



KEY STATISTICS AND TRENDS in Trade Policy 2021



The Regional Comprehensive Economic Partnership Tariff Concessions





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NOTE

Key Statistics and Trends in Trade Policy is a yearly publication of the Trade Analysis Branch, Division on International Trade and Commodities, UNCTAD secretariat. The main purpose of this publication is to inform on the use and effects of a wide range of trade policies influencing international trade.

The series is part of a larger effort by UNCTAD to analyse trade-related issues of particular importance to developing countries in terms of their participation in the international trading system, as requested by the mandate of the fourteenth session of the United Nations Conference on Trade and Development. This study was prepared by Alessandro Nicita.

OVERVIEW

International trade is subject to and influenced by a wide array of policies and instruments. Technical measures and requirements regulate about two thirds of world trade, while various forms of sanitary and phytosanitary measures (SPS) are applied to almost all agricultural products. Border measures contribute substantially to trade costs. On average the compliance costs of such measures are generally higher than tariffs. The World Trade Organization (WTO) remains an important arbiter of trade disputes, however the past few years have seen a general decrease in the number of trade defence investigations brought to the WTO. As of 2020, there is a large number of trade defence measure in force, most of them by developed countries and major emerging economies.

With the notable exception of the increase in bilateral tariffs between the United States of America and China, tariffs have remained substantially stable during the last few years with tariff protection remaining a significant factor in some sectors and markets. Tariffs have been marginally reduced in some of the sectors as to facilitate trade of products related to the COVID-19 pandemic.

As of 2020, trade costs directly related to tariffs were at about 2 per cent for developed countries' and at about 4 per cent for developing countries. Tariff restrictiveness remains substantial in many developing countries, especially in South Asian and African countries. Moreover, tariffs remain relatively high in some sectors where tariff peaks are present. Those sectors include some of key interest to low-income countries such as agriculture, apparel, textiles and leather products. Tariffs also remain substantial for most South–South trade.

The process of deeper economic integration has remained strong at the regional and bilateral levels, with an increasing number of preferential trade agreements (PTAs) being negotiated and implemented. Most of the recent PTAs address not only goods but also services and increasingly deal with rules beyond reciprocal tariff concessions to cover a wide range of behind the border issues. As of 2020, about half of world trade has occurred under some form of PTA. While the COVID-19 pandemic has severely disrupted international trade, trade under deep trade agreements has been relatively more resilient, increasing the share of trade under deep PTA further in 2020.

This report is structured in two parts. The first part provides a discussion and statistics on the tariff concessions of the Regional Comprehensive Economic Partnership. The second part presents and discusses trends in selected trade policy instruments, including illustrative statistics. The second part is divided into four chapters: tariffs, trade agreements, non-tariff measures and trade defence measures. Trade trends and statistics are provided at various levels of aggregation illustrating the use of the trade policy measures across economic sectors and geographic regions.

DATA SOURCES

All statistics in this publication have been produced by the UNCTAD secretariat by using data from various sources. Data on tariffs and non-tariff measures originate from the UNCTAD Trade Analysis and Information System (TRAINS) database (<http://trains.unctad.org/>), while data on bound tariffs derive from the WTO's Consolidated Tariff Schedules database (<tdf.wto.org>). Trade data are from the United Nations Commodity Trade Statistics Database (COMTRADE; <comtrade.un.org>). Data on trade defence measures are sourced from the WTO I-TIP (<i-tip.wto.org>). Tariff and trade data are at the Harmonized System 6-digit level and have been standardized to ensure comparability across countries. Data related to preferential trade agreements are derived from various databases, including the WTO regional trade agreement gateway (<rtais.wto.org>) and the World Bank global preferential agreements database (wits.worldbank.org/gptad/trade_database.html). Other macro level data used in the figures originate from UNCTADstat (<unctadstat.unctad.org>). Unless otherwise specified, aggregated data cover more than 160 countries representing over 95 per cent of world trade. Data on non-tariff measures covers around 80 countries, covering about 90 per cent of world trade.

Countries are categorized by geographic region as defined by the United Nations classification (UNSD M49). Developed countries comprise those commonly categorized as such in United Nations statistics. For the purpose of this report, transition economies, when not treated as a single group, are included in the broad aggregate of developing countries. Product sectors are categorized according to the Broad Economic Categories (BEC) and the International Standard Industrial Classification (ISIC). Preferential trade agreements that relate to both goods and services are counted as one. Non-tariff measures are classified according to UNCTAD classification 2019 (https://unctad.org/en/PublicationsLibrary/ditctab2019d5_en.pdf).

Further information relating to the construction of data, statistics, tables and graphs contained in this publication can be made available by contacting tab@unctad.org.

GLOSSARY

- Antidumping:** A trade policy instrument within the WTO framework to rectify the situation arising out of the dumping of goods and its trade distortive effect
- Ad-valorem equivalent:** the conversion in percentage terms of the cost of a trade policy measure not expressed in percentage terms
- Applied tariff:** The actual tariff rate in effect at a country's border (including preferential rates)
- ASEAN:** Association of Southeast Asian Nations is a trade agreement between Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam
- Binding overhang:** The extent to which a country's WTO bound tariff rate exceeds its applied rate
- Bound tariff line:** See tariff binding
- Countervailing duty:** A tariff designed to counteract the effect of export subsidies
- Coverage ratio:** The percentage of trade affected by a measure or set of measures
- Deep trade agreements:** Agreements that include provisions that go beyond reciprocal reductions of tariffs
- Duty-free:** Not subject to import tariffs
- Export restrictiveness:** The average level of tariff restrictions imposed on a country's exports as measured by the MA-TTRI
- Frequency index:** The percentage of tariff lines covered by a measure or set of measures
- GDP:** Gross domestic product
- HS:** Harmonized System – An international system for classifying goods in international trade
- Import restrictiveness:** The average level of tariff restrictions on imports as measured by the TTRI
- LDC:** Least developed country
- MA-TTRI:** Market Access Tariff Trade Restrictiveness index. An index measuring the average level of tariff restrictions imposed on exports
- MFN (most favoured nation) tariff:** The tariff level that a member of the General Agreement on Tariffs and Trade / WTO charges on a good to other members
- NAFTA:** North American Free Trade Agreement
- Nominal exchange rate:** The actual rate at which currencies are exchanged on the exchange market
- NTM:** non-tariff measure – Any policy, other than tariffs, that alters the conditions of international trade
- Preferential scheme:** An arrangement under which countries levy lower (or zero) tariffs against imports from members than outsiders
- PTA:** preferential trade agreement. This includes what WTO refers to as regional trade agreements and also free trade areas, custom unions and common markets.
- RCEP:** Regional Comprehensive Economic Partnership is trade agreement between Australia, Brunei Darussalam, Cambodia, China, Japan, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, the Republic of Korea, Thailand, and Viet Nam.
- RPM:** relative preferential margin – A measure of the preferential margin for a given country relative to foreign competitors

Safeguard: A WTO-compliant import protection policy that permits restricting imports if they cause injury to domestic industry

Shallow trade agreement: Preferential agreements including mainly preferential tariffs

SPS: Sanitary and phytosanitary measures

Tariff binding: A commitment, under the General Agreement on Tariffs and Trade, by a country not to raise the tariff on an item above the specified bound

Tariff escalation: Higher tariffs on processed goods than raw materials from which they are produced

Tariff line: A single item in a country's tariff schedule

Tariff peak: A single tariff or a small group of tariffs that is/are particularly high

Tariff water: See binding overhang.

TBT: Technical barriers to trade

Technical NTM: Non-tariff measure related to SPS and TBT

Trade defence measure: Policies within the WTO framework preventing or correcting injury to domestic industry due to imports

True tariff water: Tariff water that takes into account implicit bindings imposed by PTA obligations

TTRI: Tariff Trade Restrictiveness Index – An index measuring the average level of tariff restrictions imposed on imports

Unbound tariff line: See tariff binding

Weighted average tariff: Average tariffs, weighted by value of imports

WTO: World Trade Organization

IN FOCUS:

THE REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP TARIFF CONCESSIONS

The Regional Comprehensive Economic Partnership (RCEP) is a plurilateral trade agreement between fifteen countries: Australia, Brunei Darussalam, Cambodia, China, Japan, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, the Republic of Korea, Thailand, and Viet Nam. After more than eight years of negotiations, RCEP was signed in November 2020 and entered into force on January 1st 2022.

The RCEP agreement aims to advance regional trade by providing members with better market access conditions and facilitating the flow of goods across borders. RCEP represents a step towards regional integration, especially among the members whose bilateral trade relationships were on a WTO MFN basis and not subject to any free-trade agreement. However, RCEP is expected to improve trade integration among all economies. Importantly, RCEP will include trade relationships among the major economies of China, Japan and Republic of Korea.

Trade agreements between RCEP members

| | Australia | China | Japan | Republic of Korea | New Zealand |
|-------------------|-----------|--------|--------------|-------------------|----------------|
| ASEAN | AANZFTA | ACFTA | AJCEP | AKFTA | AANZFTA |
| Australia | | ChAFTA | JAIPA, CPTPP | KAFTA | ANCERTA, CPTPP |
| China | | | - | CKFTA | NZCFTA |
| Japan | | | | - | CPTPP |
| Republic of Korea | | | | | NZKFTA |

Source: Asia Pacific Trade and Investment Database (ESCAP). Note: AANZFTA is the ASEAN-Australia-New Zealand Free Trade Area (2010); ACFTA is the ASEAN-China Free Trade Area (2003); AJCEP is the ASEAN-Japan Comprehensive Economic Partnership (2008); AKFTA is the ASEAN-Republic of Korea Free Trade Agreement (2007); ChAFTA is the China-Australia Free Trade Agreement (2015); CPTPP is the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (2018), KAFTA is the Republic of Korea-Australia Free Trade Agreement (2014), ANZCERTA is the Australia - New Zealand Closer Economic Relations Trade Agreement (2013), CKFTA is the China-Republic of Korea Free Trade Agreement (2015). NZCFTA is the New Zealand-China Free Trade Agreement (2008), NZKFTA is the New Zealand-Republic of Korea Free Trade Agreement (2015). In parenthesis is the date of entry into force.

The RCEP agreement encompasses several areas of cooperation including tariff concessions, rules of origin, trade facilitation mechanisms and customs procedures. The RCEP tariff concessions eliminate many of the previously existing tariffs resulting in free trade for more than 90 per cent of goods traded within the bloc. However, the RCEP framework allows for significant discretion in the form of postponements (the implementation period is 20 years), exemptions for sensitive and strategic sectors and discrimination across members.

Most tariffs of RCEP members were already low. Still, there are some significant differences among members. Australia, Brunei Darussalam, New Zealand and Singapore have already liberalized all or almost all the trade originating from other RCEP members. On the other hand, tariffs on imports from RCEP members are relatively higher for Cambodia, China, and the Republic of Korea, and substantial also for Japan and Thailand. Across broad economic sectors, the existing level of protection between RCEP members tends to be relatively higher in agriculture while being minor for natural resources. Tariffs are also relatively important in the manufacturing sectors especially for Cambodia, China and the Republic of Korea, each of whose average import tariffs stand above 3 per cent.

Average effectively applied tariffs on intra-RCEP trade excluding concessions.

