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MARKET ACCESS, MARKET ENTRY AND COMPETITIVENESS

Background note by the UNCTAD secretariat[*]

Executive summary

This note analyses some key aspects of tariff trends and market access, especially in relation to developing countries. The analysis covers broad trends in trade flows and regional trade performance. Market access is reviewed through trends in tariffs among regions and increasing relevance on non-tariff barriers (NTBs). Special reference is made to regional trade agreements (RTAs) as a way towards trade liberalization and enhancement of South–South trade. Tariffs have decreased worldwide in recent years, although developed countries still charge higher tariffs to developing countries and LDCs as compared with tariffs applied to trade among themselves, thus affecting market access of their developing and LDC trading partners. Also, even if developing countries' protection has decreased, their tariff levels are still higher than those of developed nations, affecting both developed and other developing countries. Varying degrees of progress have been made through South–South RTAs in terms of tariff liberalization. Due to the continual decline in tariffs, non-tariff barriers (NTBs) have now become a challenge for trade liberalization. These measures affect developing countries in different ways. A group of Eminent Persons on Non-Tariff Barriers (GNTB) was appointed. The team met in July 2006, followed by the establishment of a multi-agency team on NTBs.

Developing countries' participation in new and dynamic sectors of world trade is also discussed. In particular, reference is made to the practical outcome following the second sectoral review on electronics (October 2005), involving UNCTAD and Royal Phillips Electronics Corp.'s collaboration to explore possibilities for establishing an energy saving light bulb industry in the Southern African (SADC) region, which is an ongoing project.

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

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CONTENTS

I. OVERVIEW OF TRENDS IN TRADE FLOWS IN 2006[†]

A. Broad trends in world trade flows

1. During 2006, global trade flows expanded rapidly. The following were some of the main features of trade flows during the year:

- The volume of world exports in 2006 grew at an estimated rate of over 10 per cent, up from 7.4 per cent in 2005, while the value of world exports increased by about 16 per cent.
- The growth of world exports more than doubles the growth of world output, indicating further deepening of global economic integration.
- An important aspect of the rapid expansion of world merchandise trade during 2006 is a continued large increase in trade flows of oil and non-oil commodities in value terms, mainly due to the higher prices of these commodities.
- The strong growth of world trade has been bolstered by broad-based *import* demand across a majority of economies. Import demand for capital goods has increased with the recovery of business investment in a large number of economies.
- Demand for primary commodities has also remained strong by historical standards, owing in particular to the continued rapid pace of industrialization in China, India and other emerging developing countries.

B. Regional trade performance

2. As regards regional breakdown of trade flows:

- The United States remains the major locomotive for world trade, with its import demand accounting for about 13 per cent of the world total. During 2006, the total value of imports of goods and services of the United States increased by about 12 per cent, reaching an estimated level of US$ 2.2 trillion.
- Import demand in volume in most developing and transition economies accelerated during 2006, owing to sustained economic growth in these economies as well as a continued improvement in the terms of trade for a large number of economies.
- Asia continues to lead developing country export growth. In East Asia, most economies have maintained export growth in revenue terms at 10 to 20 per cent, with China exceeding 20 per cent. Growth of exports in South Asia has also been strong, particularly in textiles and ready-made garments. The main driver of merchandise export growth from India – which reached some 20 per cent in 2006 – remained engineering goods, with machinery and instruments, and electronic goods the strongest performers.
- In Latin America and the Caribbean, export revenues increased by 20 per cent during 2006, boosted largely by a continued improvement in unit value of exports, or

[†] For further details, see UNCTAD–DESA joint publication World Economic Situation and Prospects 2007 (United Nations publications, Sales No. E.07.II.C.2)), chapter II "International Trade".

commodity prices, while the volume of exports rose by some 8 per cent. Chile and Peru benefited the most from increases in the value of base metals and minerals exports. Similarly, Bolivia and the Bolivarian Republic of Venezuela were favoured by higher prices of natural gas and oil, respectively.

