$.

An effort was made to complement the TPR analysis of non tariff measures with data obtained from the UNCTAD, TRAINS data base, which permit the calculation of frequency ratios (f) at the tariff line level. The TRAINS data are available for a fewer number of countries (22), and only in six cases was information available for the same country over a period of time. The f^1 ratios for similar non-tariff measures as those calculated from the TPRs but based on tariff line data from TRAINS are shown in Appendix Table A-2. Comparison with Table 8 suggests that there is a pretty good correlation between the frequency ratios in countries which, either apply non-tariff measures on just a few products or those that apply them on a very large number of products; but there appears to be little correlation between the two frequency measures for countries in between.

On the other hand, when looking at the evolution of frequency ratios over time, frequency ratios for Chile, Colombia and Thailand are shown to increase from the first period to the second, while they are shown to decline for the same countries using the TPR information. On closer investigation however, it appears that the reason for the increase, is the introduction in all three countries of licensing and/or prohibitions for the importation of products which are either hazardous (radioactive materials and the like) and/or protected under environmental conventions (tropical wood and articles thereof); and there is no record in the TPR of any changes in the commercial policy of the countries involved affecting these products. While an effort was made to exclude from consideration in the TPRs of all products in which licensing and prohibitions imposed for safety and environmental reasons, it was not possible to check all the TRAINS data in order to determine the extent to which they included restrictions for this purpose. As a consequence the TRAINS data cannot be readily compared with the data obtained from the TPRs; and

were used only for general reference purposes, as well as in the construction of the estimates for NTMs at the HS-2 level for of India—as the information contained in the TPRs for India was inadequate for that purpose.

Finally, it should be noted that the frequency ratios employed assume that the measure taken applies to all transactions involving that tariff line or product group and is not limited to transactions with one country or group of countries. This is not a major weakness in the set of measures being considered because, unlike most trade remedies (anti-dumping, countervailing) measures included here are almost always applied to imports from all sources.²⁵

²⁵There are a few exceptions: For example, Korea applied tariff quotas on certain items only against imports from Japan; and similarly for Cyprus against the EU. The measures applied by these countries were included in the calculated frequencies, as at the time they affected trade with a major partner. On the other hand, several countries impose total embargoes on imports from certain countries for political reasons—for example a number of Arab states against Israel. These embargoes were ignored in the calculations.

Table A-1
TPR Country Coverage

Country	GATT TPR	WTO TPR
Argentina	1992	1999*
Bangladesh	1992	
Benin		1998
Brazil	1993	1997
Bolivia	1993	
Cameroon	1995	
Chile	1991	1997
Colombia	1990	1997
Costa Rica		1995
Côte d'Ivoire		1995
Cyprus		1997
Dominican Republic		1996
Egypt	1993	
El Salvador		1996
Fiji		1997
Ghana	1992	
Hong Kong, China	1990	1994,1999*
India	1993	1997
Indonesia	1991	1994,1999*
Kenya	1994	
Korea	1992	1996
Malaysia	1993	1998
Mauritius		1996
Mexico	1993	1998
Morocco	1990	1996
Nigeria	1991	1999*
Pakistan	1995	
Paraguay		1997
Peru	1994	
Philippines	1993	
Senegal	1994	
Singapore	1992	1996
S. Africa/SACU	1993	1998
Sri Lanka		1995
Thailand	1991	1995
Tunisia	1994	
Turkey	1994	1999*
Uganda		1995
Uruguay	1992	1999*
Venezuela		1996
Zambia		1996
Zimbabwe	1995	

Explanation :

*The year refers to the date of TPR publication actual or forthcoming, not the year when the Review was undertaken. In the cases of Cameroon, Pakistan, Zimbabwe, 1994 GATT reviews were published in 1995.

Source. GATT, TPR; WTO, TPR.