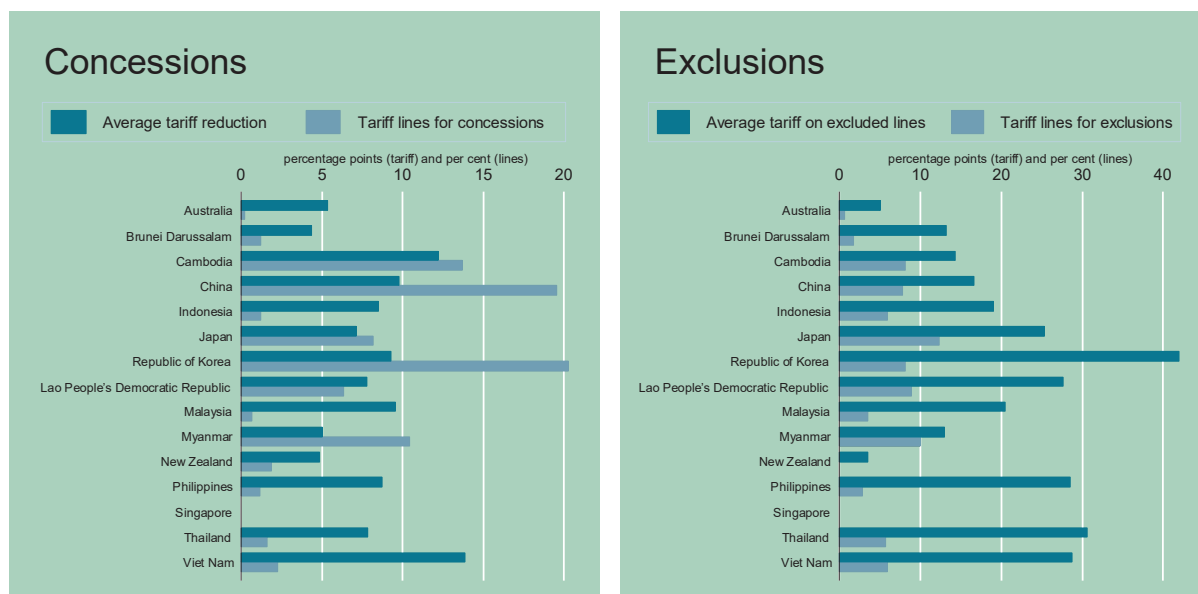
| | Overall | Agriculture | Natural Resources | Manufacturing |
|----------------------------------|---------|-------------|-------------------|---------------|
| Australia | 0.0 | 0.0 | 0.0 | 0.0 |
| Brunei Darussalam | 0.0 | 0.0 | 0.0 | 0.0 |
| Cambodia | 3.3 | 0.6 | 0.0 | 4.0 |
| China | 2.8 | 6.7 | 0.4 | 3.1 |
| Indonesia | 0.9 | 1.0 | 0.0 | 1.0 |
| Japan | 1.7 | 10.2 | 0.0 | 1.2 |
| Lao People's Democratic Republic | 0.2 | 0.2 | 0.0 | 0.2 |
| Myanmar | 0.6 | 0.2 | 0.0 | 0.7 |
| Malaysia | 0.9 | 0.1 | 0.0 | 1.1 |
| New Zealand | 0.0 | 0.0 | 0.0 | 0.0 |
| Philippines | 0.7 | 0.4 | 0.0 | 0.8 |
| Republic of Korea | 4.8 | 44.7 | 0.3 | 3.1 |
| Singapore | 0.0 | 0.0 | 0.0 | 0.0 |
| Thailand | 1.7 | 1.0 | 0.0 | 2.0 |
| Viet Nam | 1.2 | 1.1 | 0.1 | 1.3 |

Source: UNCTAD calculations based on UNCTAD TRAINS.

Under the RCEP framework, trade liberalization will be achieved with gradual tariff reductions allowing for significant exemptions in sensitive and strategic sectors.¹ RCEP tariff concessions aim to ultimately eliminate tariffs on over 90 per cent of goods traded within the bloc. Many tariffs will be abolished immediately while others will be reduced gradually during a 20-year period. Remaining tariffs will be largely limited to strategic sectors, for which many of the RCEP members have opted out from any liberalization commitments.

Tariff concessions vary substantially across RCEP members. In the example of Australia and New Zealand, the percentage of products covered by RCEP tariff concessions is very low, because almost all of these countries' tariffs are already at zero. On the other hand, tariff concessions by China, Japan and the Republic of Korea are larger and wider in coverage because of the relatively higher tariffs they currently apply. On average, RCEP concessions by China and the Republic of Korea cover about 20 per cent of HS 6-digit lines for an average reduction of almost 10 percentage points. Japan's tariff concessions are smaller both in coverage and magnitude than the concession of China and the Republic of Korea. Importantly, the three major economies remained uncommitted to liberalize tariffs on a substantial share of HS 6-digit products (about 9 per cent for China and the Republic of Korea and 12 per cent for Japan). Average tariffs on these products remain substantially high, especially for the Republic of Korea. Concessions made by the ASEAN countries cover a lower number of tariff lines largely because of already liberalized trade. ASEAN tariff concessions are of about the same magnitude for the three major economies. ASEAN members excluded a significant number of lines from any commitments, and relatively more so for the low-income members of ASEAN.

¹ The statistics of ASEAN countries, as well as Australia and New Zealand, are aggregated because their tariff concessions have similar patterns and their bilateral trade has already been largely liberalized.

RCEP tariff concessions, by country


Source: UNCTAD calculation based on the Annex I "Schedules of Tariff Commitments" of the RCEP agreement.

RCEP allows for tariff concessions to discriminate across members. More specifically, while some members' tariff concessions uniformly apply to all members; many RCEP members have decided to substantially vary their level of commitments across trading partners, both in relation to uncommitted products and the magnitude of concessions. Overall, there has been a lower propensity to liberalize the markets for imports originating from the largest economies. In the example of Japan, the percentage of products uncommitted to tariff liberalization is about 14.9 per cent for goods originating from China and about 18.5 per cent for goods originating from the Republic of Korea, while this percentage is lower for exports originating from other members. Similar patterns are found for most of the RCEP members except for Australia and New Zealand which, for their few uncommitted HS 6-digit products, do not discriminate across RCEP members.²

Percentage of bilateral lines remaining uncommitted

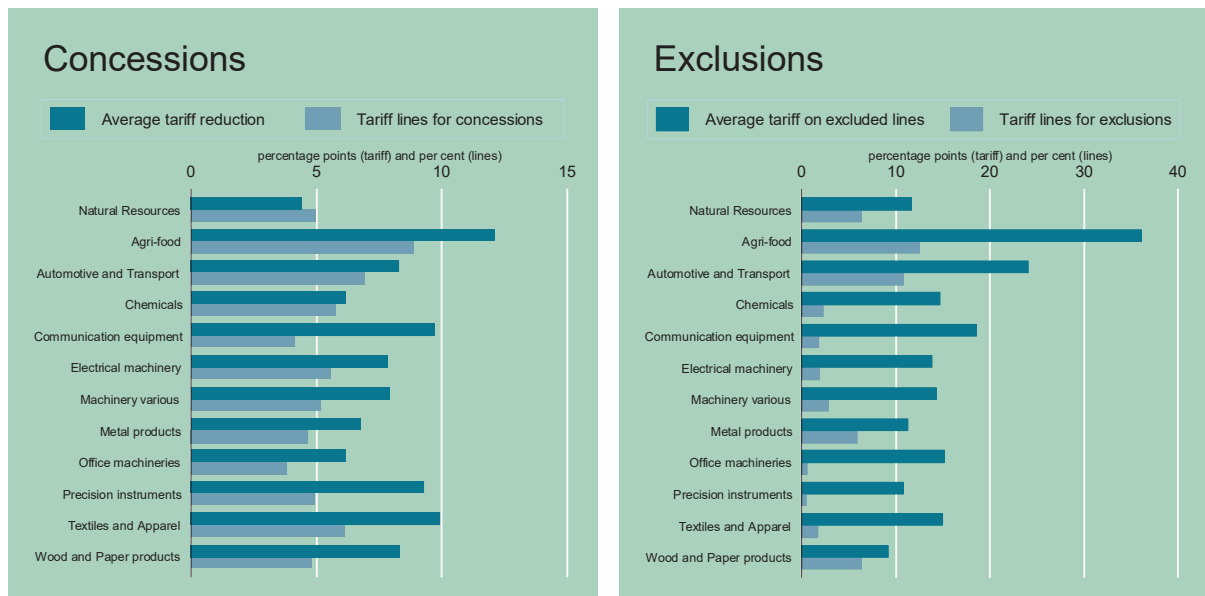
| Importer | Exporter | | | | |
|---------------------------|----------|---------------------------|-------|-------|-------------------|
| | ASEAN | Australia and New Zealand | China | Japan | Republic of Korea |
| ASEAN | | 4.3 | 6.4 | 5.4 | 5.5 |
| Australia and New Zealand | 0.4 | | 0.4 | 0.4 | 0.4 |
| China | 4.1 | 4.5 | | 13.6 | 13.0 |
| Japan | 8.5 | 8.5 | 14.9 | | 18.5 |
| Republic of Korea | 3.6 | 3.8 | 12.9 | 17.0 | |

Source: UNCTAD calculation based on the Annex I "Schedule of Tariff commitments" of the RCEP agreement.

RCEP tariff commitments vary across sectors. Overall, RCEP tariff concessions are present in all economic sectors. RCEP commitments in agriculture are significant as they will result in a tariff reduction of about 12 percentage points in about 8 per cent of products. However, the agri-food sector remains relatively more protected (with about 13 per cent of tariff lines uncommitted).

² Among ASEAN members the tariff concessions of Indonesia, Philippines, Thailand and Viet Nam vary across RCEP members, other ASEAN members have similar concession across RCEP trading partners.

RCEP tariff concessions, by sector



Source: UNCTAD calculation based on the Annex I “Schedule of Tariff commitments” of the RCEP agreement.