- Among developing countries, the volume of African exports continued to expand in 2006, albeit at a slower pace than in 2005. This deceleration reflects, to a large degree, the decline or slow growth of oil production in Chad, Equatorial Guinea, Gabon and Nigeria, and weak manufacturing export growth in South Africa. In terms of outlook, the growth of real exports is expected to remain robust in 2007, with an increase in hydrocarbon production in Algeria, Angola and Mauritania, the start of operations at new mines in Ghana, Mali and Namibia, and the resumption of timber and rubber exports in Liberia.

- Import demand in the European Union has accelerated from the previous year, reflecting better than expected growth recovery in Western Europe. Import volume growth accelerated to nearly 10 per cent, following a continued boom in the new EU Member States. Imports in Japan have also been rising gradually along with the expansion in domestic demand, but growth slowed somewhat in the second half of 2006. Imports of capital goods in Japan have been on a solid upward trend, reflecting stronger business investment demand.

II. TARIFF TRENDS AND MARKET ACCESS ISSUES

A. Key trends in tariffs

3. Recent tariff trends continued during 2005, the year for which the latest tariff data is available. Thus:

(a) Although imports from developing countries still faced higher tariffs in developing country markets with respect to those they faced in developed country markets, protection in developing countries has diminished dramatically. In 1990, developing countries applied an average effective tariff rate (expressed in weighted terms) of 24 per cent on imports of manufactures from other developing countries. In 2004, the corresponding figure was only 8.94 per cent. This tendency is a general one in trade among developing countries. GSTP negotiations can help further reduce tariffs among developing countries, thereby expanding South–South trade flows.

(b) The level of protection for goods from developing countries faced lower average weighted tariffs in developed country markets than in developing country markets, although developing countries and LDCs faced 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 lay among the top 20 imports from developing to developed countries in 2004 were also among those that faced relatively low protection in 1990. The major exceptions were textiles and clothing products, and footwear.

(c) Some of the most important developed country imports from LDCs still faced 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 nine faced high weighted tariffs in developed country markets in excess of 7.5 per cent, six of which were at double-digit rates. In a number of cases, the maximum tariff was as high as 90 per cent. Textiles and clothing were the product categories that were subject to high tariffs. Many of the most important imports of developing countries coming from LDCs still faced relatively high tariffs in 2004.

(d) Tariff escalation remains an important concern for developing countries that needs to be taken into consideration when assessing potential development gains from trade. It appears particularly clearly for imports from LDCs. For example, in the 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.

B. Market access issues in the Doha Round negotiations

4. The hopes for tariff reductions for products of export interest from developing countries under the Doha Round have remained unfilled as a result of lack of progress in the negotiations, which were suspended in July 2006. Market access of agricultural products remains the least advanced pillar in the negotiations, despite several proposals made by participants especially in the run-up to and at the Sixth WTO Ministerial Conference, held in Hong Kong.

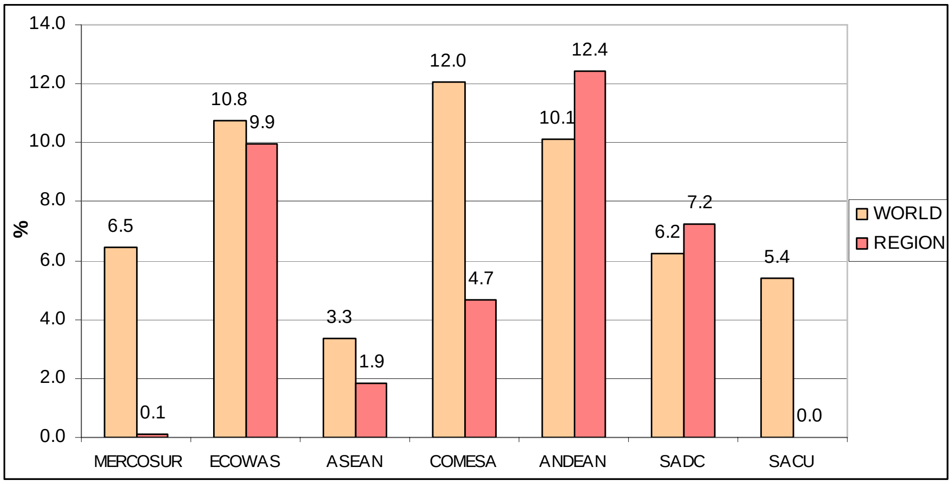
5. Despite intensive negotiations and the many proposals that were submitted, participants were unable to establish full negotiating modalities for non-agricultural market access (NAMA). The crucial issues in NAMA negotiations are focused on the so-called Swiss formula for tariff cuts, flexibilities for developing countries to reflect the "less-than-full reciprocity" principle and treatment of unbound tariff lines. Among the other elements are non-ad valorem 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.

