



**United Nations  
Conference  
on Trade and  
Development**

Distr.  
GENERAL

TD/B/COM.1/76  
12 January 2006

Original: ENGLISH

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TRADE AND DEVELOPMENT BOARD  
Commission on Trade in Goods and Services,  
and Commodities  
Tenth session  
Geneva, 6–10 February 2005  
Item 4 of the provisional agenda

**MARKET ACCESS, MARKET ENTRY AND COMPETITIVENESS\***

Background note by the UNCTAD secretariat

**Executive summary**

This note analyses some key aspects of market access, market entry and competitiveness with special reference to developing countries and the least developed countries (LDCs). The analysis covers trends in trade and tariffs; market access issues in the Doha Round; salient issues relating to non-tariff barriers (NTBs); adjustment to trade liberalization, and the concept of 'aid for trade'; and determinants of competitive export performance. Special reference is given to dynamic and new sectors of world trade.

The issues of market access, market entry and competitiveness should ultimately be seen against the overall context of the role of trade and trade liberalization in development policy. While trade liberalization has been a key element in development strategies for the past 20 years, further liberalization as a result of the WTO negotiations is estimated to bring considerable long-term benefits, there are a number of challenges that will have to be faced. These include effectively responding to the twin issues of how developing countries can develop production and export supply capabilities to take advantage of further market opening, and how they can tackle short-term adjustments and tariff revenue losses, as well as a reduction in preferential access to major markets in the case of preference-receiving developing countries.

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\* This document was submitted on the above-mentioned date as a result of processing delays.

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## **I. OVERVIEW OF TRENDS IN TARIFFS ON PRODUCTS OF EXPORT INTEREST TO DEVELOPING COUNTRIES, ESPECIALLY IN DYNAMIC AND NEW SECTORS OF WORLD TRADE**

### **A. Trends in trade flows**

1. There are several trends relating to trade and market access conditions involving developing countries and LDCs which could be highlighted. Between 1990 and 2004, the nominal value of exports from developing countries increased more than five-fold (see Statistical annex, Table 1) and the nominal value of LDCs exports increased by almost 260 per cent over the same period.

2. Trade among developing countries has equally intensified since the 1990s. In 1990, imports from developing countries to developed countries were more than four times greater than those directed to other developing countries. In 2004 imports from developing countries to developed countries fell to a mere one and a half the levels registered in 1990. The same trend is also observed for LDCs.

3. The share of manufactures in total imports originating from developing countries has fallen slightly since 1990. As shown in Table 1, this share was equal to 13.2 per cent in 1990, 15.0 per cent in 1995 and 12.5 per cent in 2004. In the case of LDCs the decline is much more pronounced. In 1990, the share of manufactured goods was 23.2 per cent of imports from LDCs, while in 2004 it represented only 9.9 per cent.

4. The analysis of the composition of manufactures reveals that the share of high-skill manufactures has almost doubled for developing countries as a whole (from 16.8 per cent to 32.7 per cent), while it has decreased by one third for LDCs (from 3 per cent to 2 per cent). This shift in composition remains slightly the same when looking at different imports market destinations.

5. Sectoral analysis also reveals that while the share of textiles in total imports has fallen over the last 15 years for developing countries as a whole, it increased dramatically for the LDCs. However, the share of imports in textiles in total imports of developing countries and originating from LDCs fell from 13.6 per cent in 1990 to 8.2 per cent in 2004, while the equivalent figures of imports to developed countries was 14.2 per cent in 1990 and 38.6 per cent in 2004. In other words, one fifth of developed countries imports from LDCs are textiles.

6. Another important observation is the substantial rise in the share of imports on aggregate and in developed countries of electronics coming from developing countries. This share more than doubled in the last 15 years. It represented 32 per cent of imports originating from developing countries as a whole, 25 per cent in developed countries markets and 31.5 per cent in developing countries markets.

7. Developing countries currently account for 30 per cent export share of the 20 most dynamic merchandise product groups. The increasing participation of many developing countries in dynamic and new sectors of trade<sup>1</sup> has acted as both a driver and an outcome of the changing geography of international trade, and this is reflected in the dramatic growth in the share of developing countries in world trade flows. However, LDCs and African

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<sup>1</sup> See reports on UNCTAD Expert Meetings on Dynamic and New Sectors of World Trade, TB/B/COM.1//EM.26/3, 1 March 2005; and TB/B/COM.1//EM.28/5, 25 November 2005.

countries, have continued to specialize, in large part, in sectors that were among the least market dynamic in world trade.

### **B. Analysis of tariff trends**

8. The evolution of imports values and composition to a large extent reflects tariff schedules, as shown in the Statistical annex, Table 2. Although imports from developing countries still face higher tariffs in developing countries markets with respect to those they face in developed countries markets, protection in developing countries has fallen dramatically. In 1990, developing countries were applying an average effective tariff rate (expressed in weighted terms) of 24 per cent on imports of manufactures from other developing countries. In 2004 this figure was only 8.94 per cent. This tendency is a general one in trade among developing countries. However, it is worth noting that a trend reversal occurred at the end of the 1990s, possibly as a result of the difficult international financial environment that characterized the period, but tariff rates declined again thereafter. GSTP negotiations can help further bring down tariffs among developing countries, thereby expanding South-South trade flows.

9. Changes in LDCs market access conditions followed a similar pattern. However, a certain worsening of market access conditions in developing countries is observed for textiles owing to the increase of international peaks. International peaks remain an important instrument to protect specific sectors/products, although the tendency is significantly downward.

10. A more disaggregated view of market access conditions confirms general trends. For example, if the evolution of market access conditions for the top hundred imports at the 4-digit level of the SITC classification from developing countries as a whole and for LDCs is taken, petroleum oils turns out to be the category of products most imported by developed countries from developing countries (and LDCs) in 2004. Electronic and electrical goods, apparel and textiles are the other major categories of goods imported from developing countries by developed countries. Major LDCs imports to developed countries are essentially textiles, apparel and some raw materials. Trade among developing countries as a whole is led by electronic and electrical goods and petroleum oils. Cotton, wood and other commodities, for the most part in a raw state or only slightly processed, are the other major product categories imported from LDCs by developing countries as a whole.

11. In general, the level of protection for goods from developing countries face lower average weighted tariffs in developed countries markets than in developing countries markets, although developing countries and LDCs face higher tariffs in developed countries than in trade among developed countries themselves. This 'tariff bias' against developing countries has been on a downward trend in recent years. Those products which lie among the top 20 imports from developing to developed countries in 2004 are also among those that faced relatively low protection in 1990. The major exception is textiles and clothing products, and footwear.

12. Some of the most important developed countries imports from LDCs were still facing relatively high tariffs in 2004. For example, for the top 20 products at 4-digit HS code in terms of value in 2004, as many as 9 faced high weighted tariffs in developed country markets excess of 7.5 per cent, six of which being in double-digit. In a number of cases, the maximum tariff was as high as 90 per cent. Textiles and clothing are the product categories

which are subject to high tariffs. Many of the most important imports of developing countries coming from LDCs were still facing relatively high tariffs in 2004.

13. Tariff escalation remains an important concern for developing countries that needs consideration when assessing potential development gains from trade. It appears particularly clearly for imports from LDCs (see Statistical annexes, Tables 7 and 8).

14. For example, in case of cotton and textiles, data clearly indicate that tariffs in developed countries are increasing with the level of processing of imports from developing countries. Tariffs levels decreased slightly between 1990 and 2004. In the particular case of textiles, the stringency of rules of origin should also be taken into consideration to fully appreciate market access conditions for developing countries. Trade among developing countries in cotton and textiles has also been characterized by tariff escalation over the 1990s. However, 2004 data reveal some kind of de-escalation, at least when looking at weighted average effective tariff rates in textiles trade.

### **Box 1. Market access in the post-ATC context**

The WTO Agreement on Textiles and Clothing (ATC) expired on 1 January 2005 and all remaining quotas were abolished. The ATC contained a mechanism to progressively liberalize restrained products in order to ease the impact of the quota elimination, but restraining countries chose to backload the lifting of a large part of the quotas, thereby liberalizing the majority of restrained products on 1 January 2005.

Developments in the post-ATC period present a mixed picture. It is expected that adjustments in the post-ATC phase would take several years and that trends will need to be monitored carefully. The impact of the ATC-expiry could be particularly harsh for countries whose economic activities are not diversified. The international community and bilateral donors should, as a matter of priority, provide adequate support for adjustments, particularly those aimed diversifying economic activities and enhancing supply capacity.

Improvements in the effectiveness of the current GSP schemes could help ease the adverse impact occurring as a result of the ATC-expiry. The initiatives taken by the EU and the US are important, but the problems with GSP schemes remain because of not-user-friendly rules of origin, difficult conditionality, uncertainty of benefit, and uneven coverage of products and countries. These problems need to be addressed to improve the effectiveness of GSP schemes. In this respect, the proposal made by the LDCs in the Doha negotiations to extend duty-and-quota free market access to all LDCs' products and to re-enforce existing commitments could greatly contribute to the improvement of the present GSP schemes, as well as help ease any post-ATC impact on LDCs.