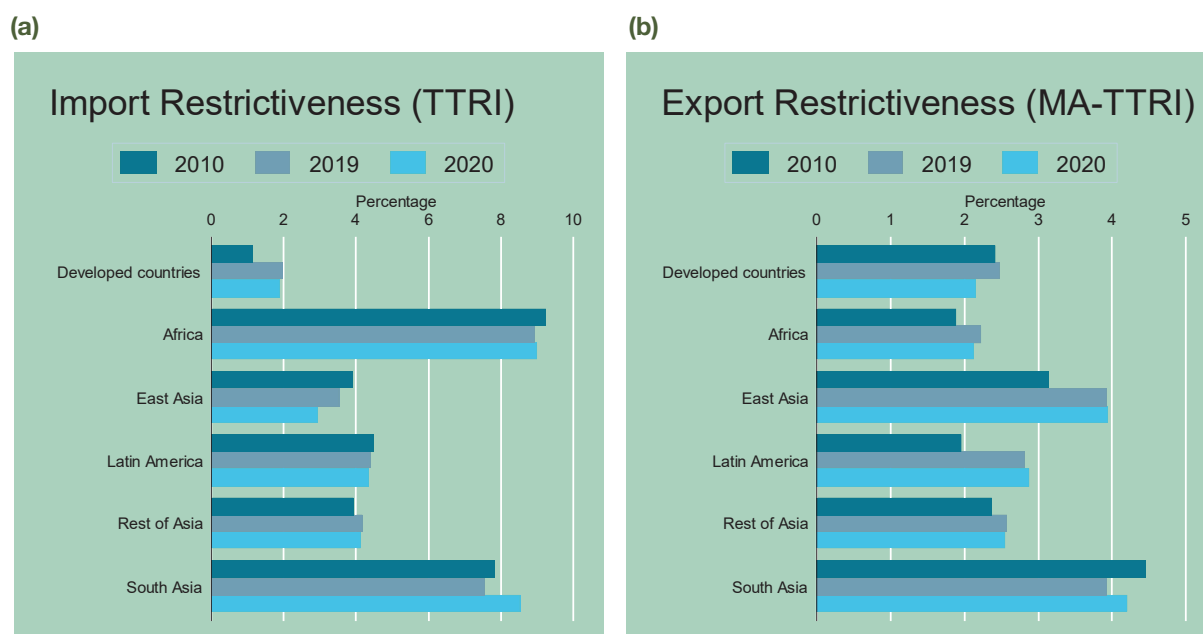
The trade of natural resources among RCEP members was already largely liberalized, with about 90 per cent of HS 6-digit products already facing zero tariffs. Still, RCEP commitments will result in an average reduction of about 5 percentage points in about 5 per cent of natural resource products.

The manufacturing sectors are also largely liberalized, as about 91 per cent of HS 6-digit products in the manufacturing sectors already have a zero tariff. Even so, RCEP further liberalizes the manufacturing sector by bringing an average reduction of about 8 percentage points in the about 5 per cent of tariff lines which have been committed to liberalization. RCEP commitments will leave only 4 per cent of lines uncommitted. Importantly, there is significant variance among manufacturing sectors. RCEP members appear to have been more cautious in committing to tariff reduction in the sectors of basic metals, motor vehicles, and wood and paper products. In the example of the automotive and transport sector, RCEP commitments will reduce tariffs by about 9 percentage points for about 8 per cent of lines. However, the percentage of uncommitted lines stands at about 11 per cent.

1. TARIFFS

Tariffs have remained essentially stable between 2010 and 2020. The notable exception is the rise in tariffs for 2019 and 2020 in developed countries. This is mostly due to the retaliatory tariffs between the United States and China. More broadly, import restrictiveness remains relatively higher in developing countries, especially in South Asia and in Africa. Exporters in East and South Asia face the relatively higher tariffs. The recent increase in tariffs faced by East Asian exports is largely due to United States tariffs on China.

Figure 1
Average import and export restrictiveness, by region



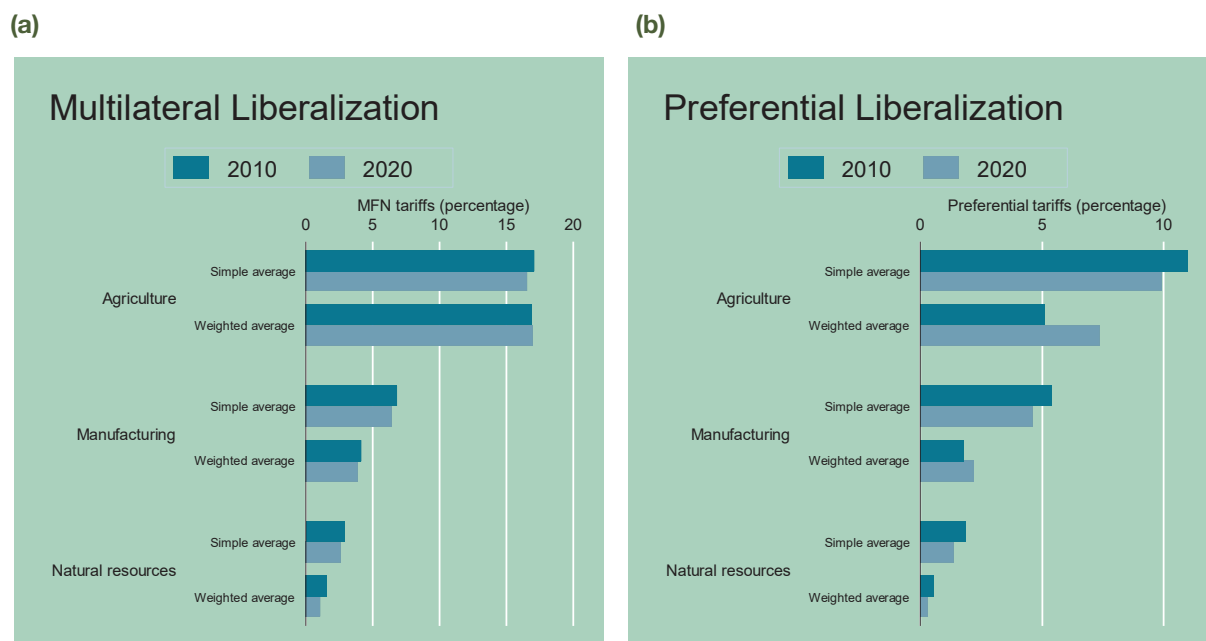
Source: UNCTAD secretariat calculations based on COMTRADE data and UNCTAD TRAINS data.

Figure 1a portrays the tariff trade restrictiveness index (TTRI), which measures the average level of tariff restrictions imposed on imports. The index is weighed so as to control for different import values and import demand elasticities. The market access counterpart (MA-TTRI) summarizes the tariff restrictiveness faced by exports (Figure 1b). Both indices are calculated on the basis of applied tariffs (ad valorem and specific tariffs), including tariff preferences. Multilateral and unilateral liberalization contributed to the decline of tariff restrictions during the last decade. Nevertheless, despite a continuing declining trend, the tariff liberalization process has largely stalled. Notably, during the last two years tariffs have increased in some instances but largely because of the retaliatory tariffs between the United States and China. As 2020, tariff restrictiveness remains substantially higher in developing countries than in developed countries. Among developing countries, import restrictiveness is highest in South Asia and Africa.

Although slightly increasing, African countries face the most liberal market access conditions with an MA-TTRI of about 2 per cent in 2020. This was largely due to unilateral preferences granted by developed countries and an export composition tilted towards natural resources that typically face low tariffs. In contrast, exports from South Asia faced a higher average level of restrictiveness, about 4 per cent. The recent increase in export restrictiveness for East Asia exports is largely because retaliatory tariffs of the United States on China.

Since 2010, tariffs have somewhat declined, but mostly on a preferential basis. The tariffs imposed on agricultural products remain higher without significant changes in MFN rates, but have declined by about 2 points under preferential trade agreements. Similarly, preferential tariffs on manufacturing have declines at a faster pace than MFN tariff. Weighted averages tariffs have in some instances increased, however this has been largely due to retaliatory tariffs between the United States and China.

Figure 2
Multilateral and preferential tariff liberalization

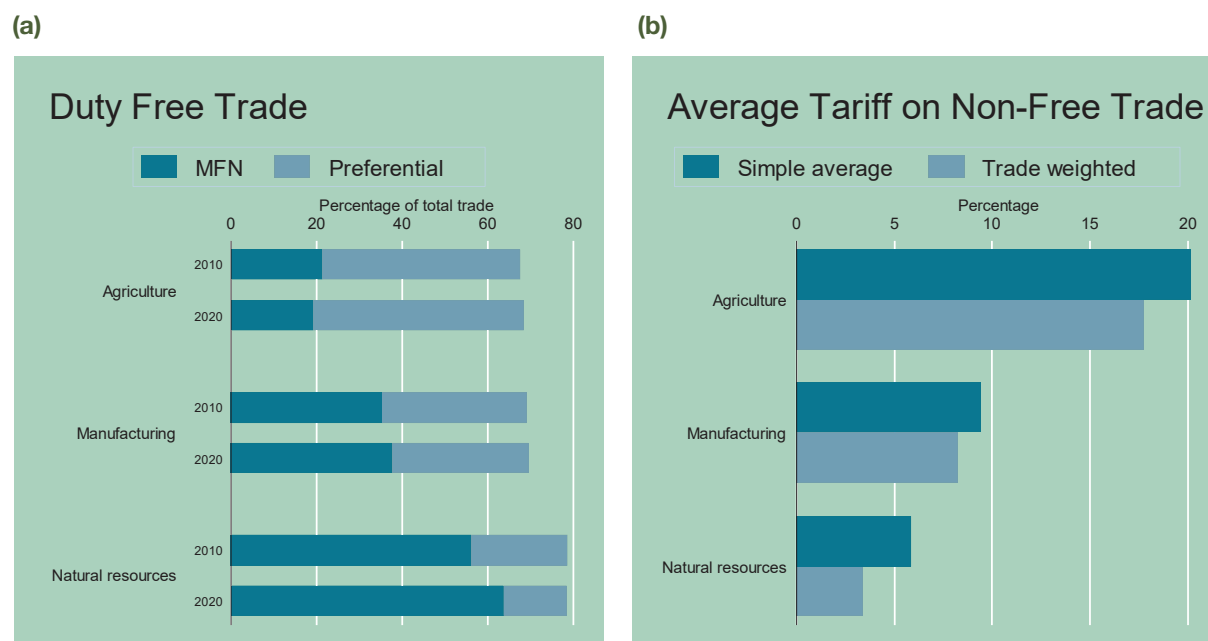


Source: UNCTAD secretariat calculations based on COMTRADE data and UNCTAD TRAINS data.

Figure 2a and 2b illustrate average MFN and preferential tariffs for 2010 and 2020 in three main sectors. The decline in tariffs that has occurred since 2010 is largely the result of preferential liberalization. MFN tariffs have remained largely constant at about 17 per cent for agriculture, 7 per cent for manufacturing and 3 per cent for natural resources. Preferential liberalization has contributed to almost 2 percentage points to the reduction of simple agricultural tariffs. Preferential tariffs have increased on a trade weighted basis indicating an increase of tariffs among some of the major trading nations. This is largely a result of the new retaliatory tariffs imposed by the United States and China on each other. In regard to manufacturing, the proliferation of preferential schemes has resulted reductions in this sector amounting to about 1 percentage point on a simple average basis. The effect of the retaliatory tariffs between the United States and China are also reflected in the overall increase on the trade weighted tariff for manufacturing. Liberalization both in MFN and preferential terms has occurred in natural resource trade, further reducing the already low levels of tariffs in this sector.

International trade continues to be largely free from tariffs both as a result of zero MFN duties and because of duty-free preferential access. However, tariffs applied to the remainder of international trade can be high. Preferential access continues to play a key role for agricultural market access, but also remain significant for manufacturing products.

