

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Trade Policy Dialogue: Trade Preferences Outlook 2024

Towards new market access cooperation?

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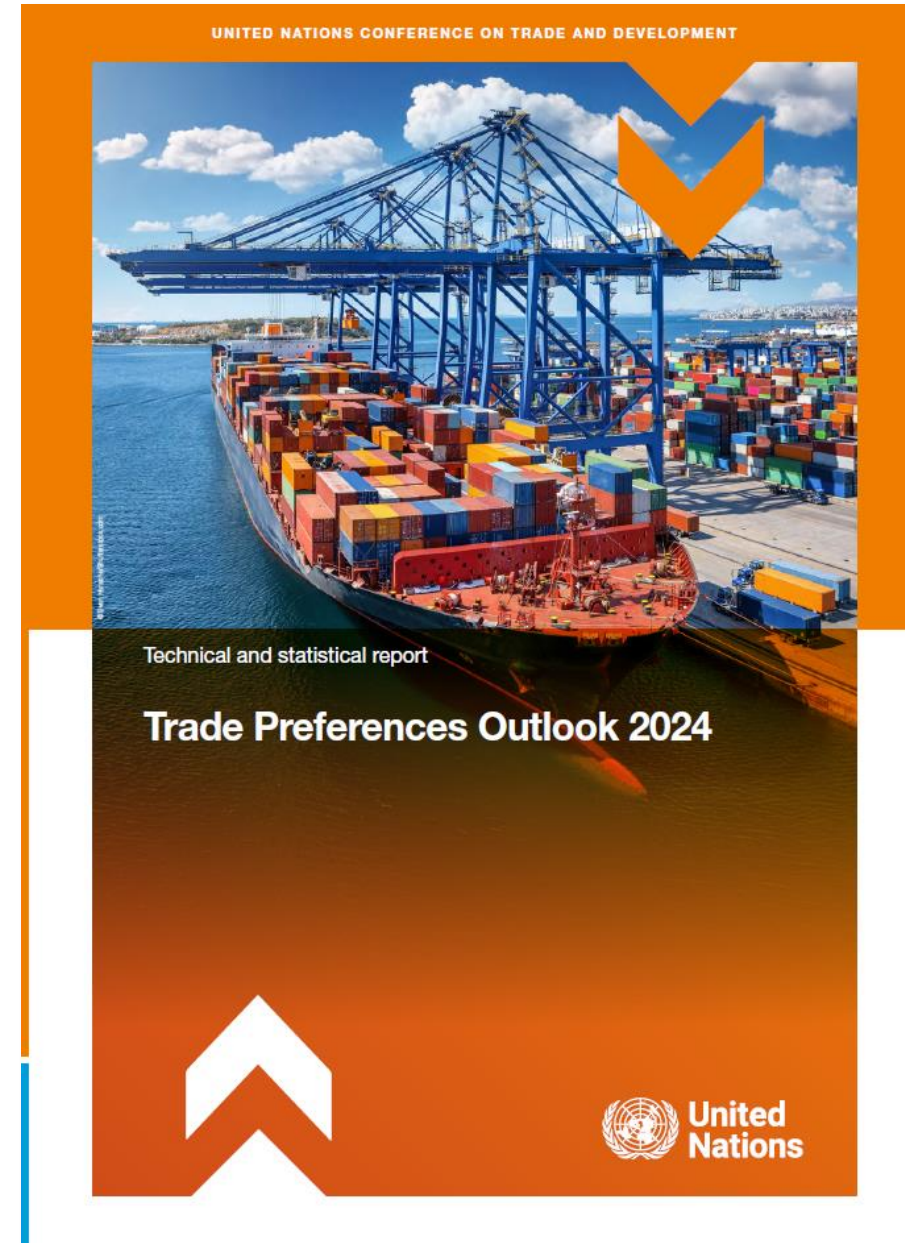
 **UN**
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years
60

➤ Trade Preferences Outlook 2024

- ▶ **“Non-reciprocal” market opening for DC/LDC exports (25 markets)**
 - ▶ GSP (UNCTAD II 1968)
 - ▶ DFQF for LDCs (WTO 2005)
- ▶ **To address the development challenge of the 1960s-1970s** (commodity dependence, industrialization)
- ▶ **Modernized over time**
 1. Focus on LDCs – DFQF initiatives
 2. Rules of origin reforms
 3. HIC-UMIC graduation
- ▶ **Supported export growth & job creation** (mixed results on diversification)