6. The Sixth WTO Ministerial Conference also recognized the importance of advancing 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. An important challenge facing negotiators when the suspension of talks is lifted is to achieve this ambition in a balanced and proportionate manner consistent with the principle of special and differential treatment.

C. Tariff liberalization under South–South RTAs

7. The last decade has witnessed a proliferation of regional trade agreements (RTAs) as a route to trade liberalization and economic integration. By the end of 2006, the total number of such agreements approached 200, including those that had been finalized and/or operationalized, those under negotiation and those that had been proposed. Currently, trade between RTA partners accounts for nearly 45 per cent of global trade. Many of these RTAs are among developing countries. While liberalization of trade is a major objective of South–South RTAs, they have achieved varying degrees of success in this regard.

Figure 1. Trade-weighted total applied tariff average by some RTAs to the world and to their region



Source: UNCTAD TRAINS database.

8. Figure 1 shows the trade-weighted applied tariff average by seven South–South RTAs to the world and to their respective region. However, the lack of availability of preferential tariff data for some countries might underestimate the actual extent of tariff liberalization undertaken so far. It appears that SACU and MERCOSUR have achieved total or near-total liberalization of trade among their respective member countries. ASEAN and COMESA have made substantial progress in this regard, although some of their members still apply higher tariffs to their RTA partners than the rest of the world. For example, this is the case with the Lao PDR in ASEAN, which is due in part to the fact that it imports a small number of products from its regional partners, accounting for 14 per cent of total value of imports in 2005, while lower rates are concentrated on imports from other regions. It also gives preferential treatment to imports from China amounting to 32 per cent of its total imports. In ECOWAS, Nigeria imports very few products from the region (8 per cent of its total imports in 2005). In the case of ANDEAN and SADC, the average tariff applied to partner countries is higher than those applied to the rest of the world. It is possible that, in the case of ANDEAN, only one-tenth of Bolivia's imports come from the region, as compared with 40 per cent from MERCOSUR countries in 2005. In the case of SADC, Angola sources only 12 per cent of its imports from the SADC region, while lower tariffs are concentrated on imports from other regions.

III. NON-TARIFF BARRIERS (NTBs): PROGRESS IN THE WORK OF THE EMINENT PERSONS GROUP ON NTBs

A. Implications of NTBs for developing countries

9. The continual decline of tariff rates as a result of eight GATT rounds of multilateral trade negotiations, along with regional, bilateral and unilateral liberalization, have increased the relative importance of non-tariff barriers (NTBs) both as protection and as regulatory trade instruments. There is a wide range of NTBs applied by different countries that have implications for open and transparent global trade in general, and trade and development performance and prospects of developing countries in particular. However, research aimed at arriving at a more complete, precise and updated analysis of NTBs and their impact faces

serious gaps, as current empirical and conceptual knowledge of such barriers is rather limited and is hampered by the lack of common definition and methodologies, inadequate quantity and quality of data, and ways and means of quantification.

10. Despite these limitations relating to NTB data, existing information reveals 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, with the exception of prominent and widely applied NTBs such as anti-dumping and countervailing measures, there has been a sevenfold increase in Government-mandated testing and certification requirements.[‡] 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 entails significant costs for producers and exporters. In general, these costs arise from the translation of foreign regulations, the 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.

11. Key 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, electrical equipment, pharmaceuticals and textiles, are more affected by NTBs than other sectors. In particular, the rise of technical measures in developed countries means additional costs and unnecessary burdens in relation to the access of enterprises in developing countries to international markets. These illustrate the serious implications of NTBs for developing countries' trading performance and prospects, necessitating a greater focus on key technical and policy issues arising from such barriers.