Figure 3
Free trade and remaining tariffs, by broad category

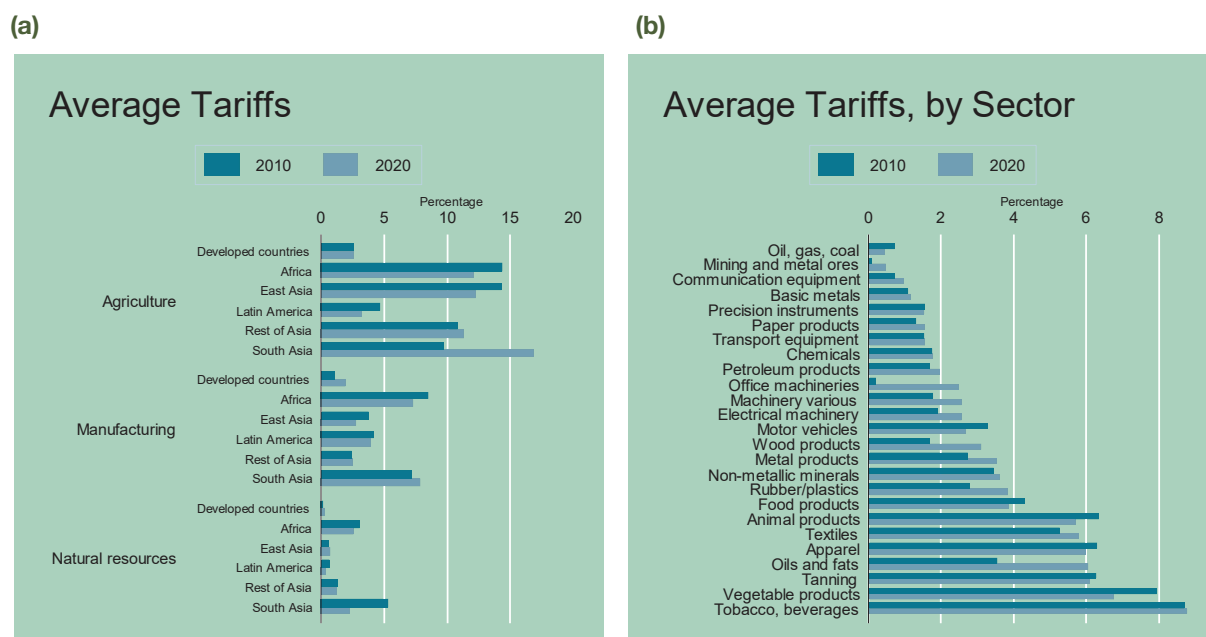


Source: UNCTAD secretariat calculations based on COMTRADE data and UNCTAD TRAINS data.

International trade has been largely liberalized owing to both zero MFN tariffs and preferential duty-free access. The consequence is that as of 2020, about two-third of international trade is free of tariffs (Figure 3a). Still, tariffs applied to the remainder of international trade are often very high (Figure 3b). Importantly, there are differences between agriculture, manufacturing and natural resources. Agricultural trade is free from tariffs largely due to preferential access (as opposed to zero MFN tariffs). In this regard, preferential access and reciprocal concessions continue to play a key role for agricultural market access, as the remaining tariffs are fairly high (averaging almost 20 per cent). Preferential access is also important for manufacturing products, for which the simple average tariff is at almost 10 per cent. On the other hand, preferential access is of limited importance in the case of natural resources, as trade in this category is largely tariff-free under MFN rates, and remaining tariffs are generally very low (on average about 6 per cent).

Low average tariffs mask large differences across economic categories and product sectors. In general, international trade in agriculture is taxed at a much higher rate than trade in manufacturing and natural resources. Tariffs also remain relatively high for manufacturing products, such as textiles and apparel, which are important for developing countries. Moreover, trade in many sectors has recorded higher tariffs in 2020 than in 2010 largely because of still applying retaliatory tariffs between the United States and China.

Figure 4
Trade weighted average tariffs, by region, broad category and sector

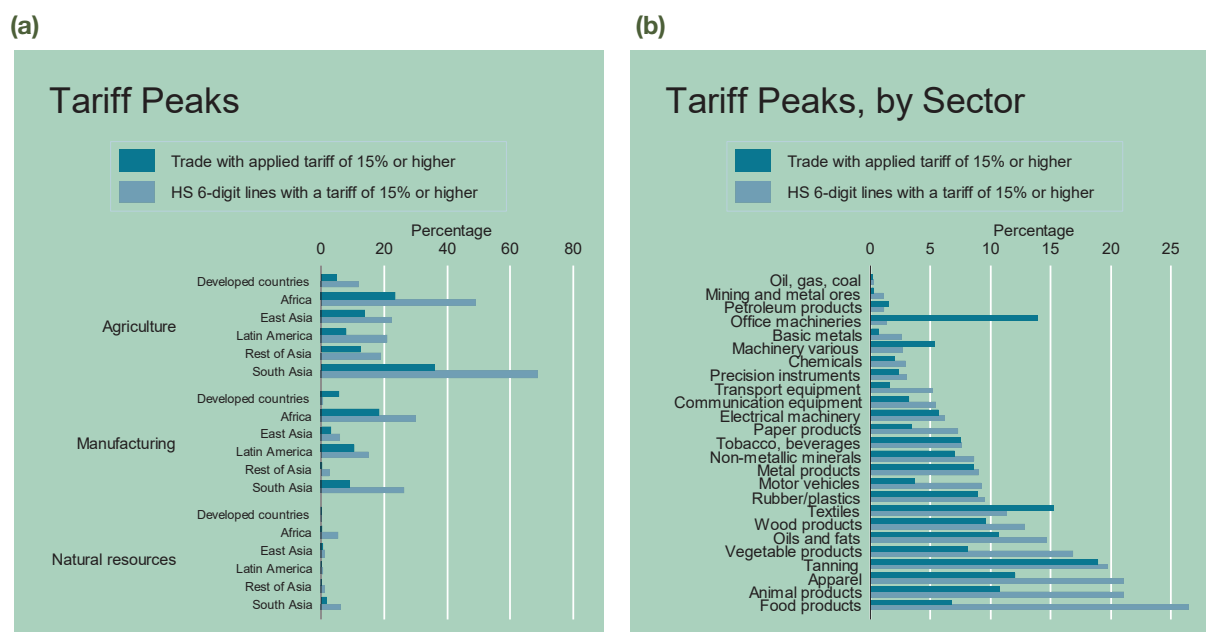


Source: UNCTAD secretariat calculations based on COMTRADE data and UNCTAD TRAINS data.

Figures 4a and 4b depict the trade weighted average tariff for broad as well as specific categories of products. Tariff restrictions remain quite different across geographic regions and economic sectors. In general, international trade in agriculture is taxed at a much higher rate than trade in manufacturing and natural resources. Even within agriculture, tariffs vary greatly across geographic regions. South Asian and East Asian countries tend to apply relatively high tariffs in agriculture, while such tariffs are on average much lower in Latin American and developed countries. Manufacturing tariffs remain high only in the South Asian region (about 8 per cent on average), and in Africa (about 8 per cent on average). Average tariffs vary greatly across product sectors, ranging from about 8 per cent for vegetable products and tobacco, beverages to almost zero for fuels and metal ores. Even considering all concessions and preferential schemes, international trade is subject to high tariffs not only in relation to agricultural products but also in the case of manufacturing products of importance for developing countries such as textiles and apparel (about 6 per cent). Finally, the increase in average tariffs in many sectors (and notably, office machinery) is largely due to the retaliatory tariffs between the United States and China.

Amid generally low tariffs, there are a significant number of products where tariffs are relatively high. Tariff peaks are part of the tariff structures of many developing and developed countries. Tariff peaks tend to be concentrated in products of interest to low income countries, such as agriculture as well as apparel, textiles and tanning.

Figure 5
Tariff peaks, by region, broad category and sector (2020)

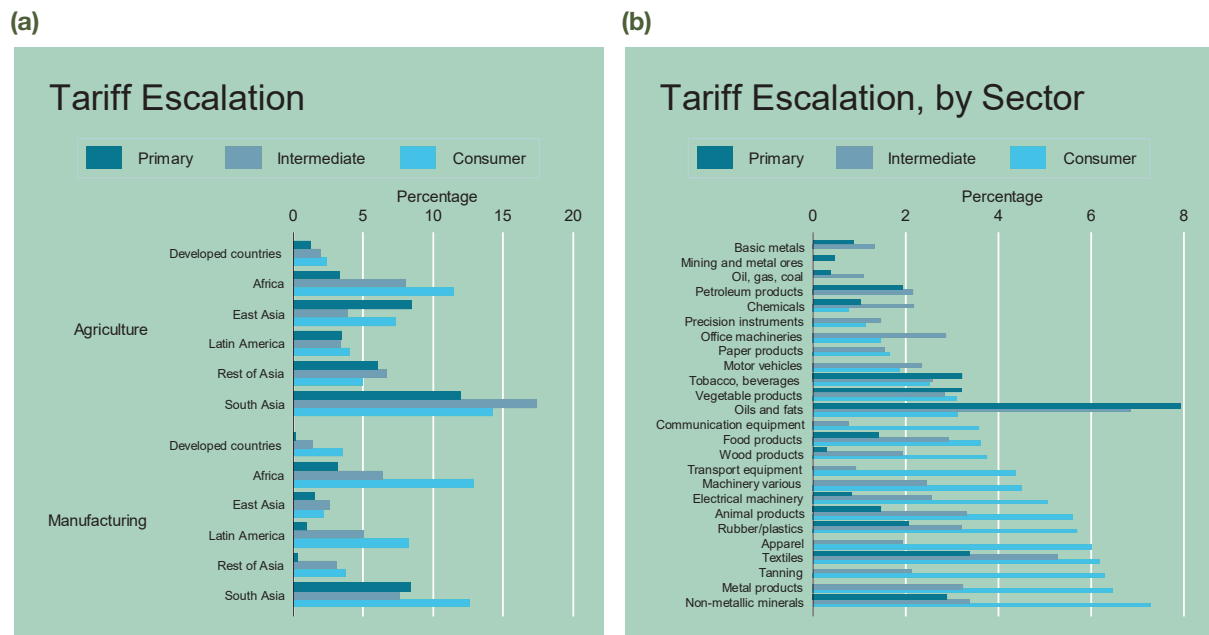


Source: UNCTAD secretariat calculations based on COMTRADE data and UNCTAD TRAINS data.

In view of generally low tariffs, and even when all concessions such as unilateral and reciprocal preferential schemes are taken into account, there remain a significant number of products for which tariffs are relatively high. These high tariffs (above 15 per cent) are generally referred to as tariff peaks and are usually levied on sensitive products. Tariff peaks appear in the tariff structure of many developing countries, but with different patterns. For example, tariff peaks are a large part of the tariff structure of agricultural products of developing countries in South Asia and Africa (Figure 5a). Tariff peaks tend to be less prevalent in manufacturing, and less so in natural resources sectors. Tariff peaks tend to be concentrated in some of the products of interest to low income countries, such as the agricultural sectors, but also apparel, textiles and tanning. For example, tariffs on about 10 per cent of international trade in food products (and 25 per cent of the products in this group) are higher than 15 per cent (Figure 5b). Similarly, about 10 per cent of international trade in apparel is subject to a tariff of 15 per cent or more. The large percentage in the trade of office machineries subject to high tariff is the result of the United States retaliatory tariffs on China.

Tariff escalation remains a feature of the tariff regimes of both developed and developing countries. It is more pervasive in manufacturing products than in agriculture. Tariff escalation is prevalent in many sectors, including those of importance (e.g. apparel) to developing countries. Still for some important sectors (e.g. motor vehicles, office machineries) tariffs are higher for intermediate relative to consumer products.