Table A-2
Non Tariff Measures in Developing Countries
Frequencies in % of Total Tariff Lines for Each Measure, 1989-1997

COUNTRY	Non-Automatic Licensing		Prohibitions		Quotas		Foreign Exchange Restraints		Import Monitoring		Administered Pricing	
	1989-94	1995-97	1989-94	1995-97	1989-94	1995-97	1989-94	1995-97	1989-94	1995-97	1989-94	1995-97
Argentina	5.6%	...	1.7%	...	0.5%	...		...	0.3%	...	0.1%	...
Bangladesh	3.7%	...	7.6%	...		...		...		...		...
Brazil	8.1%	...	2.6%	...		...		...		...	1.3%	...
Cameroon	1.0%	...	0.3%	...		...		...		...		...
Chile	10.1%	10.3%	0.9%	2.6%		...		...		...	0.5%	0.8%
Colombia	3.0%	8.4%		0.9%	0.0%	...		...		...		5.4%
Hong Kong, China	4.8%	4.8%			0.4%	0.4%		...	16.0%	16.0%	6.4%	6.4%
India	75.1%	44.6%	2.1%	3.7%		...		...		...		...
Indonesia	13.9%	3.0%	0.6%	0.5%	2.0%	...		...		...		...
Malaysia	13.8%	...	2.5%	...		...		...		...		...
Mexico	11.5%	...	4.3%	...	0.5%	...		...		...		...
Morocco	...	14.1%	...	1.0%	...	...		...		...		9.3%
Philippines	33.0%	...	2.7%	...	1.9%	...	23.0%	...		...		...
South Africa		...		...		...		...		...	32.6%	...
Sri Lanka	...	4.0%	...	...		...		...		...		...
Thailand	19.3%	14.2%	6.5%	12.2%		...		...		2.8%		...
Tunisia	5.6%	...		...		...		...		...	5.9%	...
Uruguay	16.1%	...	1.6%	...		...		...		...		...
Average												

Explanation :
... :Not available
Blank means zero

Source: UNCTAD, TRAINS

Table A-3
Non-Tariff Measures
 (by HS 2 Category in number of Countries Using Measure, 1989-1998)

HS2	Non automatic Licensing		Prohibitions		Quotas		Tariff Quotas		Variable Levies / Administered Pricing	
	1989-94	1995-98	1989-94	1995-98	1989-94	1995-98	1989-94	1995-98	1989-94	1995-98
I LIVE ANIMALS; ANIMAL PRODUCTS										
1	11	4	4	1	2	0	1	2	0	0
2	12	5	5	1	0	0	0	4	1	1
3	11	4	2	1	0	0	1	0	0	1
4	14	6	2	1	1	0	0	6	3	2
5	10	2	1	0	0	0	0	1	1	0
II VEGETABLE PRODUCTS										
6	8	3	0	0	0	0	0	0	0	0
7	14	8	3	1	3	1	1	6	0	1
8	14	3	2	0	1	1	1	3	0	0
9	12	7	3	1	1	1	0	6	0	0
10	17	13	2	2	4	1	0	4	3	3
11	10	9	0	2	0	1	0	2	3	2
12	13	5	2	3	2	0	1	3	1	2
13	6	1	0	0	0	0	0	0	0	0
14	3	1	1	0	0	0	0	0	0	0
III ANIMAL OR VEGETABLE FATS AND OILS										
15	13	5	4	2	0	0	0	3	1	4
IV PREPARED FOODSTUFFS; BEVERAGES; SPIRITS AND VINEGAR; TOBACCO AND MANUFACTURES										
16	9	1	1	0	0	0	0	0	0	0
17	15	6	2	3	1	3	1	3	3	3
18	9	1	1	1	1	0	0	1	0	0
19	8	3	1	0	0	0	0	1	1	1
20	7	3	0	0	1	0	0	0	0	1
21	6	2	1	0	0	0	0	2	0	0
22	10	7	6	1	0	0	1	2	2	1
23	9	4	1	0	0	0	0	1	1	1
24	11	4	4	1	0	1	0	2	1	0
V MINERAL PRODUCTS										
25	9	6	2	4	0	0	0	1	0	0
26	7	4	0	0	0	0	0	0	0	0
27	14	12	1	1	0	0	1	1	0	0
VI PRODUCTS OF THE CHEMICAL OR ALLIED INDUSTRIES										
28	5	5	1	0	0	0	1	3	2	0
29	8	5	3	1	0	0	1	1	1	0
30	6	2	1	1	0	0	0	0	0	0
31	9	3	0	0	0	0	0	2	0	0
32	4	1	2	0	0	0	1	1	0	0
33	3	3	1	0	0	0	0	0	0	0
34	5	1	2	1	0	0	0	0	0	0
35	3	1	2	0	0	0	0	0	0	0
36	4	5	1	0	0	0	0	1	0	0
37	4	2	0	0	0	0	0	0	1	0
38	6	2	1	1	0	0	0	0	0	0
VII PLASTICS AND ARTICLES THEREOF; RUBBER AND ARTICLES THEREOF										
39	7	3	2	1	0	0	1	0	1	0
40	5	7	1	3	0	1	1	1	2	1
VIII RAW HIDES AND SKINS; LEATHER; FURSKINS AND ARTICLES THEREOF										
41	4	0	0	0	0	0	1	0	0	0
42	5	1	1	0	0	0	0	0	0	0
43	3	1	1	0	0	0	0	0	0	0
IX WOOD AND ARTICLES OF WOOD PLAITING MATERIALS; BASKETWARE AND WICKERWORK										
44	8	3	2	2	0	0	1	2	1	0
45	1	1	0	0	0	0	1	0	0	0
46	3	1	0	0	0	0	0	0	0	0
Total Countries	29	30	29	30	29	30	29	30	29	30