Textiles and clothing are now fully integrated in the normal WTO rules and disciplines. However, the legacy of protectionism still continues in the post-ATC phase as seen by the reintroduction of quotas by the EU and the US for Chinese textile products. Demands have been made by some WTO countries to create what appears to be a managed trading system for textiles and clothing to secure price and market share stability. It is inevitable that the ATC-expiry will result in adjustments for some countries, and the potential exists that some of them will resort to protectionist measures. It is crucial to ensure that the international trade in textiles and clothing does not slip back to the protectionist of the past.

### **C. Market access issues in the Doha Round**

15. Market access issues in both agricultural and non-agricultural products are central pillars of the on-going Doha Round of multilateral trade negotiations. It was expected that these negotiations would contribute substantially and meaningfully to enhanced market access of developing countries, and particularly LDCs. However, the outcomes of the sixth WTO Ministerial Conference in Hong Kong, Special Administrative Region of China (13-18 December 2005) show that this objective has yet to be achieved.<sup>2</sup> A brief account of the situation in these negotiating tracks is given in Box I.2.

#### **Box 2. Doha Round – market access in agriculture and non-agricultural areas**

In the Ministerial Declaration (HKMD) adopted by the sixth WTO Ministerial Conference in Hong Kong, Ministers agreed to establish full negotiating modalities for agriculture and non-agricultural market access (NAMA), by no later than 30 April 2006, as well as submit comprehensive draft Schedules based on these modalities by no later than 31 July 2006. The Ministerial Declaration also mentions that the Doha Round should be successfully concluded in 2006.

Market access of agricultural products remains the least advanced pillar in the negotiations despite several proposals made by participants in 2005, especially in the run-up to and at the sixth WTO Ministerial Conference; however, the positions of various participants still remain far apart.

The crucial issues in NAMA negotiations are focused on: the so-called Swiss formula for tariff cuts, flexibilities for developing countries to reflect the 'less-than-full reciprocity' principle and treatment of unbound tariff lines. Among the other elements are non-advalorem tariffs, NTBs, effects of tariff cuts on existing non-reciprocal preferences (erosion of preferences), sectoral issues and special flexibilities for LDCs and other groups of developing countries. Despite intensive negotiations and the many proposals that were tabled, participants were unable to establish full negotiating modalities.

Balance between agriculture and NAMA: The HKMD also recognized that it was important to advance the development objectives of the Doha Round through enhanced market access for developing countries in both agriculture and NAMA. To that end, it was decided to ensure that there would be a comparably high level of ambition in market access for agriculture and NAMA. This ambition should be achieved in a balanced and proportionate manner consistent with the principle of special and differential treatment.

## **II. NON-TARIFF BARRIERS (NTBS) AND CONCERNS OF DEVELOPING COUNTRIES**

### **A. Rising trends in NTBs**

16. The decline of tariff rates as a result of eight rounds of multilateral trade negotiations has raised the relative importance of non-tariff barriers (NTBs) as protection and regulatory

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<sup>2</sup> Doha Work Programme, Ministerial Declaration adopted on 18 December 2005, WT/MIN(05)/DEC, 22 December 2005.

trade instruments. However, the effects of NTBs on trade are not clear due to the lack of common methodologies for classifying and quantifying their effects. Equally restraining is the absence of a commonly recognized definition of what constitutes an NTB. Today, it is increasingly recognized that such bottlenecks are at the core of problems faced by policymakers, trade negotiators and researchers.

17. On the other hand, although the quality of available data and updated information is inadequate, existing data and information of NTBs reveal that technical measures, such as technical standards and conformity assessment, are on the rise and have become pressing concerns in international trade. Ten years after the conclusion of the Uruguay Round, and with the exception of prominent and widely applied NTBs such as anti-dumping and countervailing measures, there has been a seven-fold increase in government mandated testing and certification requirements.<sup>3</sup> Although it is difficult to give a precise estimate of the impact on international trade of the need to comply with different foreign technical regulations and standards, it certainly involves significant costs for producers and exporters. In general, these costs arise from the translation of foreign regulations, hiring of technical experts to explain foreign regulations and adjustments to production facilities to comply with the requirements. In addition, there is a need to prove that exported products meet foreign regulations.

### **Box 3. UNCTAD TRAINS analysis of NTBs**

Initial efforts at measuring and collecting NTB data at the multilateral level date back to the early 1980s when UNCTAD developed a taxonomy of different types of NTBs and established the **Coding System of Trade Control Measures (TCMCS)**. Since then, all collected information have been classified and coded according to this coding system, and UNCTAD data have been disseminated publicly as part of **Trade Analysis and Information System (TRAINS)**. The data have been widely used by governments, research institutions and NGOs, resulting in numerous publications.

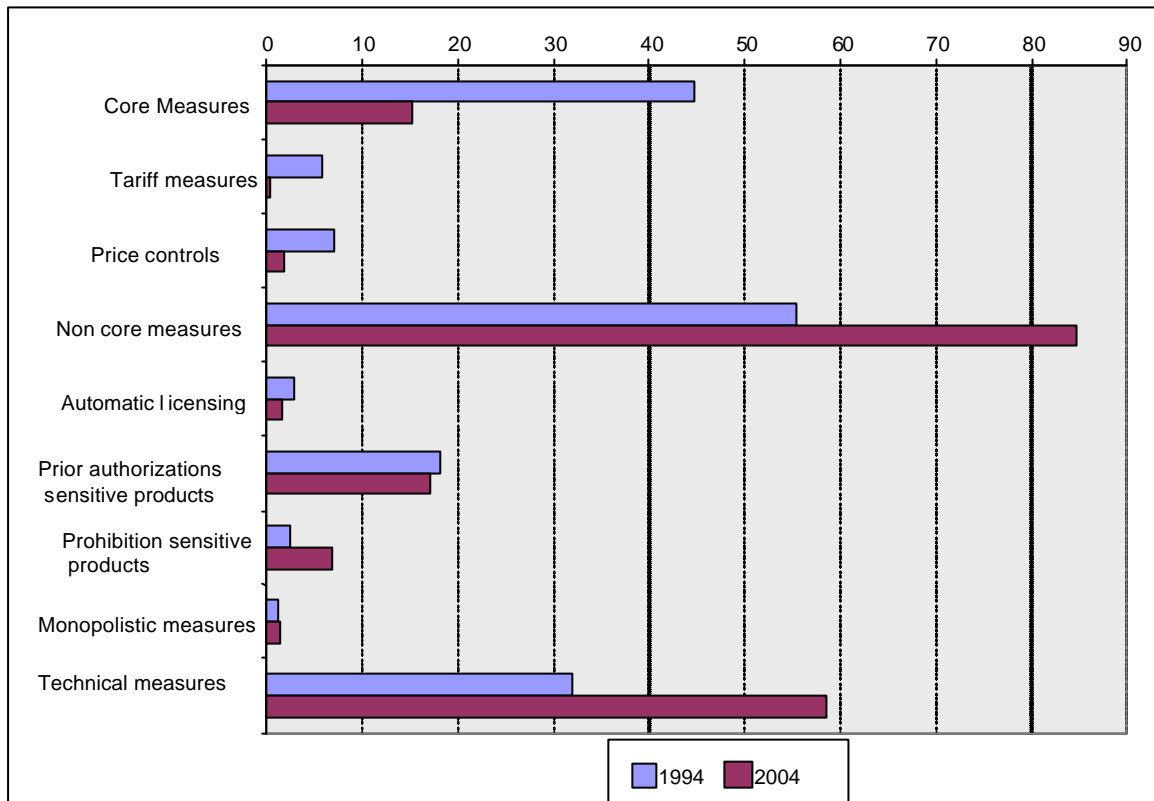
According to UNCTAD TRAINS, which compares NTBs of pre-Uruguay Round (1994) and post- Uruguay Round (2004), a number of features are to be found: technical measures as well as quantitative measures associated with technical measures increased by almost 30 per cent over 10 years (see Figure II.3); and the so-called 'non-core measures', which are principally intended to protect local consumers, have increased from 55.3 to 84.8 per cent, while 'core measures', which are intended to protect local producers, have declined from 44.7 to 15.2 per cent over the same period.

Figure 1 (below) suggests that NTBs are becoming a major trade policy tool after WTO members phased out, or substantially reduced, quantitative restrictions as a result of the Uruguay Round and prior GATT commitments. The rise in the numbers of technical measures is worthy of special attention. This trend implies that regulatory measures are likely to become paramount trade restraining sources in the future. The analysis in Figure 2 also reveals a general trend of shifting NTBs from core measures to non-core measures.

