UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

G20 POLICIES AND EXPORT PERFORMANCE OF LEAST DEVELOPED COUNTRIES

POLICY ISSUES IN INTERNATIONAL TRADE AND COMMODITIES
RESEARCH STUDY SERIES No. 75

UNITED NATIONS

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

POLICY ISSUES IN INTERNATIONAL TRADE AND COMMODITIES
RESEARCH STUDY SERIES No. 75

G20 POLICIES AND EXPORT PERFORMANCE OF LEAST DEVELOPED COUNTRIES

by

Alessandro Nicita
and
Julia Seiermann

UNCTAD, Geneva

UNITED NATIONS

New York and Geneva, 2016

Note

The purpose of studies under the *Research Study Series* is to analyse policy issues and to stimulate discussions in the area of international trade and development. The *Series* includes studies by UNCTAD staff and by distinguished researchers from other organizations and academia.

The opinions expressed in this research study are those of the authors and are not to be taken as the official views of the UNCTAD secretariat or its member States. The studies published under the *Research Study Series* are read anonymously by at least one referee. Comments by referees are taken into account before the publication of studies.

The designations employed and the presentation of the material do not imply the expression of any opinion on the part of the United Nations concerning the legal status of any country, territory, city or area, or of authorities or concerning the delimitation of its frontiers or boundaries.

Comments on this paper are invited and may be addressed to the author, c/o the Publications Assistant, Trade Analysis Branch (TAB), Division on International Trade in Goods and Services, and Commodities (DITC), United Nations Conference on Trade and Development (UNCTAD), Palais des Nations, CH-1211 Geneva 10, Switzerland; e-mail: tab@unctad.org; fax no: +41 22 917 0044. Copies of studies under the *Research Study Series* may also be obtained from this address.

Studies under the *Research Study Series* are available on the UNCTAD website at http://unctad.org/tab.

Series Editor:
Chief
Trade Analysis Branch
DITC/UNCTAD

UNCTAD/ITCD/TAB/77

UNITED NATIONS PUBLICATION

ISSN 1607-8291

Abstract

The Sustainable Development Goal (SDG) on strengthening the means of implementation and revitalizing the global partnership for sustainable development has reiterated the commitment to significantly increase the exports of Least Developed Countries (LDCs). LDC exports potential depends on several factors, one of which is access to major markets. This study provides an overview and analysis of G20 trade policies, in particular tariffs and non-tariff measures, and provides suggestions on how they could be improved to increase the export competitiveness of LDCs. It finds that G20 tariffs remain restrictive in several sectors of importance for LDCs. More importantly, the results indicate that the G20 countries' regulatory frameworks and the corresponding non-tariff measures (NTMs) alter relative competitiveness to the advantage of exporters that are capable of efficient compliance with NTMs, therefore penalizing exports originating in LDCs. In terms of achieving SDG, the findings of this study indicate that tariff preferences should be seen as part of the approach to increase LDCs exports. However, tariff preferences alone are not sufficient, as they would produce meaningful effects only for a limited number of LDCs. Better market access through the facilitation of compliance with G20 regulatory frameworks would be essential to increase exports from LDCs. The impact of providing LDCs with truly tariff-free market access to the G20 is quantified in an increase of exports of almost 10 billion US$, while eliminating the distortionary trade effects of NTMs would increase LDC exports to G20 countries by about 23 billion US$. Taken together LDC total exports would increase by almost 15 per cent. While extending preferential schemes to cover 100 per cent of products and all G20 members would be straightforward, reducing the distortionary trade effects of NTMs requires a much more complex approach. In this regard, further progress in Aid for Trade initiatives and increases in technical assistance programmes, both on bilateral and multilateral levels, to help minimize LDCs' costs of compliance with NTMs would be essential to facilitate the integration of LDCs in the global economy.

Keywords: International trade; Tariffs; Non-Tariff Measures; Comparative Advantage; Least Developed countries.

JEL Classification: F13, O24

Acknowledgements

We are grateful to Marco Fugazza, Christian Knebel, Denise Penello Rial, Ralf Peters and Giovanni Valensisi for comments and suggestions.

This paper represents the personal views of the authors only and not the views of the UNCTAD secretariat or its member States. The authors accept sole responsibility for any errors remaining.

Contents

List of figures

List of tables

1. INTRODUCTION

The Sustainable Development Goal (SDG) on strengthening the means of implementation and revitalizing the global partnership for sustainable development has reiterated the commitment to significantly increase the exports of Least Developed Countries (LDCs). Target 17.11 aims to double LDCs' global export share by 2020 (Target 17.11). Cooperation in the area of trade for economic development dates back to the creation of UNCTAD in 1964 and was a major point of the WTO Doha Development Round in 2001. The Doha Round Declaration stated that a central goal of the negotiations was “to improve the trading prospects and to ensure that developing countries, and especially the least-developed among them, secure a share in the growth of world trade commensurate with the needs of their economic development”. More recently, the commitment to help LDCs with regard to market access was formally reinstated at the end of 2015 in the Tenth WTO Ministerial Conference Declaration, which stated that WTO members strongly commit to addressing the marginalization of LDCs in international trade and will contribute to improve their effective participation in the multilateral trading system. The argument behind helping LDCs to increase their exports is that a stronger integration of their economies with international markets would benefit LDCs by providing resources for facilitating the implementation of the other Sustainable Development Goals.

SDG Target 17.11 identifies a persistent problem of many of the weaker economies: the generally low level of integration with international markets. Although LDCs represent around 12 per cent of the world's population, their exports only amount to about one per cent of global exports. Moreover, LDCs' international integration as measured by trade over GDP is about 22 per cent, significantly below the average for developing countries of about 35 per cent. The causes behind the limited participation of LDCs in world trade are complex and related to productive capacity, trade costs, and market access. With regard to productive capacity and trade costs, LDCs' weaker economies, domestic constraints, geographic isolation and unfavourable endowments make it relatively more difficult for them to access and effectively compete in international markets. With regard to market access, the issues are complex as well. On one hand, the international community has developed a number of initiatives facilitating market access for LDCs, so as to better integrate them in the international trading system. On the other hand, market access is increasingly determined by regulatory and technical requirements including those stemming from non-trade objectives related to health and environmental protection (Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBT)) which may impose an additional burden on LDCs (UNCTAD, 2012; Henson and Jaffee, 2008).

This study provides an overview and analysis of G20 trade policies, in particular tariffs and non-tariff measures[1], and provides suggestions on how they could be improved to increase the export competitiveness of LDCs.[2] It finds that G20 tariffs remain restrictive in several sectors of importance for LDCs, in particular textiles, apparel and agricultural products. More importantly, the results indicate that the G20 regulatory frameworks and the corresponding non-tariff measures (NTMs) alter relative competitiveness to the advantage of exporters that are capable of efficient compliance with NTMs, rather than exports originating in LDCs.