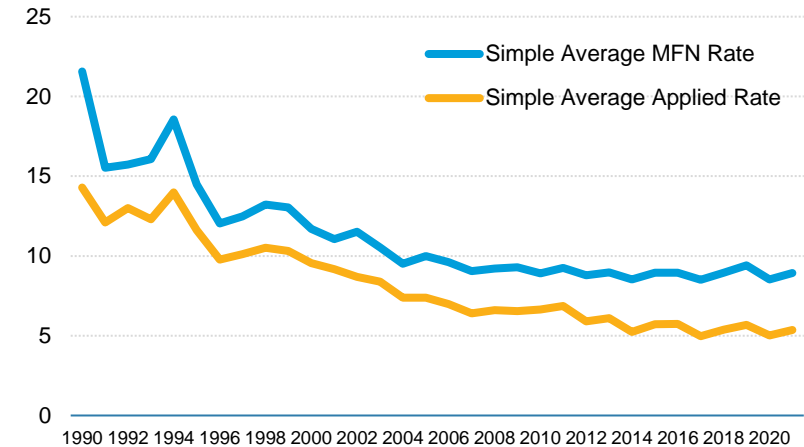


➤ Where do we stand? (1)

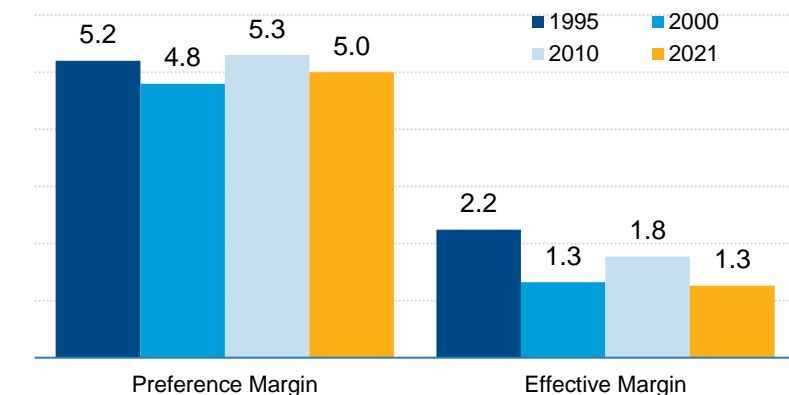
The scope for tariff preferences is shrinking, making them less effective and difficult to use

- **MFN tariffs** declined = Preference erosion
- **RTA proliferation** led to declining applied rates
- LDCs enjoy 5% **nominal margin** in HICs, but only 1% **effective margin** (leveling playing field with RTAs)
- **Low margins** led to low utilization, especially for non-LDCs (parallel FTAs)
- **GVC trade**, with the extensive use of imported inputs, made RoO compliance a challenge (own policy reform to access competitive inputs)

World average MFN and applied rates (%)



Preference and Effective Margins for LDCs (%)

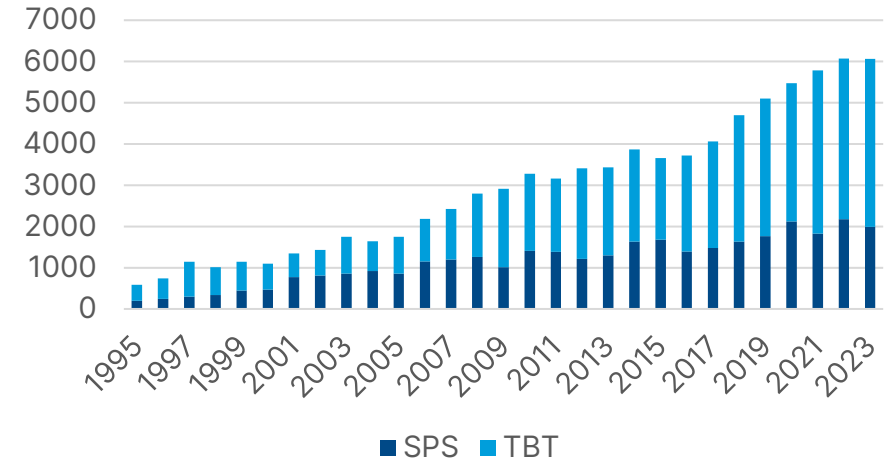


➤ Where do we stand? (2)