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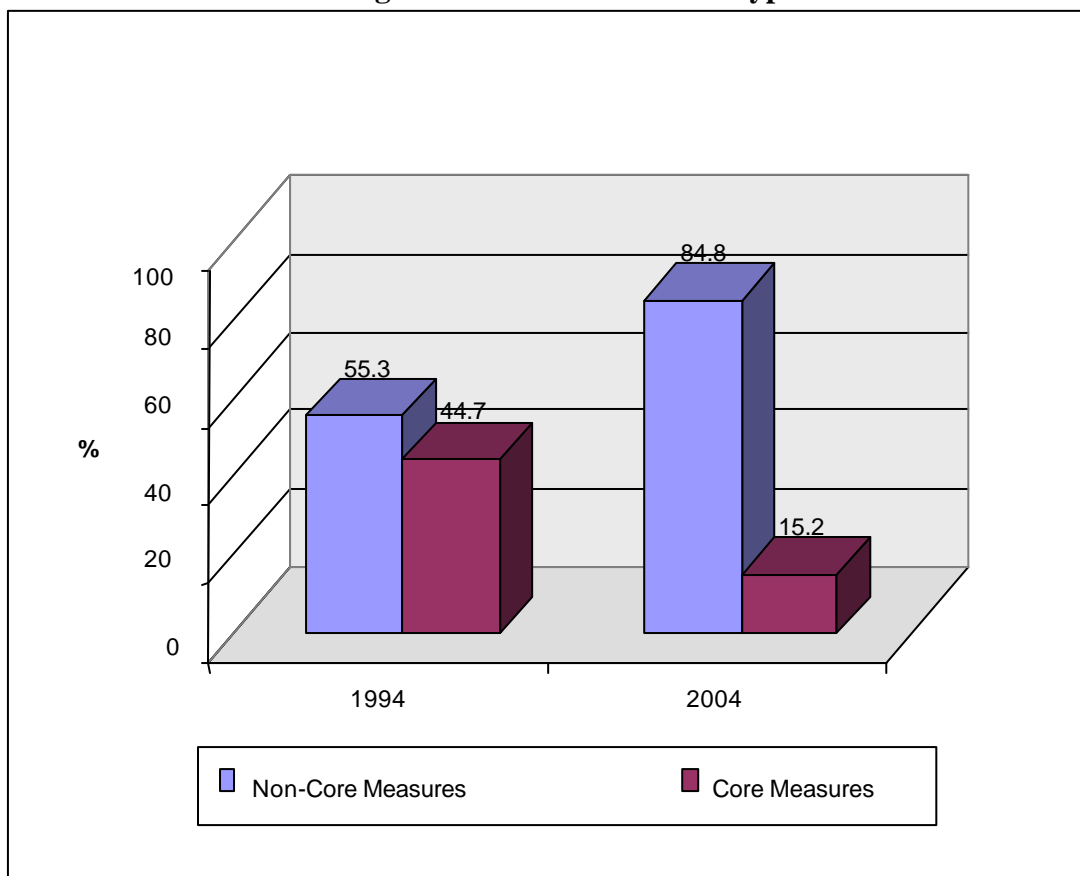
<sup>3</sup> UNCTAD TRAINS data.

**Figure 1. Evolution of NTB use by broad categories, 1994 and 2004 (percentage)**



Source: UNCTAD TRAINS.

**Figure 2. Evolution of NTB Types**





18. In the Doha Round, another approach is used: notifications of NTBs are submitted by interested members according to an agreed inventory which is distinct from UNCTAD's TCMCS/TRAINS. Approaches and modalities on how to deal with NTBs fall into five categories: (1) dispute settlement; (2) request/offer, bilateral or plurilateral; (3) vertical or sectorial approaches; (4) horizontal or multilateral approaches; and (5) tariffication of NTBs. As of the end of November 2005, about 40 WTO members out of 148 had submitted around 250 notifications or proposals on NTBs, either individually or on a group basis. Among these notifications, 78 per cent were notified by developing countries. The major concerns of the notified NTBs are: customs and administrative entry procedures (32.5 per cent); technical barriers to trade (21.9 per cent); and specific limitations such as requirements for marking, labelling and packaging, quantitative restrictions and export restraints (25.0 per cent). Categorizing notified NTBs on a sectoral basis, the top five sectors are: chemicals (11.5 per cent), machinery & equipment (9.2 per cent), textiles & clothing (9.2 per cent), motor vehicles and parts (7.3 per cent) and fish/fishery products (6.1 per cent).<sup>4</sup>

#### **Box 4. NTBs in the electronics sector – the case of environmental requirements**

Concern over environmental and health-related problems associated with the growing volume of waste from electrical and electronics equipment (EEE) has triggered significant environmental policy initiatives, as reflected in comprehensive new legislation introduced in the European Union, Switzerland and Japan; these initiatives place increased emphasis on the prevention, re-use, recycling and recovery of waste EEE through the application of the principle of producer responsibility. Legislation is also being introduced in certain states in the United States (e.g. in the State of California) and Canada.

Globalized supply-chain management plays a key role in the adjustment to new environmental requirements. Small and medium-sized enterprises have to conform to requirements set by global supply chains or risk being excluded as input providers. Key issues in this regard include awareness of these new environmental requirements in different segments of the EEE sector in rapidly industrializing developing countries, cooperation in information sharing and consultations among developed and developing countries, and adjustment approaches in concerned developing countries. There should be greater efforts to identify possible market access implications for developing countries in the process of developing new environmental regulations, as well as for greater dialogue with these countries. This should help governments and enterprises in developing countries to make timely adjustments to external environmental requirements. The UNCTAD Consultative Task Force (CTF) on Environmental Requirements and Market Access and other initiatives can play a useful role in this regard.

*Source:* UNCTAD.

19. The results of OECD surveys (in 1995-2002)<sup>5</sup> with the business communities in several developed and developing countries suggest that natural resource based industries such as agriculture and food, mining, and textiles, are most strongly affected by NTBs

<sup>4</sup> Negotiating Group on Market Access, "Overview of Proposals Submitted, Non-Tariff Measures", WTO docs. TN/MA/9/Rev.1, 29 October 2004 and Job(04)/62/Rev.7, 22 November 2005.

<sup>5</sup> OECD (2003). *Overview of Non-Tariff Barriers: Findings from Existing Business Surveys*, TD/TC/WP(2002)38/FINAL. Paris.

relative to their export volumes. It is also important to note that such complaints are frequently associated with discriminatory practices or inappropriate regulations, while delays and obstructions related to customs and certification procedures and technical regulations are often mentioned. Thus, the most frequently reported NTBs for exports in surveyed developing countries, i.e. Latin American countries (Argentina, Bolivia, Brazil, Chile, Colombia, Paraguay, Uruguay), Asia-Pacific region, including China and Korea, and Common Market of Eastern and Southern Africa (COMESA), were the following six NTBs: (1) technical measures (TBT and SPS); (2) customs rules and procedures; (3) competition-related restrictions on market access (“entry barriers”); (4) import licensing; (5) subsidies; and (6) trade defence instruments (AD, CVD and safeguards).

20. A new and more stringent trade regulatory environment for high-technology products and labour-intensive, low-value-added exports such as toys, consumer electronics, food and agriculture, with increasing focus on NTBs, has emerged 10 years after the Uruguay Round of multilateral trade negotiations and implementation of WTO agreements, including the Agreements on Technical Barriers to Trade (TBT) and on Sanitary and Phytosanitary (SPS) Measures.<sup>6</sup> This trend affects the entire range of developing country exports. The following policy measures appear to be indispensable in this regard: (1) enable developing countries to be involved in standard setting so they can participate more fully in world trade (this is on the agenda of the implementation issues under the Doha Round); (2) provide developing countries with systematic information and substantially more training and resources on a regular and predictable basis to comply with new standards and regulations governing their exports; and (3) formulate a balanced approach towards disciplining arbitrariness and discretion in the use of such barriers.

### **B. NTBs and developing countries**

21. NTBs of concern to developing countries can be summarized as follows. First, in their access and entry to developed countries’ markets, technical measures and price control measures are the most typical concerns for developing countries. Second, in trade between developing countries, customs and administrative entry procedures, para-tariff measures (e.g. import surcharges and additional charges), and other regulatory measures affecting infrastructure, protection of intellectual property rights and institutions are among trade obstacles. Third, products of export interest to developing countries, such as fisheries products, electrical equipment, pharmaceutical and textiles are more affected by NTBs than other sectors.

22. In particular, the rise of technical measures in developed countries is placing additional cost and unnecessary burdens on the access of enterprises in developing countries to international markets. For example, since the early 1990s, developed countries have tightened IT and telecommunications regulations for consumer protection and security purposes. Standardization of high-tech products is now carried out more rapidly and has become more complex as a result of high-speed technological innovation. Moreover, in many developed countries, regulatory policy focuses more on protection of environment, health and safety. Some developed countries often take higher standards for domestic markets than existing international standards. Even though these regulations can ensure legitimate objectives from a legal point of view, they are more trade burdensome than necessary for

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<sup>6</sup> For more details, see UNCTAD Expert Meeting on Methodologies, Classifications, Quantification and Development Impacts of Non-Tariff Barriers, docs. TD/B/COM.1/2, 23 June 2005; and TD/B/COM.1/3, 8 November 2005.

developing countries on a *de facto* basis.<sup>7</sup> It is estimated that at least 10 per cent of the export losses of all developing countries arise from SPS/TBT related measures. For example, it is thought that African banana exports could grow by US\$410 million a year if the European Union used international standards for traceability requirements and regulations on pesticide residues for agricultural imports, instead of using its own.<sup>8</sup>

23. One important challenge is to ensure that the WTO multilateral rules do not constrain the ability of nations to achieve their regulatory objectives, i.e. to make a distinction between legitimate regulation and protectionist abuse. WTO negotiations on 'behind-the-border' policies, including NTBs, have proven to be more complex than traditional market access talks because it is much more difficult to trade 'concessions'. The focus, therefore, tends to be on the identification of specific rules that should be adopted by the WTO and/or regional FTAs. And there, the quality and balance of rules is absolutely crucial. For developing countries, it is vital that Doha Round outcomes on NTBs (including from NAMA and other negotiating bodies) are both ambitious and commercially viable for their exports. The other big challenge is to ensure that NTBs' rules in the flourishing FTAs (both North-South and South-South) are coherent and compatible with relevant WTO multilateral rules and disciplines.