HS2	Non automatic Licensing		Prohibitions		Quotas		Tariff Quotas		Variable Levies / Administered Pricing	
	1989-94	1995-98	1989-94	1995-98	1989-94	1995-98	1989-94	1995-98	1989-94	1995-98
X WOOD PULP AND PAPER.										
47	4	1	0	0	0	0	0	0	1	0
48	8	2	2	1	0	0	1	2	2	0
49	7	1	1	0	0	0	0	0	0	0
XI TEXTILES AND TEXTILE ARTICLES										
50	6	3	3	0	1	0	1	1	0	0
51	5	3	2	0	0	0	1	0	2	0
52	8	2	4	0	0	0	1	1	1	0
53	9	3	2	1	0	0	1	0	1	0
54	7	1	2	0	0	0	0	1	0	0
55	8	2	3	0	0	0	0	1	2	0
56	8	2	3	0	0	1	0	0	2	0
57	3	1	3	0	0	1	0	0	2	0
58	6	1	3	0	0	1	0	1	2	0
59	5	1	2	0	0	1	0	0	2	0
60	6	1	3	0	0	1	0	0	1	0
61	7	1	3	0	0	2	0	1	2	0
62	7	1	3	0	0	2	0	0	2	0
63	11	7	4	2	0	1	0	1	2	0
XII FOOTWEAR, HEADGEAR, UMBRELLAS										
64	5	1	2	0	0	0	0	1	1	0
65	4	1	0	0	0	0	0	0	0	0
66	4	1	1	0	0	0	0	0	0	0
67	3	1	0	0	0	0	0	0	0	0
XIII ARTICLES OF STONE, PLASTER, CEMENT, ASBESTOS, GLASS AND GLASSWARE										
68	4	2	4	1	0	0	0	0	0	0
69	3	1	2	0	0	0	0	1	1	0
70	7	2	2	0	0	0	1	0	1	0
XIV NATURAL OR CULTURED PEARLS, PRECIOUS OR SEMI-PRECIOUS STONES, PRECIOUS METALS										
71	10	5	1	0	0	0	0	0	0	0
XV BASE METALS AND ARTICLES OF BASE METAL										
72	6	3	0	2	1	0	1	1	1	0
73	6	2	2	1	0	0	1	1	2	0
74	4	3	0	1	0	0	1	1	0	0
75	4	2	0	0	0	0	0	0	0	0
76	5	2	0	0	0	0	0	2	1	0
78	3	2	0	0	0	0	1	0	1	0
79	4	2	0	0	0	0	0	0	0	0
80	4	2	0	1	0	0	0	1	0	0
81	4	2	0	1	0	0	0	0	0	0
82	9	3	2	0	0	0	0	0	1	0
83	5	1	1	0	0	0	0	2	1	0
XVI MACHINERY AND MECHANICAL APPLIANCES; ELECTRICAL EQUIPMENT AND PARTS THEREOF										
84	11	6	3	3	0	0	0	1	2	0
85	15	7	4	1	0	0	0	1	2	0
XVII MOTOR VEHICLES, AIRCRAFT, AND OTHER TRANSPORT EQUIPMENT										
86	5	1	0	0	1	0	0	0	0	0
87	13	9	4	7	3	2	0	0	3	0
88	5	2	0	0	1	0	0	0	1	0
89	5	1	3	0	0	0	0	1	0	0
XVIII OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC INSTRUMENTS & APPARATUS; CLOCKS & WATCHES.										
90	7	3	3	0	0	0	0	0	0	0
91	3	1	0	0	0	0	0	0	0	0
92	4	0	0	0	0	0	0	0	0	0
XIX ARMS AND AMMUNITION AND PARTS AND ACCESSORIES THEREOF										
93	6	1	1	0	1	0	0	1	0	0
XX MISCELLANEOUS MANUFACTURED ARTICLES										
94	2	2	2	0	0	0	0	0	0	0
95	6	3	2	1	0	0	0	0	0	0
96	3	1	3	0	0	0	0	0	1	0