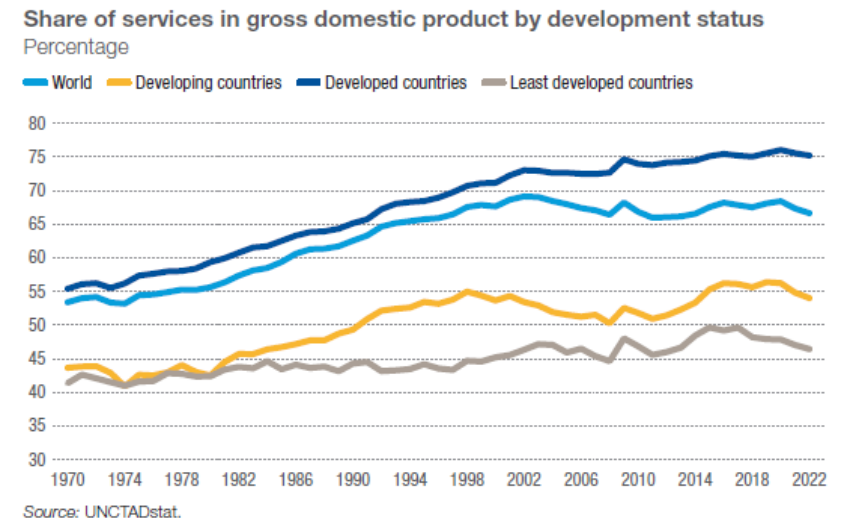
Tariff is no longer the major trade cost, but other factors matter for competitiveness

- ▶ **NTMs** emerged as a major trade cost
- ▶ SPS/TBT notifications rose 10x.
- ▶ AVE of NTMs is double the average tariffs in HICs (7.5% > 3.9%), higher in agriculture (21%).
- ▶ **FDI, technology & skills, services** matter for competitiveness under GVC trade
- ▶ Technology & skill intensity of production
- ▶ Services value added in production & trade (>40% of total exports)

NTMs notified to WTO



The share of services in GDP (%)



➤ State of play

Tariff preferences are becoming less impactful, leaving aside emerging sources of trade cost & competitiveness



1. What can we do to improve & **modernize existing trade preferences** and their use by beneficiary countries?

➔ NRTPs design & operation



2. What else can we do to facilitate developing country exports by addressing **modern sources of trade cost and competitiveness**?

➔ “New MA cooperation”

➤ What future? – Design & operation (1)



LDC schemes

- Comprehensive & well used. Scope for improvement via **better use**.
- Improve coverage, tariff cuts and **transparency** in some.
- Increase **granting markets**.
- Prepare better and in advance for **LDC graduation**.



Non-LDC schemes

- **Trade-offs** with LDC preferences
- Address the concerns of **non-LDCs in special needs** .
- Adopt a coordinated approach to **FTAs and GSP** .

➤ What future? – Design & operation (2)



GVCs

- **RoO reform** to reflect DC capacity (e.g., cumulation).
- Reduce **compliance cost** via **facilitation**.
- Enhance **predictability** and stability.



Coordination

- Preferences are uncoordinated
- **Coordination & convergence** towards good practice.
- **UNCTAD “Special Committee on Preferences”** offers lessons.



Industrial Policy

- May be combined with industrial policy.
- Design industrial policy in a way to enhance **incentives to use (processed) inputs** sourced from beneficiary countries via NRTPs (tax credit, subsidies)



What's next? – New MA cooperation (1)



NTMs

- Not amenable for “preferential” application.
- Regulatory cooperation, harmonization & mutual recognition?
- **Capacity-building Support** to lower certification cost?
- Ref. SPS Art. 9 & TBT Art.11.



Services

- Services exports & services inputs.
- **LDC services waiver** as a basis for “GSP for services”? (digital, tourism, mode 4)
- How to factor in services value-added?
- **Services facilitation** via Services data and capacity building for LDCs.

➤ What's next? – New MA cooperation (2)



FDI

- Key driver of GVCs & export diversification.
- FDI leads to more generous trade preferences to targeted products.
- **Outward FDI promotion/ incentives in preference beneficiaries?**



Access to Technology

- **“Preferential” transfer of technology in favour of LDCs (TRIPS 66.2).**
- Reduce tariffs and regulatory barriers?
- Include technical assistance and technology transfer mechanisms.



Development Cooperation

- **Built-in development assistance** to address supply-side constraints (ACP-EU cooperation).
- Leverage **Aid for Trade**.
- Address **trade finance**.

Thank you