24. Another challenge is to ensure that the analysis of NTBs is made more accurate and reliable. Thus, quantification of NTBs is necessary to assess their impact on trade flows. To do so, various methodologies exist. These include measures related to frequency and coverage, price comparison and quantity impact. Frequency and coverage type measures do not give direct price effect. However, they can be used to construct trade restrictiveness measures that could allow retrieving quantity and price effects. Nevertheless, these effects could be obtained only at an aggregated level that may hide possible substantial variability in the incidence of NTBs. Price comparison measures would allow retrieving the so-called Ad-Valorem Equivalent (AVE) quite easily. However, these measures are very difficult to obtain due to the lack of relevant data. Moreover, even if available, such measures do not permit to isolate the impact of a particular type of NTBs. An important feature of NTBs is the existing difficulty in disentangling their use as a discriminatory or protective measure on legal grounds.

25. Furthermore, a supportive legal and regulatory environment in developing countries is vital for supporting participation of their national firms in international markets and enhancing their competitiveness. A key area for many developing countries is related to product standards and regulations. Modernization of standards systems, including institutions and infrastructure for certification and conformity assessment is essential to operate in the current global trade environment. Meeting international standards for quality, safety, health, environment and consumer protection is increasingly a precondition for competing in international markets; this has become a major constraining factor for many exporters in developing countries, especially in LDCs, and stands in their way to benefit fully from market access opportunities, including from preferential market access arrangements. Technical assistance for raising capacity to comply with technical regulations and standards should be substantially strengthened and improved.

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<sup>7</sup> In this case, *de facto* indicates that technical measures satisfy international norms, but entail greater compliance costs.

<sup>8</sup> J.S. Wilson and V.O. Abiola (ed.), *Standards and Global Trade – A Voice for Africa*, World Bank, 2003.

26. Participation in international standard-setting activities by developing countries should be promoted and facilitated, including in the outcomes of the Doha Round. Promoting mutual recognition agreements (MRAs) between developed and developing countries, as well as among developing countries will also help to reconcile frictions and disputes caused by different regulations between trading partners and lead to large cost savings for exporting firms.

### **III. DETERMINANTS OF COMPETITIVE EXPORT PERFORMANCE: SOME EMPIRICAL EVIDENCE**

27. How can market access opportunities be translated into successful export performance? Recent empirical research by the UNCTAD secretariat into the determinants of export performance of developing countries highlights the importance of both demand and supply-side factors.<sup>9</sup> Export performance cannot only mean the good fortune to be producing goods in great demand. Rather, it is likely to be the outcome of the combination of various elements framing the production environment and export products' access to international markets. Determinants of export performance can be split into internal and external components. External factors are related to market access conditions and other factors affecting demand for imports. Apart from trade barriers and competition factors, foreign market access is also determined by transportation costs, including geography and physical infrastructures. Internal factors refer to supply-side conditions.

28. Supply capacity is also affected by the location-related elements, which may, for example, affect access to raw materials and other resources. It also depends upon factor costs: labour and capital. Besides resource endowment, factor costs are essentially the outcome of economic policy and the institutional environment. Access to technology, which is likely to affect the productivity of the external sector, may also be an important determinant.

29. In order to examine these issues, the UNCTAD secretariat conducted an econometric analysis using a model of bilateral trade flows. This model, which uses gravity techniques, is tested using data series representing foreign market access and supply capacity for a sample of 84 countries. It is observed that in the aggregate, all regions have benefited in different degrees from the greater integration in the world economy in the period between 1985 and 2003. African countries appear to have faced severe supply capacity constraints over the last two decades, while their access to foreign markets has remained largely unchanged.

30. The export performance of East Asian and Pacific countries has been driven by improvements in both supply capacity and foreign market access. Export growth of South Asian countries can mainly be explained by increased supply capacity. Further investigation was undertaken to consider possible non-linear relationships between export performance, supply capacity factors and foreign market access; the result of this investigation was that limitations on foreign market access are a major contributor to poor export performance.

31. However, good performers in the second half of the 1990s also faced higher external constraints but were able to overcome them. In general, a rise in exports would tend to increase factors of production prices, which in turn contains export expansion. As to supply capacity elements, internal transport infrastructures are found to have a significant and positive impact in lifting performance, as does a good macroeconomic environment. FDI is a significant determinant at all levels of export performance. The contribution of foreign direct

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<sup>9</sup> Fugazza M. (2004). *Export Performance and its Determinants: Supply and Demand Constraints*. UNCTAD Policy Issues in International Trade and Commodities No.26, UNCTAD/ITCD/TAB/27.

investment to capital formation is used in order to include a technology-related element, possibly linked to the structure of the external sector. The finding is that FDI is significant and has a positive impact on export performance at all levels.

32. The general policy implication is that foreign market access and supply capacity have to be considered to be of equal importance in the development process of the external sector. Acting simultaneously on both supply capacity and foreign market access drives the performance and structural deepening of the external sector. In other words, market access is not enough to reap development gains from trade. It must be accompanied by policies and strategies to build and strengthen competitive export supply capacity. Important elements of supply capacity at the early stage of development of the external sector are transport infrastructure and macroeconomic stability.

33. International cooperation such as adequate and good quality 'aid for trade' can play an important role in strengthening supply capacity in developing countries, especially LDCs, and to help adjust to trade reforms.

#### **IV. SUPPLY CAPACITY BUILDING AND ADJUSTMENT TO TRADE LIBERALIZATION: THE 'AID FOR TRADE' CONCEPT**

34. A closely related topic in dealing with competitiveness issues facing developing countries is their ability to adjust to shocks caused by trade liberalization. It is today more widely recognized that short- to medium-term adjustment assistance<sup>10</sup> to trade shocks is indispensable to developing countries in order to facilitate the economic, social and political sustainability of trade liberalization and deliver development and financial gains. Structural unemployment is perhaps the major social cost of adjusting to trade reforms. Other adjustments include the need to replace tariff revenues as protection is reduced; the likely losses of preferences in overseas markets as MFN rates are lowered under multilateral liberalization; and intra- and inter-sectoral reallocation of resources in response to changes in the levels of protection.

35. These short- to medium-term implications of trade liberalization, depending equally on the pace of trade reforms, directly confront the level of well-being of people through altering their access to goods, services, opportunities and often traditional ways of life. Particularly at risk are those that are least able to cope with the changes induced by trade reforms, including the poor, women, elderly, and unskilled and low-skilled workers. Unfortunately, most developing countries do not have well-developed social safety nets such as unemployment benefits, retraining programmes, portable pensions, etc. to address these problems. From this perspective, trade liberalization can pose some serious short- to medium-term implications for human development in developing countries, which may need adjustment assistance going beyond implementation support to see them through this process.

36. Furthermore, developing countries should be able to translate improved market access and entry conditions into actual exports on the basis of improved and diversified supply capacity. Among the most important policy elements include, among others: a stable macroeconomic, regulatory and financial environment; strategic use of complementary policies (e.g. trade, industrial, financial and technology policies); targeted use of social policies; strengthen the ability of firms to innovate and integrate technology towards

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<sup>10</sup> For a detailed discussion of adjustment issues, see *Developing Countries in International Trade, 2005*, Chapter 3, UNCTAD, 2005.

specialization in higher-value-added goods and services; establish strong networks of enterprises, particularly small and medium-sized ones, which are effectively linked to world markets; and ensure greater access to specialized information, including market intelligence, greater supplier–producer interaction.

37. Analysis from UNCTAD country case studies<sup>11</sup> and reviews of other experiences suggest that it would be desirable to anticipate such adjustments in a number of ways: encouraging domestic and foreign investment, including through legislation and institutions that are business-friendly, by developing capital markets to provide access to finance especially by SMEs, providing social safety nets, introducing labour re-training and extending other skills-oriented education programmes, providing physical infrastructure, especially in the transport sector, trade facilitation, getting rid of red tape, and helping developing countries meet SPS/TBT entry barriers in major markets, etc.

38. The multilateral trade agreements of GATT/WTO were traditionally silent on the issue of adjustment, leaving the matter to be entirely addressed by national policies. However, this approach is about to change as manifested by the ‘aid for trade’ initiative.

#### **Box 5. Aid for Trade initiative**

The idea that multilateral trade agreements should be complemented by specific measures to deal with adjustment costs and supply capacity in LDCs and other vulnerable developing countries is gaining ground. One of the most recent ideas is to establish a temporary international ‘Aid for Trade Fund’ to support developing countries in addressing adjustment costs associated with the implementation of the Doha negotiations.

For example, a temporary ‘Aid for Trade Fund’ was proposed by the UN Millennium Project’s Task Force on Trade in its Report on Trade For Development, 2005, while Peter Mandelson, the EU Trade Commissioner, proposed in February 2005 to establish a special trade adjustment fund to ‘help the poor to trade more effectively and ease the social costs of adjustment’. Similar ideas were contemplated in the UK Government’s “Africa Commission Report”. This was followed by the 2005 Gleneagles G8 Summit commitment for Africa and the announcement by G7 Finance Ministers in early December 2005 that spending on aid for trade would increase to \$4 billion.

