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KEY STATISTICS AND TRENDS in Trade Policy

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Note

This study is a product of the Trade Analysis Branch, Division on International Trade in Goods and Services, and Commodities (DITC), UNCTAD Secretariat. It is part of a larger effort by UNCTAD to analyze trade-related issues of particular importance for developing countries, as requested by the Doha Mandate of UNCTAD XIII. Christina Bodouroglou and Alessandro Nicita contributed to this study.

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Introductory note

The purpose of this study is to provide some a snapshot on policies affecting international trade over the recent and medium-term period. It is intended as a regular monitoring exercise so as to provide interested readers with informative data and analysis on a regular basis.

The study is organized in several sections. The first part presents statistics related to tariffs. The second part focuses on preferential margins. The third section presents data related to tariff policy space. The fourth section illustrates selected statistics related to preferential trade agreements. The fifth part presents new data on non-tariff measures, and it is followed by a section on trade defence measures. The final section presents statistics on the exchange rate. All trade policy statistics presented here apply only on goods (merchandise). Trade policies related to services are not included in any of the statistics presented here.

All statistics have been computed by the UNCTAD secretariat and rely on underlining data from various data sources. Raw data on tariffs and non-tariff measures originates from UNCTAD TRAINS database. Trade data to compute weighted averages is from UN COMTRADE. Raw data on bound tariffs is from the WTO tariff data base. Data on trade defence measure is from the World Bank Temporary Trade Barriers database. Data related to preferential trade agreements, is derived from various databases including the WTO regional trade agreement gateway, the World Bank global preferential agreement database, the NSF-Kellogg Institute Database on Economic Integration Agreements and the J. De Sousa database on preferential agreements. Yearly exchange rate data and other macro level data used in the figures originate from UNCTADSTAT. Monthly exchange rate data used to compute volatility indices is sourced from Bloomberg. The underlining tariff data is at the HS-6 digit level. The data has been standardized to assure time and cross country comparison. Data covers more than 150 countries representing more than 95 per cent of world trade. Data on non-tariff measures is available only for about 40 countries and therefore may not be representative of world trade.

For the purpose of this study, countries are categorized by geographic region and distinguished between developed and developing countries. Major developing economies comprise those commonly categorized as such in UNCTAD statistics. Transition Economies, when not treated as a single group, are included in the broad aggregate of developing countries. Following the Broad Economic Categories (BEC) classification, international trade is classified into four major economic categories, depending on the stage of processing and use; namely, primary, intermediate, consumer and capital products. Product sectors are categorized according to the International Standard Industrial Classification (ISIC) augmented by five broad agricultural sectors based on the Harmonized System classification (HS).

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Overview

The last decade has seen the process of global tariff liberalization continue largely unabated. Developed countries further reduced tariffs or maintained these at the very low levels of 2002, while the vast majority of developing countries reduced their tariffs, in some cases quite substantially. Tariff liberalization occurred to a greater extent in the pre-crisis period (2002-2007), with the average level of developing country tariff falling by almost 5 per cent. Since 2008 tariff liberalization has continued, but at a slower pace. In 2012, with the exception of some countries mainly in Sub-Saharan Africa, the average tariffs applied by developing countries on imported goods has generally been lower than 10 per cent. Overall, the average tariff on world trade in 2012 was about 2 per cent.

Tariff liberalization has proceeded at all levels: multilaterally, regionally, bilaterally and unilaterally. Many countries have reduced most favoured nation (MFN) tariffs, while the proliferation of preferential trade agreements (PTAs)[1] has contributed to further reducing applied tariffs. By 2012 almost 40 percent of international trade was fully liberalized under MFN terms, with an additional 35 percent free because of preferential regimes.

Despite a significant portion of international trade being duty-free under MFN and preferential rates, the remaining share is often subject to substantial tariffs. Relatively high tariffs remain in place in sensitive sectors and tariff peaks are present in many countries' tariff schedules. Tariff escalation is still widespread as tariffs on consumer products have not been substantially liberalized and remain much higher than those on primary or intermediates products. In addition, tariffs are on average still relatively high in sectors of key interest for low income countries including agriculture, apparel, textiles and tanning/leather products.

The overall trend of declining tariffs has also been a reflection of the increasing number of PTAs. Indeed, PTAs have greatly contributed to liberalizing and facilitating international trade, often beyond traditional tariff liberalization. However, as the majority of developing countries' PTAs has been regional (or bilateral with developed countries), tariffs remain relatively high for most inter-regional South-South trade. For example, East Asian exports still face average tariffs of more than 10 per cent in many other developing country regions.

The proliferation of PTAs has directly affected the structure and magnitude of preferential margins. Although the competitive gains or losses due to preferences are on average not large, they nevertheless have a substantial distortionary impact, especially with regard to intra-regional trade in some regions. The impact is greater in Latin America where regional trading partners enjoy average preferential margins of about 5 percentage points. For Sub-Saharan African exporters, the effects of the system of preferences, although often beneficial for them versus foreign competitors, are generally small. Distortionary effects due to tariff preferences vary greatly across product and destination markets and can be quite substantial for some bilateral trade flows in specific product groups.

[1] PTAs are referred in this study to all types of preferential trade agreements, including regional trade agreements.