B. NTBs and regional trade agreements (RTAs)

12. Non-tariff barriers adversely affect the regional integration process. Producers of tradable goods can use such barriers to achieve monopoly rent by segmenting markets. Among major regional integration arrangements, the European Union has made arguably the greatest progress in harmonizing technical, sanitary and environmental standards. Under NAFTA, a phased approach was undertaken to deal with NTBs, although detailed rules of origin were applied in the case of textiles and automobiles.

13. Information and analysis of NTBs in the context of South–South RTAs are scarce, although this has arisen as an important issue in negotiating trade liberalization. Some RTAs have taken steps to collaborate in harmonizing standards and technical regulations. For example, CARICOM members have established the Caribbean Regional Organization on Standards and Quality with a view to establishing regional standards in the production and trade of goods. Similar efforts are being made under other South–South agreements. NTBs may restrict trade, whereas compliance and agreements on harmonization (e.g., common standards, mutual recognition etc.) may facilitate trade. Developed countries have gone further in mutual recognition agreements. This may divert trade from non-compliant

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[‡] UNCTAD TRAINS data.

developing countries. If South–South RTAs also offered the opportunity for deepening these agreements by considering NTBs, trade could be facilitated among the participating developing countries.

C. Group of Eminent Persons on NTBs

14. Against this backdrop, the Secretary-General of UNCTAD established the Group of Eminent Persons on Non-Tariff Barriers (GNTB), with the following terms of reference:[§] (a) to make recommendations on the issues of definition, classification and quantification of NTBs; (b) to define elements of and draw up a substantive work programme relating to the collection and dissemination of NTB data, with a special focus on issues and problems faced by developing countries; (c) to provide guidance on further strengthening of the TRAINS database; (d) to review and make recommendations on capacity-building and technical cooperation activities in favour of developing countries in the area of NTBs; (e) to provide policy advice on inter-agency collaboration and coordination on activities relating to NTBs; (f) to promote cooperation with the donor community; and (g) to prepare comprehensive recommendations on the follow-up of the work of the GNTB.

15. The first meeting of the GNTB was held in Geneva on 12 July 2006, which considered the nature and scope of the work of the GNTB, as well as organizational issues. On substantive matters, following issues were highlighted:

(a) Approaches to definition, classification, quantification and data collection

16. A preliminary review of TRAINS was undertaken with a focus on its gaps and the improvements required. It was pointed out that the most comprehensive collection of publicly accessible information on NTBs is the database contained in the UNCTAD Trade Analysis and Information System (TRAINS), which is accessible through the World Integrated Trade Solution (WITS) software, jointly developed by UNCTAD and the World Bank. However, TRAINS is far from being complete, as it is severely constrained by the lack of availability of updated non-tariff data.

17. It was suggested to use the TRAINS database as the basis for creating a more comprehensive database on NTBs. In doing so, it would be necessary to keep the level of ambition reasonable and therefore focus on realms that could be more easily dealt with. In the end, the database should be secure on its turf.

18. With regard to definitions, NTB data should make a distinction between border and inside border measures. Application or otherwise of international standards should also be taken into account. On coverage and classification, participants considered that goods (manufactures and agriculture) should be covered in the database, while services would be considered in the longer run. The focus should be on SPS and TBT. However, items such as finance measures already included in the TRAINS database should be retained. Consideration should be given to additional entries, and to that end relevant entries covered in other existing

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[§] Members of the GNTB are H.E Mr. Alan Kyerematen, Minister of Trade, Ghana; Ms. Anne O. Kruger, Former First Deputy Managing Director of the International Monetary Fund (IMF); Mr. Rufus H. Yerxa, Deputy Director-General of the World Trade Organization (WTO); Mr. Dirk J. Bruinsma, Deputy Secretary-General of UNCTAD; Mr. L. Alan Winters, Director of Development Research Group at the World Bank; Professor Marcelo de Paiva Abreu, Professor of Economics at the Pontifical Catholic University of Rio de Janeiro; Professor Alan V. Deardorff, Professor of Economics and Public Policy at the University of Michigan; Mr. Amit Mitra, Secretary-General of the Federation of Indian Chambers of Commerce and Industry; Mrs. Lakshmi Puri, Director, Division on International Trade of the UNCTAD Secretariat and Member-Secretary of GNTB.