The Hong Kong Ministerial Declaration of 18 December 2005 recognized that aid for trade should aim to help developing countries, particularly LDCs, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements, and more broadly to expand their trade. It was also emphasized that aid for trade could not be a substitute for the development benefits that would result from a successful conclusion of the Doha Round, particularly on market access. However, it could be a valuable complement to the outcome of these negotiations.

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<sup>11</sup> The country case studies commissioned by UNCTAD covered Bangladesh, Brazil, Bulgaria, India, Jamaica, Malawi, the Philippines and Zambia. These countries were chosen because they represent a sample from different regions, different sizes, and different stages of development as well as data availability. The drafts are available on the UNCTAD website at [www.unctad.org/tab](http://www.unctad.org/tab).

## V. CONCLUSIONS

39. The issues of market access, market entry and competitiveness should ultimately be seen in the overall context role of trade and trade liberalization in development policy. While trade liberalization has been a key element in development strategies for the past 20 years, and further liberalization as a result of the WTO negotiations is estimated to bring considerable long-term benefits, there are a number of challenges that will have to be faced. These include short-term adjustments and tariff revenue losses in the developing countries, a reduction in preferential access to major markets, forgoing of tariffs and other incentives for development purposes in the presence of positive externalities, and the key question of how developing countries can develop their production and export supply capabilities to take advantage of further market openings. In light of these concerns, and bearing in mind the potential gains from trade negotiations, attention has now turned to the idea of aid for trade that could help developing countries in the implementation of any new commitment to liberalize and build supply capabilities.

40. The decline of tariff rates following eight rounds of multilateral trade negotiations has highlighted the relative importance of NTBs as protection and regulatory trade instruments. This trend affects the entire range of developing country exports. Three policy measures appear to be indispensable in this regard: (1) enable developing countries to be involved in standard setting so they can participate more fully in world trade; (2) provide developing countries with systematic information and substantially more training and resources on a regular and predictable basis to comply with new standards and regulations governing their exports; and (3) formulate a balanced approach towards disciplining arbitrariness and discretion in the use of such barriers.

41. The challenge to the policy advice in favour of maximum liberalization has come from a number of sources. For example, the experiences of some developing countries, particularly those in East Asia, points to the continued relevance of 'strategic', more gradualist approaches to trade and trade policy reforms focusing on the combination and coordination of trade liberalization, industrial and investment policy. It is also being increasingly recognized that the specific circumstances facing any given country may play a crucial role and should be taken into account, especially in the case of small economies and LDCs. A 'one-size-fits-all' approach is not acceptable. For example, the financial vulnerability of developing countries, high level of external debts in many of them, their commodity dependence and limited supply capacities are some of the strong factors that may reduce or offset the benefits of a liberal trade policy. Furthermore, the state and capacity of their legal, economic and social institutions to distribute the policy of a more open trade into development gains logically requires prior attention and analysis before undertaking trade liberalization policies. UNCTAD's new Trade and Development Index<sup>12</sup> provides some indications of the kinds of measures that are required to achieve trade and development success.

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<sup>12</sup> For a detailed discussion on the Trade and Development Index, see *Developing Countries in International Trade 2005*, Chapter 1, UNCTAD (2005).

STATISTICAL ANNEX

Table 1. Imports of selected product sectors from DCs and LDCs (in millions USD)

Markets	Product Sector	Developing Countries								Least Developed Countries							
		1990		1995		2000		2004		1990		1995		2000		2004	
		Value	Shr in Tot (%)	Value	Shr in Tot (%)	Value	Shr in Tot (%)	Value	Shr in Tot (%)	Value	Shr in Tot (%)	Value	Shr in Tot (%)	Value	Shr in Tot (%)	Value	Shr in Tot (%)
Developed Countries	<b>TOTAL IMPORTS:</b>	<b>569'215</b>		<b>825'732</b>		<b>1'298'406</b>		<b>1'841'389</b>		<b>14'103.1</b>		<b>14'177.4</b>		<b>23'508.4</b>		<b>34'279.2</b>	
	Food & live animals	57'161	10.0	78'392	9.5	77'905	6.0	103'294	5.6	2'219.1	15.7	3'127.7	22.1	2'647.4	11.3	3'148.5	9.2
	- Fishery	9'038	1.6	23'064	2.8	25'174	1.9	29'915	1.6	444.8	3.2	1'302.0	9.2	1'466.7	6.2	1'837.7	5.4
	Mineral fuel/lubricants	162'716	28.6	136'380	16.5	244'565	18.8	342'116	18.6	4'184.5	29.7	3'654.3	25.8	6'228.5	26.5	10'934.4	31.9
	Chemicals/products n.e.s	13'297	2.3	23'147	2.8	34'818	2.7	59'743	3.2	284.6	2.0	208.8	1.5	208.2	0.9	348.2	1.0
	- Pharmaceutical products.	175	0.0	520	0.1	1'038	0.1	2'916.6	0.2	0.1	0.0	1.1	0.0	2.8	0.0	13.4	0.0
	Manufactured goods	67'326	11.8	93'174	11.3	136'808	10.5	210'583	11.4	2'062.9	14.6	1'342.3	9.5	2'939.2	12.5	3'319.0	9.7
	Machinery/transp equipmt	99'593	17.5	237'869	28.8	451'199	34.8	637'019	34.6	1'206.4	8.6	239.6	1.7	683.1	2.9	903.7	2.6
	- Manufactures Low-skill	84'539	14.9	131'522	15.9	199'635	15.4	306'995	16.7	1'879.1	13.3	891.2	6.3	3'131.4	13.3	2'560.4	7.5
	- Manufactures High-skill	88'067	15.5	201'919	24.5	357'241	27.5	510'985	27.8	415.1	2.9	365.4	2.6	418.9	1.8	560.5	1.6
	- Electronic and electrical goods	70'866	12.4	186'141	22.5	343'880	26.5	471'426	25.6	61.4	0.4	88.3	0.6	127.6	0.5	90.4	0.3
	- Parts and access. of motor vehicles	816	0.1	5'618	0.7	11'067	0.9	19'279	1.0	0.1	0.0	0.5	0.0	1.4	0.0	2.6	0.0
	- Textiles	77'417	13.6	116'312	14.1	156'506	12.1	202'109	11.0	2'009.3	14.2	3'936.4	27.8	8'954.4	38.1	13'221.9	38.6
	Developing Countries	<b>TOTAL IMPORTS:</b>	<b>134'828</b>		<b>515'674</b>		<b>778'976</b>		<b>1'166'060</b>		<b>3'438.6</b>		<b>7'331.4</b>		<b>13'379.0</b>		<b>20'473.5</b>
Food & live animals		10'316	7.7	31'630	6.1	39'922	5.1	45'902	3.9	707.6	20.6	1'399.2	19.1	1'521.8	11.4	1'411.6	6.9
- Fishery		1'162	0.9	4'505	0.9	5'911	0.8	6'883	0.6	72.6	2.1	370.4	5.1	448.0	3.3	359.6	1.8
Mineral fuel/lubricants		44'669	33.1	77'403	15.0	152'116	19.5	206'973	17.7	538.1	15.6	2'003.0	27.3	7'693.7	57.5	13'414.9	65.5
Chemicals/products n.e.s		9'181	6.8	43'802	8.5	64'743	8.3	100'664	8.6	132.9	3.9	210.2	2.9	263.7	2.0	377.3	1.8
- Pharmaceutical products.		288	0.2	1'628	0.3	3'150	0.4	3'981	0.3	0.3	0.0	10.0	0.1	29.1	0.2	25.1	0.1
Manufactured goods		22'675	16.8	104'567	20.3	124'074	15.9	163'045	14.0	697.1	20.3	1'277.6	17.4	1'032.6	7.7	1'391.9	6.8
Machinery/transp equipmt		26'232	19.5	148'454	28.8	263'108	33.8	446'104	38.3	326.6	9.5	147.0	2.0	351.2	2.6	265.6	1.3
- Manufactures Low-skill		22'192	16.5	112'655	21.8	128'223	16.5	153'180	13.1	477.8	13.9	557.0	7.6	774.1	5.8	877.9	4.3
- Manufactures High-skill		30'410	22.6	170'456	33.1	286'081	36.7	502'916	43.1	178.9	5.2	257.4	3.5	354.9	2.7	478.5	2.3
- Electronic and electrical goods		17'700	13.1	106'646	20.7	209'758	26.9	366'938	31.5	18.8	0.5	30.2	0.4	67.2	0.5	55.6	0.3
- Parts and access. of motor vehicles		305	0.2	2'553	0.5	3'444	0.4	6'543	0.6	0.4	0.0	2.4	0.0	3.7	0.0	2.3	0.0
- Textiles		10'984	8.1	63'603	12.3	73'588	9.4	76'889	6.6	468.2	13.6	981.8	13.4	1'161.8	8.7	1'688.4	8.2

Source: UNSD COMTRADE database.