Figure 6
Tariff escalation by region, broad category and sector (2020)



Source: UNCTAD secretariat calculations based on COMTRADE data and UNCTAD TRAINS data.

Tariff escalation – the practice of imposing higher tariffs on consumer (finished) products than on intermediates and raw materials – is present in the tariff structure of many countries. This practice favours processing industries closer to consumers, while discouraging the undertaking of processing activities in countries where raw materials originate. Most developing and developed countries adopt escalating tariff structures, but to varying degrees. Overall tariff escalation is more pervasive in manufacturing products than in agriculture (Figure 6a). Indeed, the tariff structure for the Asian regions is not escalating in the agricultural sector. Tariff escalation is prevalent in most sectors, including those of importance to developing countries: apparel, animal products, tanning and many light manufacturing sectors, some notable exceptions are motor vehicles and office machineries where intermediate inputs face an higher tariff relative to finished products (Figure 6b).

The pattern of trade restrictiveness varies greatly among regional trade flows. Intra-regional trade is generally subject to lower TTRI than interregional trade. A large number of South–South regional trade flows are still burdened by relatively high tariffs. Tariffs have change little during the last 10 years, with some notable exceptions.

Table 1
Tariff restrictiveness, matrix by region (percentage), 2020

| Importing Region | Exporting Region | | | | | |
|---------------------|---------------------|--------|---------------|-----------|------------|--------------|
| | Developed Countries | Africa | Latin America | East Asia | South Asia | Rest of Asia |
| Developed Countries | 1.7 | 0.9 | 1.3 | 5.7 | 2.8 | 1.0 |
| | 0.0 | 0.3 | 0.5 | 3.5 | 0.1 | 0.3 |
| Africa | 9.2 | 2.6 | 8.9 | 12.9 | 9.3 | 12.1 |
| | 0.5 | 0.2 | 0.6 | 0.7 | 0.8 | 5.8 |
| Latin America | 3.3 | 2.8 | 1.3 | 8.1 | 9.7 | 5.3 |
| | -0.3 | 0.0 | -0.1 | 0.1 | -0.1 | 0.8 |
| East Asia | 4.7 | 2.2 | 4.8 | 1.5 | 2.9 | 1.6 |
| | -0.7 | 0.5 | 0.7 | -1.0 | -0.7 | 0.0 |
| South Asia | 10.5 | 5.7 | 8.4 | 8.4 | 5.4 | 6.1 |
| | 1.6 | -1.2 | 1.9 | -0.1 | -2.0 | -0.6 |
| Rest of Asia | 3.7 | 1.9 | 7.6 | 4.6 | 3.8 | 3.0 |
| | 0.0 | 0.4 | 2.1 | 0.0 | 0.1 | 0.3 |

Source: UNCTAD secretariat calculations based on COMTRADE data and UNCTAD TRAINS data.

Note: Changes between 2010 and 2019 are shown in a smaller font.

Table 1 represents a matrix of the average levels of tariffs imposed on trade flows between regions in 2020. Differences in the rates exhibited in the table arise from different patterns of both market access and trade composition. The effect of regional trade agreements is reflected in the relatively lower degree of restrictiveness on intraregional compared with interregional trade. A large number of South–South trade flows are still burdened by relatively high tariffs. For example, trade between Latin America and South Asia face an average tariff of about 9 per cent. Tariffs have remained relatively constant in regard to trade between regions. Small changes are largely due to shifting composition of trade flows (as opposed to an increase in tariffs on particular product lines).

The system of tariff preferences affects international competitiveness by providing various countries with different market access conditions. Because trade agreements are often regional, the system of preferences tends to favour regional trade over interregional trade. Still, the magnitude of the effect of preferences differs widely across regions. South Asian and African countries enjoy the highest preferential margins in trading with regional partners, estimated at about 5 percentage points.

Table 2
Relative preferential margins, matrix by region (percentage), 2020

| Importing Region | Exporting Region | | | | | |
|---------------------|---------------------|--------|---------------|-----------|------------|--------------|
| | Developed Countries | Africa | Latin America | East Asia | South Asia | Rest of Asia |
| Developed Countries | 0.5 | 0.2 | 2.7 | -2.9 | 0.2 | 0.3 |
| | 0.3 | 0.0 | 2.5 | -2.2 | 1.1 | 0.1 |
| Africa | 0.4 | 5.3 | -2.3 | -2.2 | -1.6 | 0.5 |
| | 0.7 | 1.4 | -1.5 | 0.2 | -0.3 | -0.1 |
| Latin America | -0.4 | -0.7 | 3.8 | -1.5 | -1.9 | -0.5 |
| | -0.3 | -0.3 | -0.8 | 0.4 | 0.0 | 0.7 |
| East Asia | -0.4 | -0.3 | -0.7 | 0.5 | -0.1 | -0.1 |
| | 0.0 | -0.4 | -1.0 | 0.1 | 0.0 | -0.1 |
| South Asia | -0.9 | 0.1 | -3.7 | 0.2 | 5.0 | -0.4 |
| | -0.3 | 0.3 | -3.5 | 0.7 | 3.8 | -0.2 |
| Rest of Asia | 0.2 | 0.2 | -1.1 | -0.8 | -0.5 | 1.4 |
| | 0.1 | -1.3 | -0.2 | 0.4 | 0.0 | -0.1 |

Source: UNCTAD secretariat calculations based on COMTRADE data and UNCTAD TRAINS data.

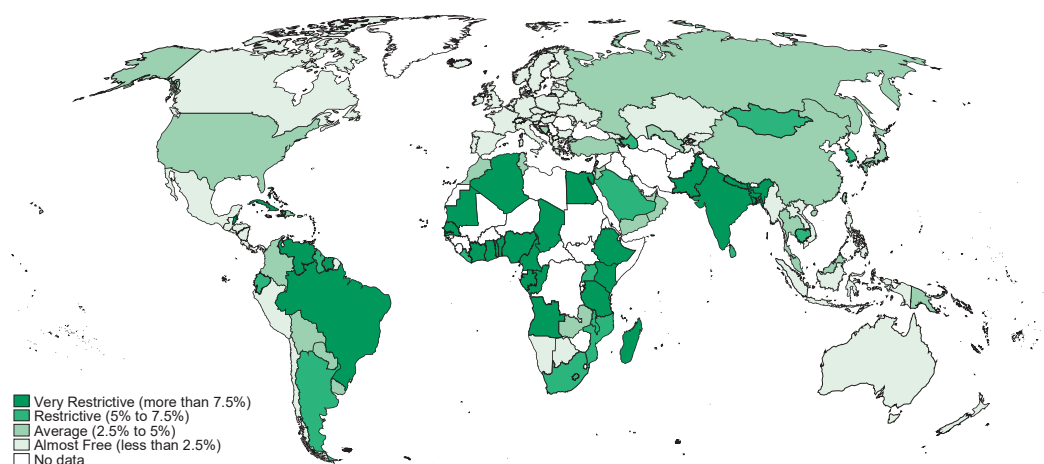
Note: Changes between 2010 and 2019 are shown in a smaller font.

Table 2 reports relative preferential margins (RPMs) calculated at the regional level for 2020 and their changes since 2010. RPMs provide a measure of the average preferential margin for a given country by taking into consideration any preference provided by its trading partners to foreign competitors. RPMs can be positive or negative, depending on the advantage or disadvantage a country has in terms of preferences with respect to other competing exporters. The RPM is exactly zero when there is no discrimination; it is largest for South Asian and African countries, which enjoy about a 5 percentage point advantage on foreign competitors when trading within their region. The RPM is also large within Latin America, (about 3.8 percentage points). On the other hand, the preferential systems provide only about half percentage points advantage to East Asian countries trading in their own region. With very few exceptions, interregional trade faces a negative RPM, suggesting that the preferential tariff structure negatively impacts non-regional exporters' competitiveness. The least favoured are exporters of Latin America seeking to trade with South Asia. Those countries face RPM of about minus 3.7 percentage points.

Import restrictiveness differs substantially across countries, and even within the same region. Many developing country exports, especially in Latin America and East Africa still face relatively high tariffs. Tariffs imposed on China exports are relatively higher due to retaliatory tariffs of the United States.

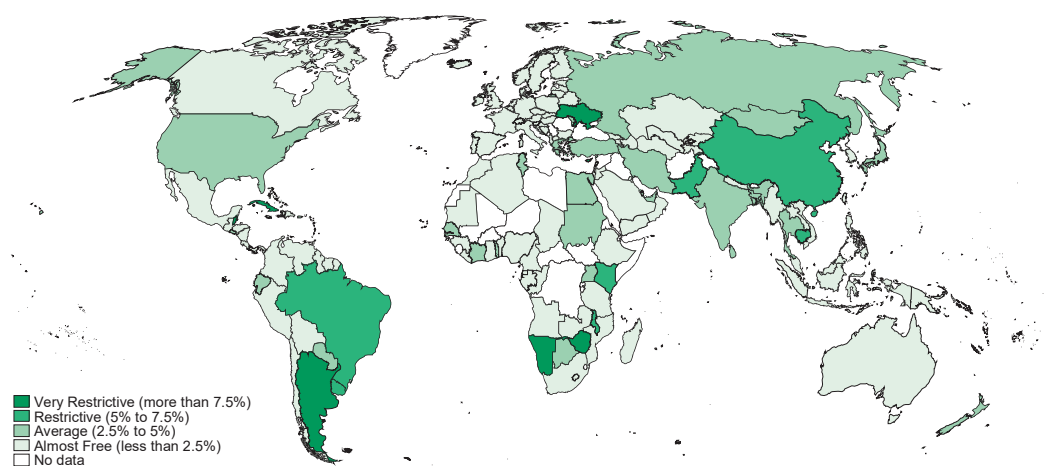
Figure 7
Import restrictiveness

(a) Import restrictiveness (2020)



Source: UNCTAD secretariat calculations based on COMTRADE and UNCTAD TRAINS data.

(b) Export restrictiveness (2020)



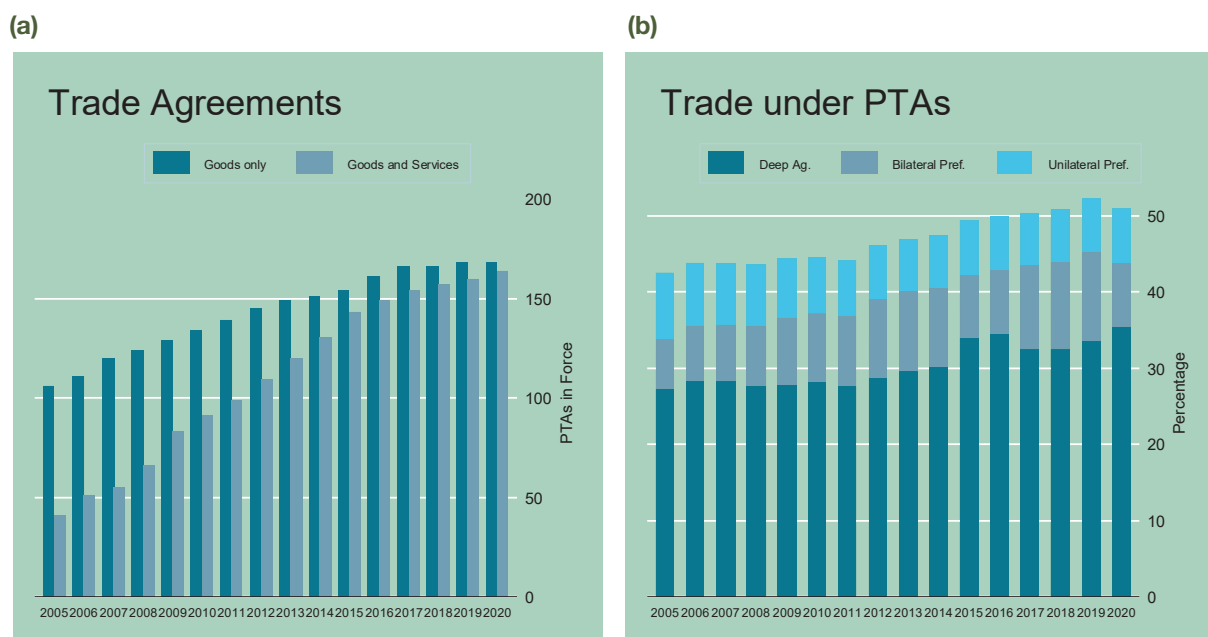
Source: UNCTAD secretariat calculations based on COMTRADE and UNCTAD TRAINS data.