The proliferation of PTAs reflects in a reduction of developing countries' policy space. Although many developing countries maintain substantial policy space within their WTO tariff bindings, their legal ability to raise tariffs further depends on commitments related to PTAs. When PTAs are considered, about half of the tariff water present in WTO commitments disappears.

Although tariffs have declined, international trade is regulated and influenced by a wide array of policies and instruments. These instruments include many forms of non-tariff measures (NTMs) such as quotas, licensing, pre-shipment inspections, imports and export regulations, as well as technical barriers to trade (TBT) and sanitary and phytosanitary measures (SPS). Although available data does not permit calculating accurate trends in their use, SPS and TBT are believed to have become increasingly important. In 2012, technical measures in their various forms regulated about two-thirds of world trade. TBT are particularly pervasive in the case of energy products, textiles, but also with regard to many light manufacturing goods. Forms of SPS are applied to almost the totality of agricultural trade. Technical measures are more often applied by high income countries, their use generally increasing with countries stage of development. Other, non-technical forms of NTMs are also widely used, but more so by lower income countries. On average, non-technical NTMs such as quantity and price measures still affect about 25 per cent of world trade.

Over the past few years there has been an increase in the use of trade defence measures within the WTO framework (antidumping, countervailing duties and safeguards), especially in relation to the number of cases initiated by emerging developing countries. Trade defence measures have largely aimed at protecting specific sectors (in particular, chemicals, basic metals and textiles, but also agriculture) against imports from selected countries (in particular East Asia).

The economic turbulence of the last few years has been reflected in exchange rate markets, both for developing and developed countries' currencies. Exchange rates movements and volatility have played an important role in shaping international trade in the post crisis period as they influenced countries' external competitiveness. External competitiveness as measured by the real effective exchange rate has deteriorated in the majority of developing countries since 2007. This trend was also substantiated by the overall appreciation of many developing countries' currencies versus the US dollar. With regard to East Asian currencies, the appreciation of their effective exchange rate was much less pronounced than that vis-à-vis the US dollar.

1. *Tariffs*

During the last 10 years tariffs on international trade flows have been further reduced. As of 2012, the average tariff applied on imports is less than 1 per cent in developed countries and averages between 4 and 10 per cent in developing countries regions. Lower import tariffs are mirrored by more liberal market access conditions, especially for developing countries. In 2012, the average tariff faced by exports ranged from 1 per cent for Latin America to about 3.5 for South Asia.

Figure 1 – Average Import and Export Restrictiveness, by Region

(a) **(b)**

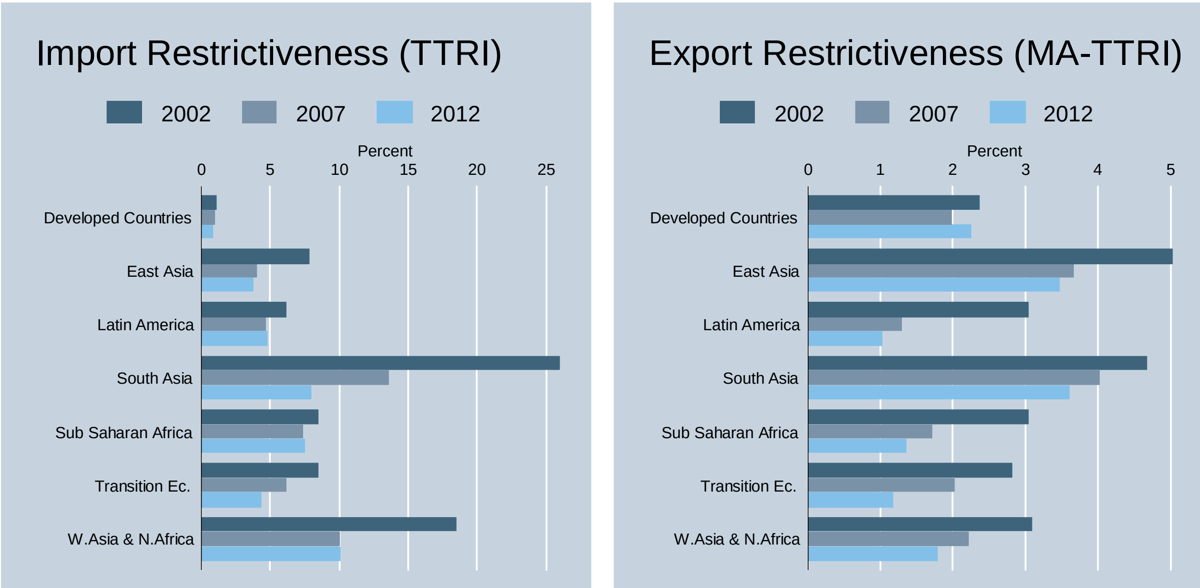

Figure 1a portrays the tariff trade restrictiveness index (TTRI) which serves as an indicator summarizing the trade policy stance of a country. The TTRI calculates the uniform tariff that will keep a country's overall imports at the current level when the country in fact has different tariffs for different goods. The market access counterpart (MA-TTRI) summarizes the same concept but for the case of exports (Figure 1b). Both indices are calculated on the basis of applied tariffs, including tariff preferences. During the last decade TTRI and MA-TTRI have on average declined. During the last decade tariffs generally did not create large restrictions on access to developed countries' markets. Nevertheless, despite a declining trend, developing country tariffs in many cases remain quite trade restrictive. Tariff restrictiveness is relatively higher in West Asia and North Africa (10