**Table 2. Market access conditions for Developing Countries by selected product sectors (effectively applied rates of duty)**

Markets	Product Sector	1990				1995				2000				2004			
		Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total	Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total	Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total	Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total
Developed Countries	Food & live animals	4.80	4.19	80	12.1	7.16	4.13	427	11.5	2.54	3.12	238	6.3	2.68	2.98	162	6.0
	- Fishery	3.10	3.82	35	2.4	3.40	3.73	110	0.9	1.44	2.63	110	0.7	1.52	2.47	35	0.3
	Mineral fuel/lubricants	2.52	3.74	20	1.0	0.99	0.58	12	0.0	0.45	0.53	8	0.0	0.71	0.45	13	0.0
	Chemicals/products n.e.s	2.63	2.73	75	3.1	2.27	1.84	50	2.4	1.47	1.34	495	0.2	1.55	1.55	58	0.2
	- Pharmaceutical products.	2.20	1.13	16	1.3	0.70	0.21	20	0.5	0.11	0.06	30	0.1	0.40	0.05	12	0.0
	Manufactured goods	4.47	3.11	60	4.0	5.26	3.00	90	8.1	3.64	2.32	90	4.1	3.56	2.22	90	1.8
	Machinery/transp equipmt	2.39	2.51	41	1.1	1.88	1.22	47	0.5	1.20	0.44	90	0.2	1.37	0.54	35	0.2
	- Manufactures Low-skill	3.96	4.05	90	3.1	4.70	2.89	90	6.8	3.21	2.08	110	3.3	3.27	2.00	100	1.6
	- Manufactures High-skill	2.43	2.46	45	1.6	2.32	1.34	1500	1.0	1.19	0.48	495	0.2	1.31	0.56	58	0.1
	- Electronic and electrical goods	2.70	2.49	35	1.9	2.16	0.86	35	0.8	1.08	0.26	60	0.2	1.13	0.34	35	0.0
	- Parts and access. of motor vehicles	0.87	1.71	10	0.0	1.65	0.91	28	0.6	2.25	0.42	28	0.4	2.63	0.56	18	1.0
- Textiles	10.64	10.71	93	18.2	12.15	9.76	90	27.4	10.41	8.97	90	20.9	9.51	9.28	90	17.0	
Developing Countries	Food & live animals	26.49	20.59	200	62.9	16.94	11.64	100	41.2	17.82	15.34	400	38.8	12.20	10.60	210	30.8
	- Fishery	23.39	22.88	100	61.8	17.67	18.73	70.0	42.3	19.71	21.40	105	47.6	9.72	7.46	50	22.4
	Mineral fuel/lubricants	9.92	4.75	70	6.2	10.58	7.31	80	10.1	8.83	5.82	279	13.8	6.45	2.55	233	10.4
	Chemicals/products n.e.s	23.52	24.85	150	43.4	12.71	10.80	100	11.6	10.53	10.27	210	21.0	8.07	7.59	182	20.6
	- Pharmaceutical products.	18.87	14.50	60	36.1	8.25	6.68	65	4.0	6.88	6.48	50	19.3	5.00	4.03	100	16.2
	Manufactured goods	28.84	24.12	300	53.4	15.95	10.48	80	35.0	15.00	12.86	220	36.7	11.36	8.97	100	30.9
	Machinery/transp equipmt	22.32	17.98	250	43.8	12.91	6.98	265	23.6	11.58	9.42	225	26.3	8.29	3.92	200	21.9
	- Manufactures Low-skill	29.77	22.99	300	56.8	16.68	11.38	105	38.5	15.71	14.14	220	38.8	11.92	10.09	105	33.2
	- Manufactures High-skill	21.90	20.76	250	43.1	12.48	7.50	105	18.4	10.86	9.30	210	23.4	7.95	4.94	182	20.3
	- Electronic and electrical goods	26.54	18.96	200	50.9	14.50	5.42	100	26.8	12.88	7.45	180	29.7	9.32	2.50	70	23.9
	- Parts and access. of motor vehicles	30.89	31.04	100	63.8	17.55	10.68	100	23.9	16.29	19.03	125	35.9	12.00	11.64	200	28.4
- Textiles	33.25	25.30	300	56.8	18.65	11.83	100	51.3	18.44	17.55	220	52.6	14.09	13.78	100	42.0	

Source: UNCTAD TRAINS Database

**Table 3. Market access conditions for Least Developed Countries by selected product sectors (effectively applied rates of duty)**

Markets	Product Sector	1990				1995				2000				2004			
		Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total	Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total	Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total	Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total
Developed Countries	Food & live animals	2.47	2.73	70	5.0	3.80	2.83	282	3.6	1.20	1.30	40	2.2	0.83	0.42	50	3.0
	- Fishery	3.07	4.50	25	2.1	3.24	4.12	100	0.4	1.33	1.74	25	0.1	0.91	0.54	15	0.0
	Mineral fuel/lubricants	1.58	1.28	10	0.0	1.00	0.97	10	0.0	0.09	0.01	8	0.0	0.00	0.00	0	0.0
	Chemicals/products n.e.s	1.60	2.85	75	3.3	0.81	0.07	30	1.0	0.55	0.19	30	0.3	0.32	0.00	12	0.0
	- Pharmaceutical products.	0.00	0.00	0	0.0	0.00	0.00	0.0	0.0	1.88	6.06	30	7.7	0.00	0.00	0	0.0
	Manufactured goods	2.79	0.44	60	3.5	4.35	0.92	90	8.1	2.75	2.07	60	4.3	1.97	2.01	90	2.1
	Machinery/transp equipmt	0.92	0.10	35	1.6	0.76	0.32	35	1.2	0.30	1.46	10	0.0	0.28	0.02	35	0.3
	- Manufactures Low-skill	2.23	0.98	90	3.4	3.03	1.76	90	5.4	2.08	1.86	90	3.3	1.37	2.56	100	1.2
	- Manufactures High-skill	0.95	0.45	35	1.9	0.73	0.12	35	1.5	0.37	2.73	30	0.1	0.27	0.02	35	0.4
	- Electronic and electrical goods	1.28	0.11	35	2.3	0.60	0.29	35	1.1	0.26	5.24	10	0.0	0.14	0.02	35	0.1
	- Parts and access. of motor vehicles	0.00	0.00	0	0.0	1.28	0.75	28	3.5	1.42	1.04	10	0.0	0.39	0.07	10	0.0
	- Textiles	10.85	11.26	93	21.7	12.54	11.88	90	31.1	10.32	11.87	90	28.1	6.28	10.01	90	15.4
Developing Countries	Food & live animals	25.84	26.62	200	37.3	22.69	20.84	100	48.5	18.80	15.37	175	39.0	15.36	19.56	160	42.6
	- Fishery	29.16	46.11	55	48.5	20.79	26.41	70	40.8	21.94	29.32	100	61.1	11.22	6.69	43	35.4
	Mineral fuel/lubricants	8.02	0.52	40	3.2	13.09	5.00	70	13.5	14.66	4.85	279	23.3	5.95	0.35	40	6.1
	Chemicals/products n.e.s	20.40	44.56	150	41.8	24.85	7.09	80	32.9	12.51	8.54	170	29.8	13.07	20.95	40	49.7
	- Pharmaceutical products.	14.69	21.00	30	24.5	9.70	9.35	65	7.4	6.98	6.85	25	18.1	4.51	8.32	30	26.7
	Manufactured goods	25.43	56.63	100	39.5	20.71	7.25	80	41.1	15.84	11.15	100	39.8	15.96	12.88	70	54.5
	Machinery/transp equipmt	17.51	3.03	150	42.4	17.04	9.14	265	27.4	11.12	6.80	175	28.7	9.90	12.39	158	31.5
	- Manufactures Low-skill	23.58	5.17	200	41.9	21.88	10.82	80	45.8	16.72	10.77	115	42.9	16.16	18.93	70	54.5
	- Manufactures High-skill	14.07	40.22	150	36.2	18.18	9.05	100	25.5	10.89	8.37	170	28.7	10.33	18.69	50	35.7
	- Electronic and electrical goods	14.70	11.16	100	30.9	18.35	14.86	100	26.6	11.76	11.81	80	33.9	10.28	14.39	50	28.7
	- Parts and access. of motor vehicles	19.90	13.67	100	59.8	23.34	17.81	100	20.0	14.11	13.22	50	37.2	15.74	18.17	43	42.8
	- Textiles	23.67	19.81	100	34.2	22.25	7.55	80	46.7	20.87	10.64	90	53.5	15.95	23.97	100	52.2

Source: UNCTAD TRAINS database.

**Table 4. Definitions of product chains used in tables 5 – 8 (Nomenclature: HS Combined)**

Product Chain	Stages of Production - Description	Stages of Production - Product Coverage
Citrus fruit	Fresh or dried	0805
	Preserved or prepared	200791, 200830
	Juices	200911-200930, 900919
Cocoa	Cocoa beans	1801
	Cocoa paste and husks/shells	1802, 1803
	Cocoa butter and powder	1804, 1805
	Chocolate	1806
Coffee	Coffe, Raw	090111-090112
	Coffee, Roasted, husk and skins	090121-090130
	Coffee, Extracts and preparations	210110- 210112
Wood and cork	Wood and cork: Raw materials	440310-440399,450110,450190,
	Wood and cork: Semi-manufactures	440410-440799, 450200
	Wood and cork: Veneer, plywood, etc.	440810-441300, 450410,450490
	Wood and cork: Articles made of (excl. furniture)	441400-442190, 450310,450390
	Wood and cork: Wooden furniture	940161,940169, 940330-940360
Copper	Copper: Raw materials	260300,740110, 740120,740400
	Copper: Ingots and other primary forms	740200-740329, 740500
	Copper: Semi-finished products	740610-741129
	Copper: Finished products	741210-741999
Textiles and clothing	Raw materials	500100-500390, 510111-510400, 520100-520299, 530110-530599
	Slightly processed raw materials	510510-510540, 520300
	Yarns	500400-500600, 510610-511000, 520411-520790, 530610-530890, 540110-540620, 550110-551130, 560110-560130, 560410-560500
	Fabrics	500710-500790, 511111-511300, 520811-521225, 530911-531090, 540710-540834, 551211-551694, 560210-560300, 560600-560900, 570110-570500, 580110-600299
	Clothing and other made up articles	610110-631090

Source: UNCTAD.