Figure 7a illustrates the average level of tariff restrictions imposed on imports (as measured by the TTRI). The level of tariffs differs substantially across countries, and even within the same region. Figure 7b reports the overall level of tariff restrictions faced by exporters (as measured by the MA-TTRI). Latin American countries face high tariffs because a large share of their exports consists of agricultural products.

2. TRADE AGREEMENTS

The international trading system is regulated by an increasing number of preferential trade agreements (PTAs). Most of the recent trade agreements address not only goods but also services, and deal with rules beyond reciprocal tariff concessions. The percentage of trade within PTAs has continued to increase. Although last few years saw only marginal increases. 2020 saw an inversion in this trend largely because of the COVID-19 pandemic. Still the percentage of trade under deep agreements continued to increase even in 2020.

Figure 8
Trade agreements



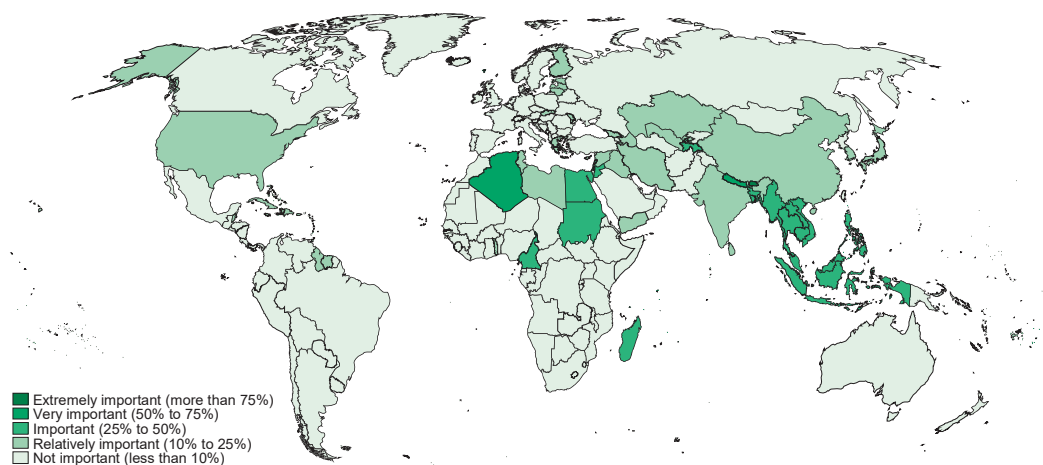
Source: UNCTAD secretariat calculations based on WTO RTAIS data and COMTRADE data.

Figure 8a illustrates the number of PTAs that have been in force in each year since 2005. The number of PTAs in force has approximately doubled from less than 150 in 2005 to more than 300 in 2020. About half of all trade agreements in force go beyond tariff concessions, to cover services and behind-the-border measures. After 2015 the upward trend has been largely driven by new trade agreements covering both goods and services. Although the number of PTAs has increased dramatically, the percentage of trade taking place under PTAs has not increased as much (Figure 8b). In 2020 there was an inversion of this trend largely due to the disruptions brought by the COVID-19 pandemic. Still, the percentage of trade under deep trade agreements continued to increase notwithstanding. Overall, even without considering trade within the European Union, about one third of world trade took place under deep trade agreements (i.e., those with trade rules going beyond traditional tariffs and existing WTO agreements, to cover deeper behind-the-border measures).

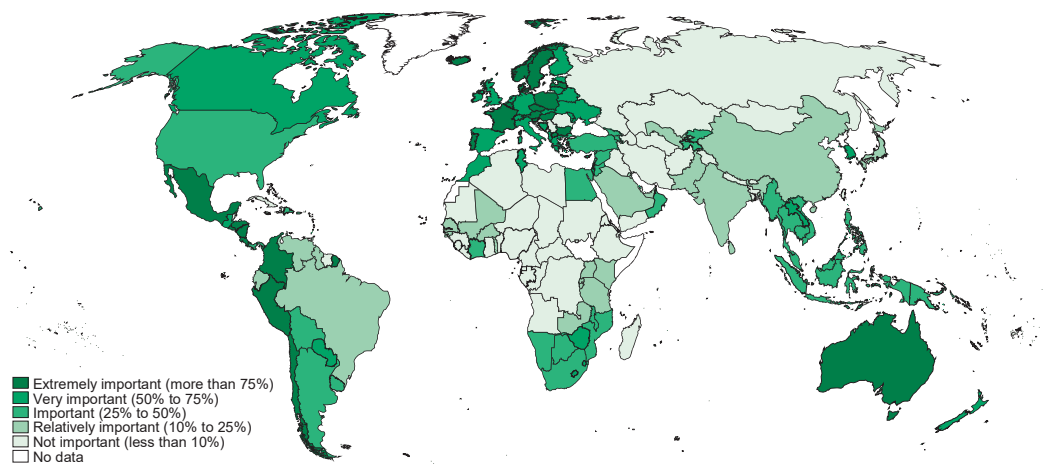
For the large majority countries trade occurs under deeper agreements covering more than tariff preferences. Shallow agreements cover only a smaller per cent of trade, which is substantial only for a limited number of countries, largely in the East Asian region. As of 2020, most of the trade of African countries occurs outside any preferential trade agreements.

Figure 9
Importance of preferential trade agreements

(a) Importance of PTAs, as measured by percentage of trade (2020)



(b) Importance of deep PTAs, as measured by percentage of trade (2020)



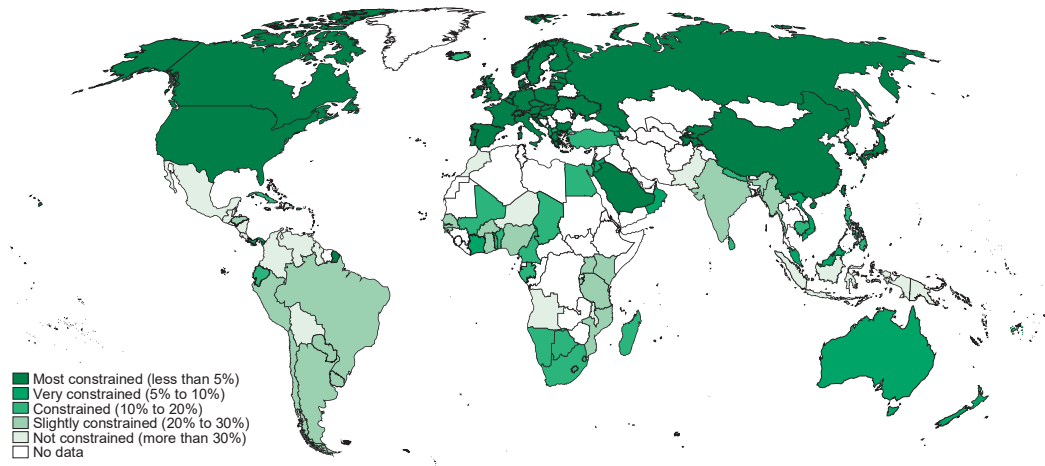
Source: UNCTAD secretariat calculations based on WTO RTAIS and COMTRADE data.

A large share of international trade of many developed countries occurs under some form of PTA, and in many cases under trade rules going beyond traditional reciprocal market access concessions. Figure 9a shows the percentage of trade occurring under shallow agreements (i.e. those relating mainly to tariff concessions). Figure 9b shows the percentage of trade occurring under deep agreements (i.e. those with trade rules going beyond traditional tariffs and existing WTO agreements, to cover deeper behind-the-border measures).

WTO bound tariff and bilateral trade agreements limit the policy space of countries in raising their tariffs. Developed countries tend to have very limited policy space in raising their tariffs, as most tariff lines are bound by WTO obligations. Once PTAs are accounted for, a substantial amount of trade is locked under preferential tariffs, which in turn means that the amount of “true” tariff water.

Figure 10
Policy space: Multilateral constraints

(a) Tariff water (2020)



(b) True tariff water (2020)

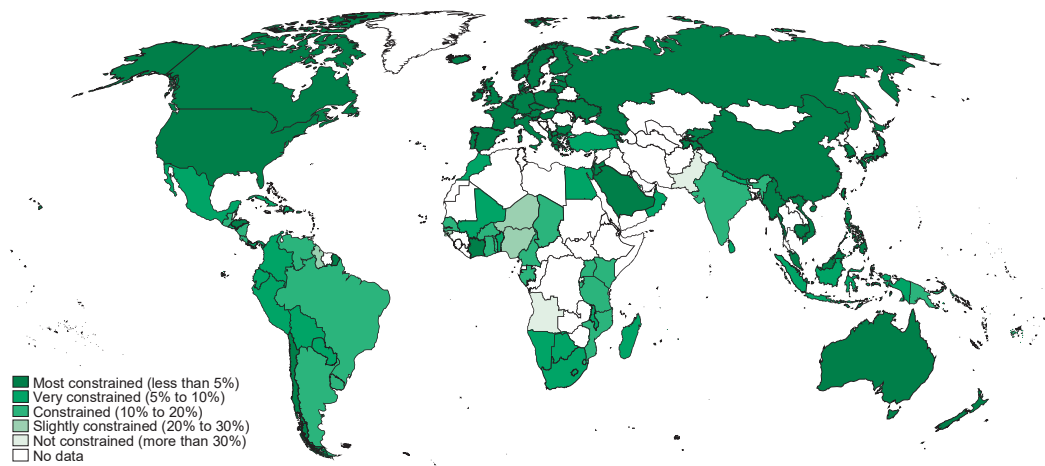
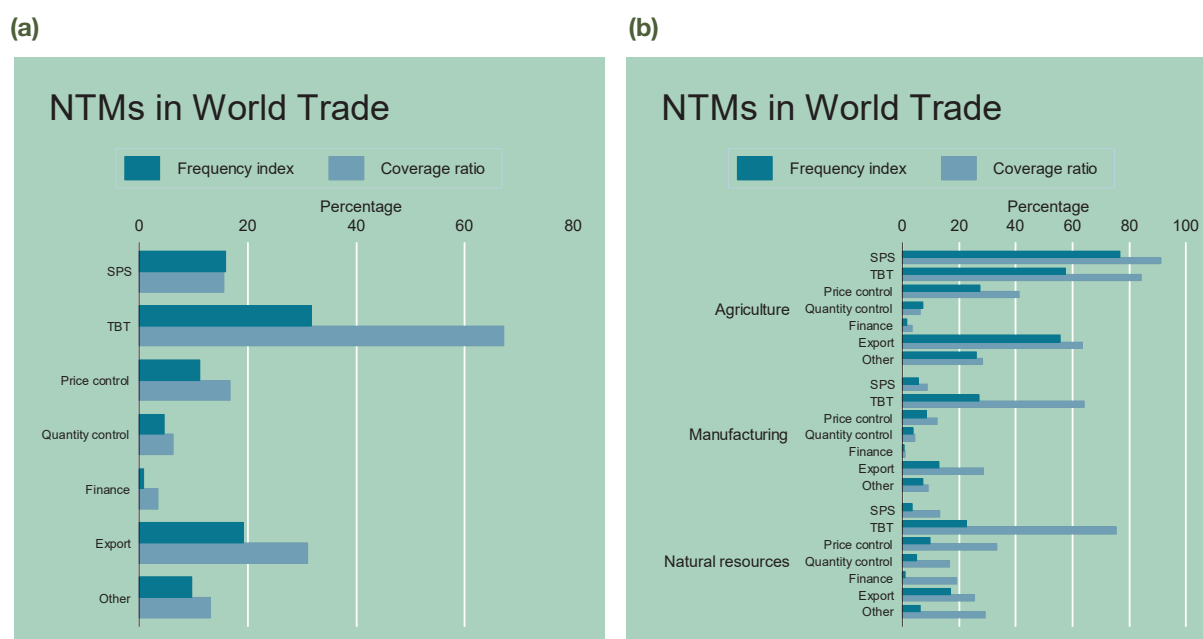