HS2	Non automatic Licensing		Prohibitions		Quotas		Tariff Quotas		Variable Levies / Administered Pricing	
	1989-94	1995-98	1989-94	1995-98	1989-94	1995-98	1989-94	1995-98	1989-94	1995-98
XXI WORKS OF ART, COLLECTORS' PIECES AND ANTIQUES										
97	3	1	0	0	0	0	0	0	0	0
Total countries	29	30	29	30	29	30	29	30	29	30

Source: GATT, TPR ; WTO, TPR.

Table A-4
Developing Countries Trade Policies Affecting Exports
(by HS Categories in number of Countries Measure)

HS2	Export Levies		Minimum Export Prices		Export Licensing		Export Prohibitions		Export Quotas	
	1989-94	1995-98	1989-94	1995-98	1989-94	1995-98	1989-94	1995-98	1989-94	1994-98
I LIVE ANIMALS; ANIMAL PRODUCTS										
1	4	3	2	0	9	6	5	0	1	1
2	1	1	0	0	4	1	1	1	2	1
3	1	1	2	0	6	3	0	2	1	1
4	3	1	0	0	5	3	4	1	0	1
5	1	2	0	1	4	1	0	2	0	0
II VEGETABLE PRODUCTS										
6	0	1	0	0	3	0	0	0	0	0
7	2	0	0	0	6	2	3	0	0	0
8	4	3	2	2	5	2	2	2	2	1
9	4	7	2	3	7	4	1	0	1	6
10	2	0	1	0	6	8	3	0	2	1
11	2	1	1	0	2	2	0	1	0	1
12	4	2	3	1	5	5	3	1	2	0
13	1	2	0	0	2	0	0	1	0	0
14	2	2	0	0	2	1	1	0	1	0
III ANIMAL OR VEGETABLE FATS AND OILS.										
15	0	3	1	1	3	3	1	2	2	0
IV PREPARED FOODSTUFFS; BEVERAGES; SPIRITS AND VINEGAR; TOBACCO AND MANUFACTURES.										
16	0	0	1	0	3	1	0	0	0	0
17	1	4	0	0	7	10	0	0	2	1
18	1	4	2	1	3	1	0	0	1	2
19	0	0	0	0	5	1	0	0	1	1
20	0	1	0	0	3	1	0	0	1	0
21	0	1	0	0	1	2	0	0	0	0
22	0	1	0	0	2	3	0	0	0	0
23	1	0	1	1	3	1	1	1	1	0
24	1	0	0	0	1	0	0	0	0	0
V MINERAL PRODUCTS										
25	2	2	1	2	6	2	1	1	0	0
26	0	1	0	0	6	6	0	0	1	1
27	3	5	1	2	13	5	1	2	1	1
VI PRODUCTS OF THE CHEMICAL OR ALLIED INDUSTRIES										
28	1	1	0	0	1	2	0	0	0	0
29	0	0	0	0	1	0	0	0	0	0
30	0	1	0	0	1	1	0	1	1	0
31	1	0	0	0	4	4	0	1	0	0
32	1	0	0	0	0	0	0	0	0	0
33	0	1	0	0	0	1	0	1	0	0
34	0	0	0	0	1	0	0	0	1	0
35	0	0	0	0	0	0	0	0	0	0
36	0	0	0	0	0	0	0	0	1	0
37	0	0	0	0	3	1	1	0	0	0
38	0	1	0	0	2	1	0	0	0	0

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