**Table 5. Tariff escalation for selected product chains; Markets: Developed Countries; Partners: Developing Countries**

Product Chain		1990				1995				2000				2004			
Name	Stages of Production	Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total	Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total	Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total	Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Citrus fruit	Fresh or dried	0.98	3.16	20.0	0.3	0.92	1.78	38.7	3.0	1.46	3.24	32.0	5.0	1.56	1.88	32.0	6.5
	Preserved or prepared	12.93	15.04	40.0	27.4	9.99	21.86	100.0	24.9	6.49	15.19	34.0	11.9	6.67	11.59	34.0	13.5
	Juices	8.39	17.01	35.0	11.8	15.04	22.10	100.0	34.3	3.34	7.96	29.8	13.7	6.77	10.10	45.0	32.2
Cocoa	Cocoa beans	0.05	0.00	3.6	0.0	0.00	0.00	0.0	0.0	0.00	0.00	0.0	0.0	0.00	0.00	0.0	0.0
	Cocoa paste and cocoa husks/shells	1.20	0.36	10.0	0.0	0.61	0.24	7.0	0.0	0.80	0.55	7.0	0.0	0.43	0.16	7.0	0.0
	Cocoa butter and powder	1.72	0.10	15.0	0.0	1.32	0.15	10.5	0.0	1.11	0.24	10.5	0.0	0.80	0.30	12.9	0.0
	Chocolate	9.51	14.12	35.0	19.4	20.42	18.49	304.3	7.2	5.90	12.42	29.8	6.9	5.73	9.84	29.8	7.2
Coffee	Coffee, Raw	0.19	0.01	12.0	0.0	0.00	0.00	0.0	0.0	0.00	0.00	0.0	0.0	0.00	0.00	0.0	0.0
	Roasted, husks and skins	4.41	0.49	20.0	14.3	1.39	0.82	10.0	0.0	1.66	0.69	10.0	0.0	1.75	1.45	12.0	0.0
	Extracts and preparations	9.23	10.60	35.0	23.4	5.86	11.36	34.1	14.6	3.67	3.62	29.8	15.3	2.98	3.54	29.8	8.7
Wood and cork	Raw materials	0.05	0.00	5.0	0.0	0.11	0.22	4.7	0.0	0.00	0.00	3.5	0.0	0.01	0.00	5.0	0.0
	Semi-manufactures	1.08	1.29	10.0	0.0	0.08	0.32	9.0	0.0	0.37	0.27	10.0	0.0	0.34	0.23	10.0	0.0
	Veneer, plywood, etc	2.75	6.40	20.0	0.9	1.56	6.29	40.0	0.3	1.17	3.35	40.0	0.1	1.87	3.12	20.0	0.1
	Articles made of (excl. furniture)	1.80	2.45	50.0	0.3	2.13	1.55	60.0	1.5	1.43	1.19	60.0	0.8	2.14	1.63	60.0	0.3
	Wooden furniture	2.67	3.04	16.3	2.0	3.05	1.42	42.5	0.9	1.77	0.36	42.5	0.8	3.77	0.48	100.0	2.0
Copper	Raw materials	0.64	0.01	8.0	0.0	0.21	0.00	8.8	0.0	0.00	0.00	0.0	0.0	0.00	0.00	0.0	0.0
	Ingots and other primary forms	0.30	0.00	6.0	0.0	0.70	0.10	8.8	0.0	0.11	0.19	1.0	0.0	0.35	0.33	11.0	0.0
	Semi-finished products	1.57	1.16	8.0	0.0	1.28	0.55	8.8	0.0	1.14	0.65	5.0	0.0	1.50	0.98	12.0	0.0
	Finished products	2.35	3.26	11.2	0.0	3.00	3.11	50.0	0.7	1.73	1.60	50.0	0.3	1.92	1.68	14.0	0.0
Textiles and clothing	Raw materials	0.21	1.15	35.0	0.2	0.18	1.28	35.0	0.1	0.04	0.01	4.3	0.0	0.02	0.00	4.3	0.0
	Slightly processed raw materials	0.59	0.02	4.0	0.0	0.90	0.14	10.0	0.0	0.46	0.06	5.0	0.0	0.62	0.09	5.0	0.0
	Yarns	5.01	2.69	15.0	0.0	5.66	3.84	24.1	1.2	3.87	3.19	40.0	0.3	3.78	3.60	16.0	0.1
	Fabrics	9.33	7.81	60.0	10.4	10.76	8.08	90.0	22.5	7.51	6.84	90.0	9.0	6.80	5.65	90.0	1.9
	Clothing and other made up articles	12.51	12.06	93.0	24.0	14.05	10.57	90.0	33.4	13.27	9.74	90.0	30.0	12.12	10.08	90.0	27.4

Source: UNCTAD TRAINS database.

**Table 6. Tariff escalation for selected product chains; Markets: Developing Countries; Partners: Developing Countries**

Product Chain		1990				1995				2000				2004			
Name	Stages of Production	Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total	Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total	Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total	Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Citrus fruit	Fresh or dried	31.67	29.80	60.0	84.6	14.42	12.85	60.0	47.2	16.46	11.58	70.0	19.1	9.30	6.29	200.0	19.4
	Preserved or prepared	38.75	31.38	60.0	88.0	16.37	25.26	50.0	59.8	20.76	23.66	50.0	71.6	11.20	8.62	30.0	38.1
	Juices	34.65	48.17	60.0	100.0	20.82	39.17	75.0	58.0	22.11	19.43	50.0	53.9	16.39	10.30	73.0	45.5
Cocoa	Cocoa beans	18.46	17.60	30.0	34.8	11.65	6.88	30.0	20.3	11.21	13.72	35.0	25.0	6.84	7.72	30.0	14.9
	Cocoa paste and cocoa husks/shells	23.85	20.74	30.0	56.3	13.94	8.52	30.0	26.0	10.55	6.06	65.0	7.4	6.94	3.02	30.0	9.9
	Cocoa butter and powder	25.23	9.50	60.0	57.7	14.47	8.78	43.0	29.5	14.76	12.53	85.0	34.2	11.08	10.25	43.0	35.2
	Chocolates	33.80	31.37	80.0	91.8	19.03	11.00	70.0	51.5	19.71	14.28	50.0	41.6	15.44	9.47	73.0	49.4
Coffee	Coffee, Raw	7.64	4.92	100.0	3.8	8.07	3.60	35.0	50.9	16.72	10.01	75.0	39.0	8.91	7.69	100.0	50.2
	Roasted, husks and skins	24.36	17.90	60.0	81.8	16.54	17.89	80.0	44.2	22.32	22.91	95.0	45.3	13.13	11.69	100.0	31.7
	Extracts and preparations	32.47	26.61	50.0	100.0	22.19	12.78	70.0	63.7	26.27	22.97	141.0	53.3	14.50	7.72	141.0	36.0
Wood and cork	Raw materials	18.60	19.19	60.0	12.0	3.95	1.77	30.0	1.1	4.22	2.25	30.0	16.9	3.25	1.69	30.0	1.6
	Semi-manufactures	12.45	14.99	60.0	29.8	9.83	4.68	70.0	8.0	8.18	5.46	55.0	14.1	5.20	1.09	30.0	13.2
	Veneer, plywood, etc	24.68	17.11	100.0	51.9	16.39	10.20	70.0	21.2	13.70	12.42	110.0	28.6	10.22	7.62	75.0	29.5
	Articles made of (excl. furniture)	23.43	17.24	60.0	52.5	16.92	8.07	80.0	31.4	17.02	11.25	215.0	40.6	12.89	7.04	50.0	36.2
	Wooden furniture	28.43	25.65	60.0	50.0	21.83	7.39	80.0	49.2	21.70	15.34	215.0	69.8	15.81	11.50	50.0	44.2
Copper	Raw materials	34.57	11.00	100.0	29.9	3.35	3.58	17.0	0.5	3.51	1.85	15.0	0.0	7.10	1.32	25.0	50.5
	Ingots and other primary forms	29.32	28.46	100.0	23.9	4.83	3.51	15.0	0.0	5.08	4.69	25.0	1.8	6.52	2.82	25.0	20.5
	Semi-finished products	26.05	46.28	100.0	34.4	11.00	7.75	70.0	12.4	9.58	7.31	50.0	23.2	7.50	4.92	43.0	18.7
	Finished products	29.38	27.37	100.0	67.9	14.92	12.85	80.0	35.8	15.16	14.16	175.0	40.2	10.43	11.19	43.0	31.9
Textiles and clothing	Raw materials	10.11	7.07	60.0	11.0	5.79	4.52	70.0	2.4	7.32	4.60	90.0	3.6	8.85	24.06	50.0	9.1
	Slightly processed raw materials	9.31	2.90	60.0	3.9	5.68	4.08	30.0	0.5	7.83	13.44	90.0	1.0	9.29	18.89	47.2	15.1
	Yarns	27.31	22.67	100.0	49.1	12.96	9.74	80.0	27.0	11.13	12.16	210.0	27.4	8.91	7.86	50.0	25.3
	Fabrics	36.69	32.84	300.0	53.1	18.70	16.42	80.0	53.2	17.62	21.08	220.0	56.0	13.81	15.05	50.0	43.2
	Clothing and other made up articles	33.15	31.71	100.0	69.6	20.42	9.19	100.0	61.0	21.05	19.51	220.0	58.2	15.73	12.60	100.0	47.1

Source: UNCTAD TRAINS database.