Figure 10a portrays the average tariff water (trade weighed) calculated as the difference between WTO bound tariffs and applied MFN tariffs. Figure 10b portrays the average tariff water calculated as the difference between bound and applied tariffs, considering the implicit bindings imposed by both WTO and PTA commitments. The difference between the tariff that a country applies at the border and the country’s commitments to other WTO members is referred to as “tariff water”, or “binding overhang”. In principle, tariff waters provide the policy space for country to set their tariff at non-cooperative levels.

3. NON-TARIFF MEASURES

Non-tariff measures include a diverse array of policy measures serving different purposes. Among the various types of non-tariff measures, technical barriers are the most pervasive, as the majority of international trade is regulated by some form of technical barrier. Quantity and price control measures cover a much smaller, but still significant, share of world trade. Export measures cover a significant part of world trade.

Figure 11
Prevalence of non-tariff measures, by type and broad category (2020)

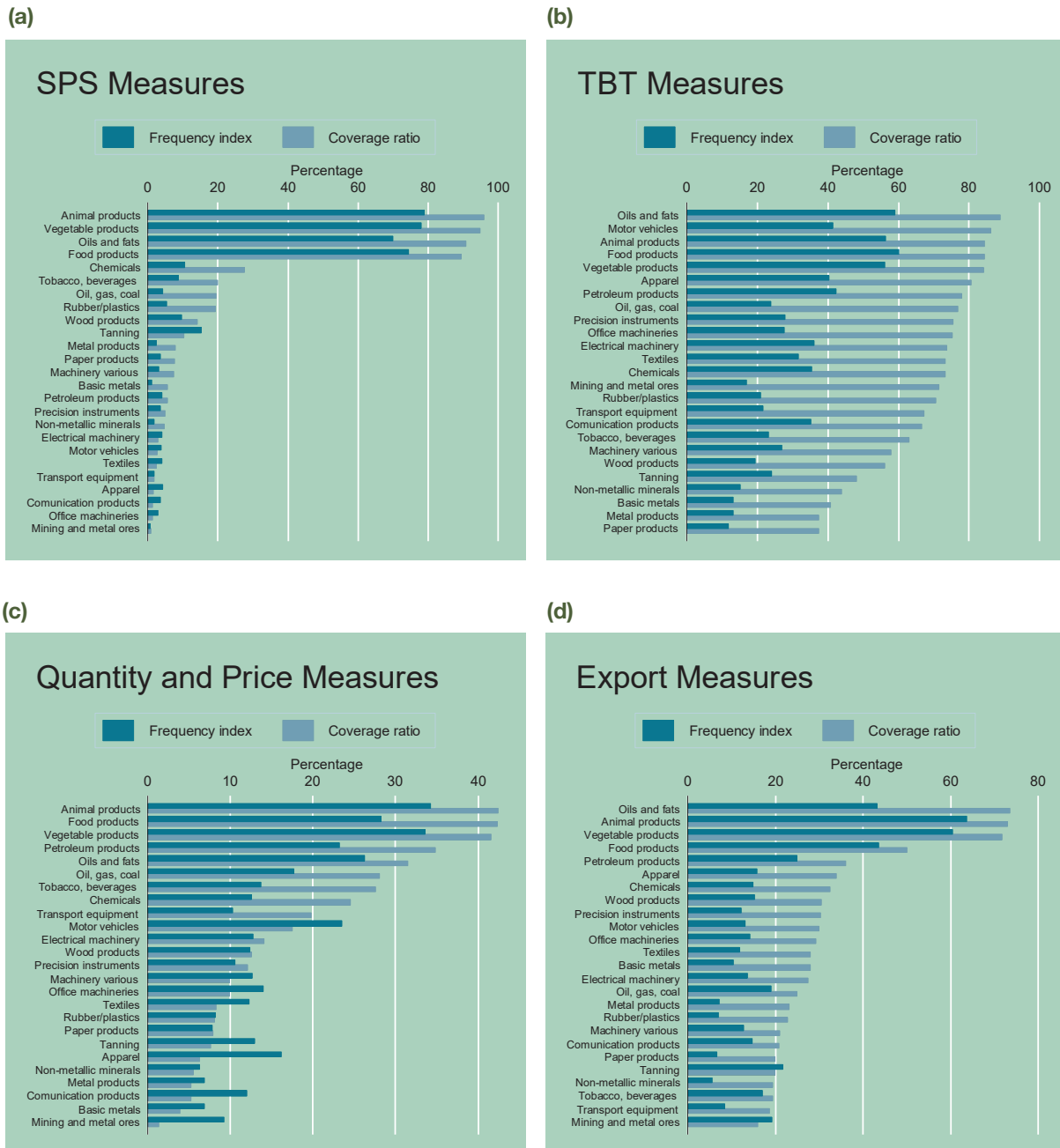


Source: UNCTAD secretariat calculations based on UNCTAD TRAINS data.

Data on non-tariff measures (NTMs) is still fragmentary and therefore does not allow computation of comparative statistics across countries. Although the data may also not be fully representative of world trade, some preliminary statistics can be derived from the available data. Figure 11a illustrates the distribution of NTMs across broad categories. For each category, both the frequency index (i.e., the percentage of HS 6-digit lines covered) and coverage ratio (i.e. the percentage of trade affected) are reported. International trade is highly regulated through the imposition of Technical barriers to Trade (TBT) with more than 30 per cent of product lines and almost 70 per cent of world trade affected. Price control measures affect about 15 per cent of world trade. SPS affect almost 20 per cent of world trade. Export measures are also frequently applied to international trade, still their use is largely related to agriculture. Coverage of NTMs by broad category (Figure 11b), shows that agriculture is the most affected, with most of world agricultural trade subject to forms of SPS and TBT.

The prevalence of various types of non-tariff measures differs by economic sectors. Sectors related to agriculture tend to be regulated by SPS and export measures. TBT are used to regulate most economic sectors. Quantity and price measures although used in many sectors cover only much smaller percentage of trade.

Figure 12
Non-tariff measures, by sector (2020)



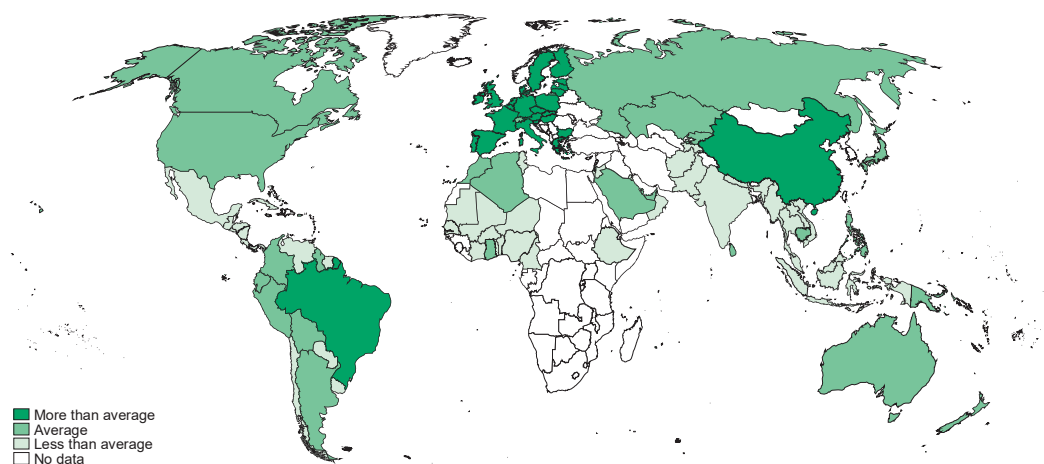
Source: UNCTAD secretariat calculations based on UNCTAD TRAINS data.

SPS measures are typically applied to agricultural products, and to other products that may have inherent health hazards due to contaminants (Figure 12a). TBT are widely used to regulate international trade in most sectors and concern the vast majority of world trade flows (Figure 12b). Quantity and price control measures are widely applied to many sectors. They cover a large share of world trade in regard to agricultural related products. (Figure 12c). Finally, agricultural sectors as well as petroleum products and chemicals are generally affected by export measures (Figure 12d).

The use of technical measures tends to be more pervasive in the European Union, China, Brazil and Australia and less so in many low-income countries. Developed countries' use of technical non-tariff measures tends to be more targeted to specific products. This applies also to China and Brazil. Other developing countries tend to use technical non-tariff measures in a more homogenous manner.

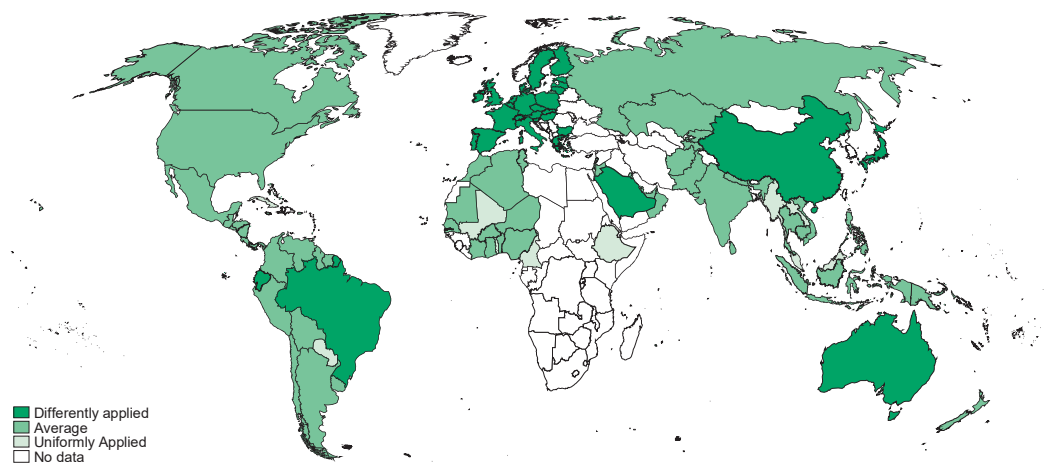
Figure 13
Technical non-tariff measures, by country

(a) Technical non-tariff measures, relative intensity across countries (2020)



Source: UNCTAD secretariat calculations based on UNCTAD TRAINS data.