**Table 7. Tariff escalation for selected product chains; Markets: Developed Countries; Partners: Least Developed Countries**

Product Chain		1990				1995				2000				2004			
Name	Stages of Production	Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total	Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total	Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total	Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Citrus fruit	Fresh or dried	0.00	0.00	0.0	0.0	0.00	0.00	0.0	0.0	0.00	0.00	0.0	0.0	0.00	0.00	0.0	0.0
	Preserved or prepared				0.0					0.00	0.00	0.0	0.0				
	Juices	5.50	9.46	11.0	0.0					2.50	2.50	5.0	0.0	0.00	0.00	0.0	0.0
Cocoa	Cocoa beans	0.00	0.00	0.0	0.0	0.00	0.00	0.0	0.0	0.00	0.00	0.0	0.0	0.00	0.00	0.0	0.0
	Cocoa paste and cocoa husks/shells	0.00	0.00	0.0	0.0	0.00	0.00	0.0	0.0	0.00	0.00	0.0	0.0				
	Cocoa butter and powder				0.0	0.00	0.00	0.0	0.0	0.00	0.00	0.0	0.0				
	Chocolate	1.00	1.73	10.0	0.0	0.00	0.00	0.0	0.0	10.00	10.00	10.0	0.0	0.29	0.09	3.5	0.0
Coffee	Coffee, Raw	0.16	0.00	8.0	0.0	0.00	0.00	0.0	0.0	0.00	0.00	0.0	0.0	0.00	0.00	0.0	0.0
	Roasted, husks and skins	2.86	1.49	20.0	10.0	0.00	0.00	0.0	0.0	0.00	0.00	0.0	0.0	0.92	1.30	12.0	0.0
	Extracts and preparations	0.00	0.00	0.0	0.0	19.37	19.37	34.1	54.5	1.47	0.76	8.8	0.0	0.98	1.42	8.8	0.0
Wood and cork	Raw materials	0.00	0.00	0.0	0.0	0.18	0.39	4.7	0.0	0.00	0.00	0.0	0.0	0.00	0.00	0.0	0.0
	Semi-manufactures	0.18	0.59	10.0	0.0	0.00	0.00	0.0	0.0	0.36	0.18	4.0	0.0	0.00	0.00	0.0	0.0
	Veneer, plywood, etc	0.60	0.90	10.0	0.0	2.28	0.79	40.0	4.4	1.60	0.58	40.0	1.8	0.19	0.02	10.0	0.0
	Articles made of (excl. furniture)	0.81	0.46	50.0	1.7	0.80	0.08	50.0	3.7	1.11	0.72	50.0	3.0	0.79	0.45	60.0	4.1
	Wooden furniture	0.24	0.45	6.6	0.0	0.40	0.44	5.3	0.0	0.79	0.28	5.0	0.0	0.06	0.00	5.0	0.0
Copper	Raw materials	2.00	0.51	8.0	0.0	0.00	0.00	0.0	0.0	0.00	0.00	0.0	0.0	0.00	0.00	0.0	0.0
	Ingots and other primary forms	0.00	0.00	0.0	0.0	0.00	0.00	0.0	0.0	0.20	0.01	1.0	0.0	0.00	0.00	0.0	0.0
	Semi-finished products	0.00	0.00	0.0	0.0	0.00	0.00	0.0	0.0					0.00	0.00	0.0	0.0
	Finished products	1.18	1.85	10.0	0.0	4.88	1.93	50.0	8.6	1.29	0.87	5.0	0.0	0.11	0.53	3.0	0.0
Textiles and clothing	Raw materials	0.91	1.00	35.0	2.2	0.95	3.05	35.0	1.8	0.00	0.00	0.0	0.0	0.00	0.00	0.0	0.0
	Slightly processed raw materials	1.50	1.50	1.5	0.0				0.0	0.00	0.00	0.0	0.0				
	Yarns	2.91	0.08	10.0	0.0	0.27	0.05	4.8	0.0	3.54	0.37	12.0	0.0	1.61	0.30	10.6	0.0
	Fabrics	6.96	1.93	60.0	6.7	7.50	1.79	60.0	11.9	5.20	1.93	60.0	6.5	3.74	1.57	90.0	2.3
	Clothing and other made up articles	12.61	13.20	93.0	27.7	14.16	12.77	90.0	36.7	11.42	12.32	90.0	32.7	6.94	10.23	90.0	18.3

Source: UNCTAD TRAINS database.

**Table 8. Tariff escalation for selected product chains; Markets: Developing Countries; Partners: Least Developed Countries**

Product Chain		1990				1995				2000				2004			
Name	Stages of Production	Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total	Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total	Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total	Simple Average (%)	Weighted Average (%)	Max. Rate (%)	Intl Peaks % of Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Citrus fruit	Fresh or dried	60.00	60.00	60.0	100.0	28.75	24.11	35.0	75.0	21.88	19.27	70.0	37.3	9.79	27.24	35.0	30.3
	Preserved or prepared	.	.	.	.	.	.	.	.	37.50	37.50	37.5	100.0	.	.	.	.
	Juices	.	.	.	.	.	.	.	.	34.00	39.66	50.0	85.7	28.00	34.26	35.0	100.0
Cocoa	Cocoa beans	.	.	.	.	2.50	0.61	10.0	0.0	5.00	5.00	5.0	0.0	4.00	2.14	8.0	0.0
	Cocoa paste and cocoa husks/shells	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
	Cocoa butter and powder	.	.	.	.	.	.	.	.	13.13	15.04	23.0	50.0	8.33	2.15	20.0	50.0
	Chocolate	50.00	50.00	50.0	100.0	25.00	25.99	30.0	66.7	35.00	30.73	40.0	75.0	21.36	21.34	35.0	88.2
Coffee	Coffee, Raw	5.00	6.61	15.0	0.0	11.60	5.44	30.0	66.3	15.63	6.97	50.0	32.1	9.15	1.04	100.0	54.3
	Roasted, husks and skins	.	.	.	.	27.63	39.85	80.0	55.6	14.22	14.82	25.0	22.2	13.75	13.83	20.0	63.6
	Extracts and preparations	.	.	.	.	16.67	24.33	30.0	66.7	32.27	21.26	65.0	86.7	14.40	15.11	20.0	40.0
Wood and cork	Raw materials	26.90	36.22	60.0	9.7	4.56	1.36	30.0	1.0	3.37	1.61	25.0	20.4	3.01	1.99	17.0	1.5
	Semi-manufactures	11.95	50.70	60.0	18.5	10.58	2.65	70.0	26.7	5.97	2.57	25.0	11.3	5.31	0.34	25.0	11.7
	Veneer, plywood, etc	32.97	29.02	60.0	52.1	13.51	11.70	70.0	29.6	14.06	9.17	60.0	47.7	17.46	16.42	30.0	62.2
	Articles made of (excl. furniture)	23.21	25.81	60.0	43.1	20.75	29.21	43.0	62.0	21.35	22.82	100.0	50.4	15.03	12.99	43.0	44.9
	Wooden furniture	22.00	24.04	30.0	40.0	27.43	29.15	80.0	56.7	25.06	18.69	45.0	75.9	17.76	15.37	40.0	51.5
Copper	Raw materials	54.08	44.32	100.0	53.8	3.00	1.45	15.0	0.0	5.86	0.09	15.0	0.0	9.30	0.67	25.0	68.2
	Ingots and other primary forms	44.46	65.71	100.0	35.3	3.50	4.26	15.0	0.0	4.44	5.02	12.0	0.0	11.42	3.49	25.0	42.9
	Semi-finished products	43.91	89.31	100.0	29.4	10.25	9.74	25.0	15.4	11.17	11.65	20.0	21.4	15.86	7.74	25.0	65.1
	Finished products	20.76	16.60	40.0	53.8	9.75	8.41	40.0	20.0	13.36	12.34	25.0	36.0	15.97	22.57	30.0	69.6
Textiles and clothing	Raw materials	10.66	18.26	60.0	16.5	6.73	6.24	65.0	6.9	7.55	5.12	90.0	4.0	10.60	29.98	47.2	8.7
	Slightly processed raw materials	15.00	15.00	15.0	0.0	12.50	14.94	15.0	0.0	19.40	29.88	30.0	25.0	13.44	21.86	47.2	16.7
	Yarns	17.04	15.67	27.0	31.0	16.52	6.79	70.0	33.0	12.00	13.05	40.0	25.2	14.43	14.16	30.0	65.8
	Fabrics	26.42	28.04	100.0	32.2	31.55	23.55	80.0	68.4	17.24	42.16	70.0	50.4	17.19	20.49	43.0	65.4
	Clothing and other made up articles	32.42	39.37	90.0	52.9	21.76	8.74	80.0	51.7	23.91	19.82	60.0	61.0	16.14	9.38	100.0	51.6

Source: UNCTAD TRAINS database.