(b) Technical non-tariff measures, intensity across products (2020)

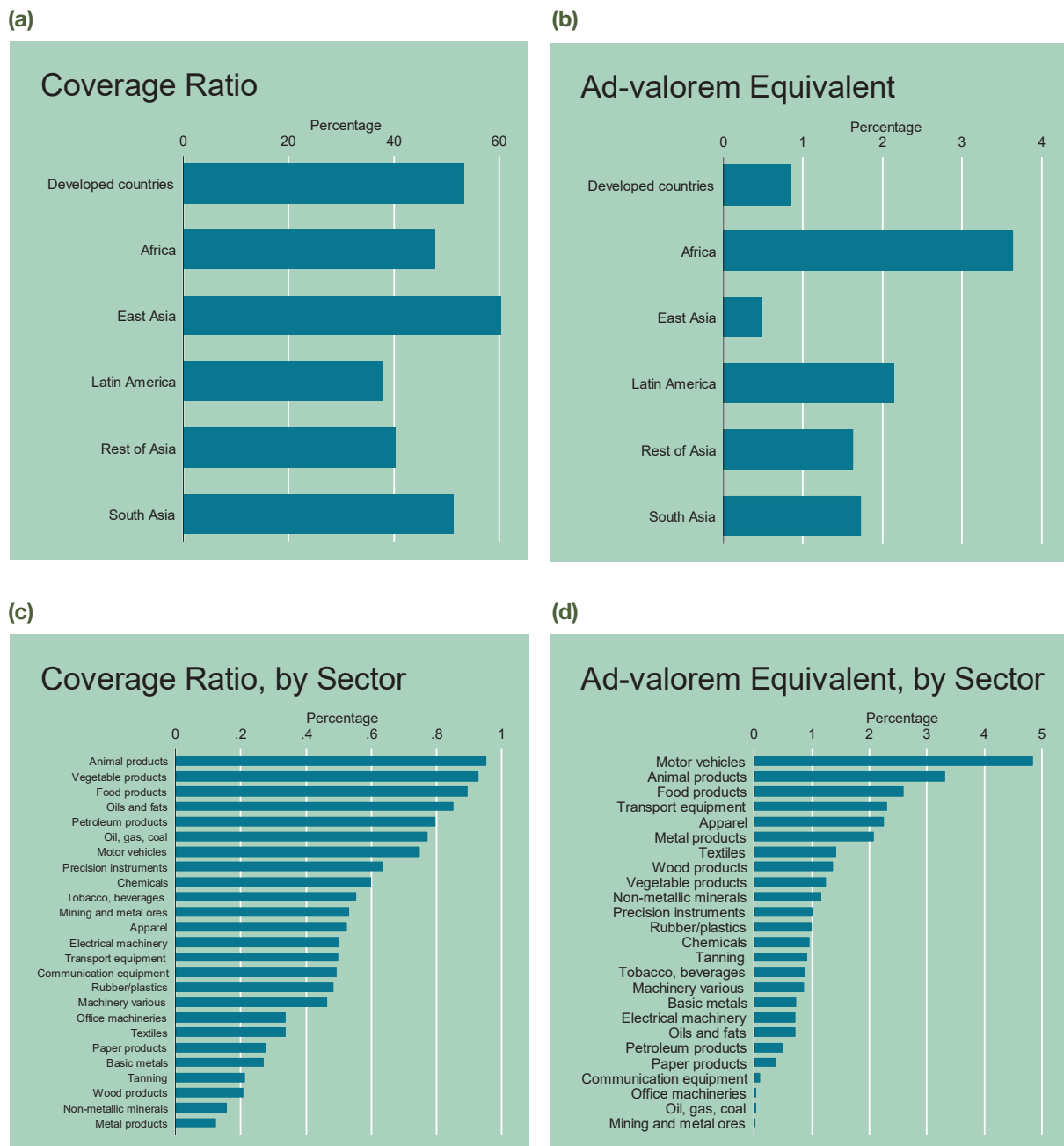


Source: UNCTAD secretariat calculations based on UNCTAD TRAINS data.

Figure 13a reports the difference between the number of non-technical measures applied by a given country in each product and the average number of measures applied to that product. Then, country averages are computed by weighing each product by its importance in world trade. Figure 13b reports the standard deviation of product level differences within each country. This illustrates whether non-technical measures tend to be uniformly applied across products or are applied with different intensity across products.

Border non-tariff measures, such as inspection and certification requirements, quarantines, quotas and other border formalities are widespread. They cover more than 50 per cent of world trade. High coverage does not imply high costs. The costs of such measures vary both across countries and across sectors. Costs tend to be higher in Africa and in Latin America. Across sectors, higher costs are estimated for the automotive industry and for agricultural sectors.

Figure 14
Border measures: coverage and ad-valorem equivalents (2020)



Source: UNCTAD secretariat estimates based on UNCTAD TRAINS data.

Border measures include documentation requirements such as certification, inspection, and quarantine, as well as quotas and any other measures that are expected to generate costs at entry. While the use of such measures is not very different across regions (Figure 14a), the cost they generate is different (Figure 14b). They vary across sectors and are typically applied relatively more to agricultural products (Figure 14c). Their compliance costs (ad-valorem equivalents) vary across sectors (Figure 14d).

4. TRADE DEFENCE MEASURES

In 2020 there were about 2100 antidumping measures and countervailing duties in force, and about 70 safeguards measures in place. Most of the trade defence measures were in base metals and chemicals. Since 2015 the number of measures has generally increased but in the agriculture, and in textiles and apparel, where their number remained virtually constant.

Figure 15
Trade defence measures, 2005-2020



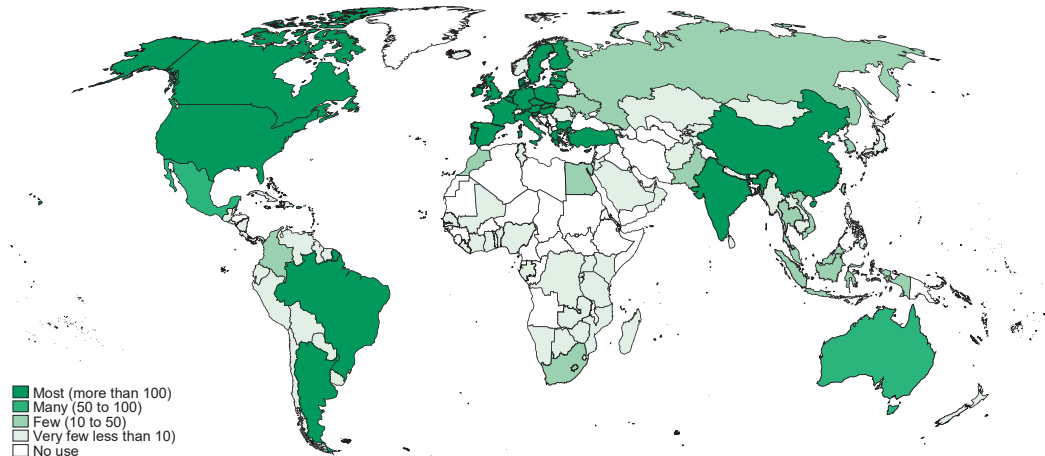
Source: UNCTAD secretariat calculations based on WTO I-TIP data.

Trade defence measures in the form of antidumping and safeguards allow countries to actively respond to import-related concerns within an established WTO mechanism. A single trade defence measure can affect different sectors. In 2020 there were about 2200 trade defence measures, mostly in the form of antidumping measures. The use of safeguards measures is much more limited. Almost 40 per cent of the measures related to base metals (largely steel products), and another 25 per cent to chemicals and plastic products. About 5 per cent of measures are on agricultural products, and another 5 per cent in textiles and apparel. The rest relates to other manufacturing products (Figure 15a). While measures should terminate within five years, trade defence measures often remain in effect longer. Since 2015 the number of measures in force has increased by about 500. Most of the new measures were related to products in base metals. The number of trade defence measures in agriculture, textiles and apparel remained virtually constant between 2015 and 2020 (Figure 15b).

The use of trade defence mechanisms vary greatly across countries. As 2020 most of trade defence measures in force have been initiated by major economies. The countries with most measures in force were United States and India. Since 2015, the United States was the country for which the number of trade defence measures increased the most.

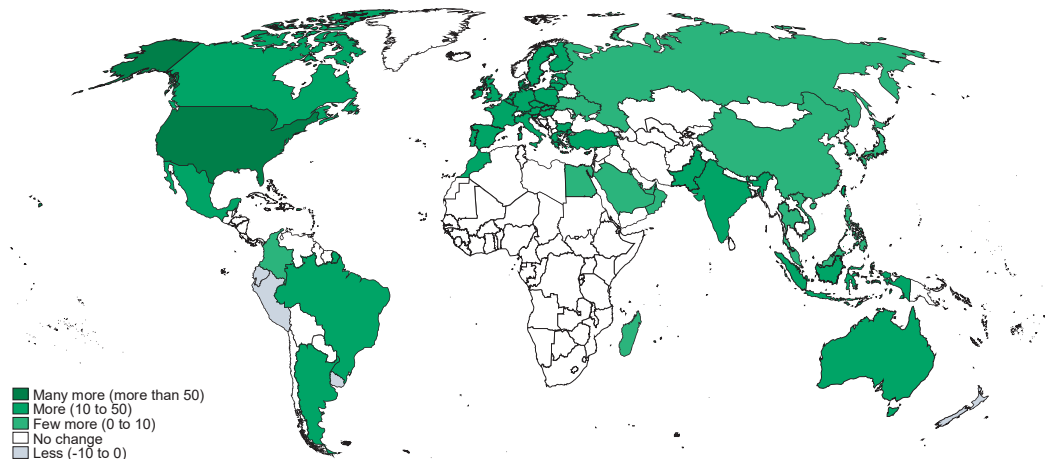
Figure 16
Trade defence measures, by country

(a) Trade defence measures in force, by initiating country (2020)



Source: UNCTAD secretariat calculations based on WTO I-TIP data.

(b) Trade defence measures in force, by initiating country (change between 2015 and 2020)



Source: UNCTAD secretariat calculations based on WTO I-TIP data.

The users of trade defence measures are many of the major economies, but also Turkey and Argentina (Figure 16a). The use of trade defence measure is largely absent in Africa. Since 2015, the measures in force decreased only for three Latin American countries (Figure 16b).

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