NTBs' databases would be looked into. However, there should be some de minimis criteria to restrict coverage to a manageable limit.

19. The issue of quantification was raised. Quantification appeared desirable from the standpoint of indicating an order of magnitude. However, obtaining the numbers could be difficult and perhaps judgmental, which could undermine the credibility of the database. Quantification could be seen as a function of analysis rather than part of the database. One possibility was to undertake selective quantification in the second round, i.e., following the collection and presentation of data. To that end, the database should contain sufficient documentation to facilitate quantification. The database could also contain references to available quantitative estimates. It was stressed that the NTB data in the strengthened TRAINS database should easily match other data, such as production and consumption data.

20. There were general discussions on key issues and problems in collecting NTB data at the national level. Collecting NTB data was an extremely difficult undertaking. An efficient way to address that issue was to collect information from as broad a range of sources as possible. Use of information technology could improve availability of data. However, data verification was important. Further, NTB data should reflect the perspective of both importers and exporters. The need for strengthening capacities of developing countries in that regard was stressed.

(b) Likely uses and end-users

21. The database should allow different users to employ them for different purposes. The data should be used for multilateral surveillance; research; policy advice; assisting exporters; and identifying issues for policymaking, standard-setting or future trade negotiations. Three related groups of end-users were identified: (a) trade negotiations; (b) research and analysis; and (c) capacity-building in developing countries.

(c) Multi-agency support team

22. It was agreed to establish a multi-agency support team to provide technical material in support of the substantive work of the GNTB.[**] The team would be composed of experts drawn from key international organizations dealing with NTB issues, and have the following terms of reference: make recommendations on definition, classification, methodologies, and quantification of NTBs; examine ways and means to strengthen the TRAINS database in order to make it more comprehensive and to improve its public availability; submit recommendations on inter-agency collaboration on NTBs; and prepare draft inter-agency strategies and actions for strengthening developing countries' capacities to deal with NTBs and collect NTBs data. The frequency of the Panel's future meetings was to be decided on the basis of need.

(d) Financing the work of the GNTB and support team

23. It was suggested that a technical cooperation project would be prepared to support the work of the GNTB and the Support Team. The Co-Coordinators of the Support Team would prepare the draft for consideration by the Secretary-General of UNCTAD.

[**] It was decided that Khalil Rahman (UNCTAD) and Bernard Hoekman (World Bank) would act as Co-Coordinators of the Support Team.

24. Eventually, the work on strengthening the TRAINS database would be resource-intensive. To meet the associated costs, it would be necessary to make an appeal to the donors. The Members of the GNTB could use their good offices for advocacy with the donor community. The possibility of using "Aid for Trade" for trade data collection in general and NTB data in particular was noted. In that regard, the importance of establishing contacts with the Aid for Trade Task Force was underscored.

D. Multi-Agency Support Team on NTBs

25. At the invitation of the Secretary-General of UNCTAD, the following agencies agreed to be on the Multi-Agency Support Team (MAST): the Food and Agriculture Organization; the International Monetary Fund; the International Trade Centre (UNCTAD/WTO); the Organisation for Economic Co-operation and Development; the United Nations Industrial Development Organization; the World Bank; and the World Trade Organization.

26. The first meeting of the MAST was convened at World Bank headquarters on 12 October 2006. The main points of discussions were:

- *Definition of NTBs***.** It was the general view of all participants that the definition should be as broad as possible, encompassing all trade policy measures that might affect trade, without *a priori* consideration of whether the measure had been imposed with the specific purpose of restricting imports or protecting the well-being of consumers.

- *Classification of NTBs***.** The UNCTAD Coding System would provide a basis for building a new classification of NTBs by adding other measures or dropping redundant ones as necessary.

- *Collection of NTB data***.** UNCTAD presented a concept of collecting data from both exporters and importers via Internet. Information from exporters (exporter complaints) should be matched with the official information from the measure imposing countries (importers), if possible at the product level. As the approach involved significant resources in terms of human resources and computer software development and hardware maintenance, it was suggested that a pilot project involving a few countries be proposed and funding be requested. The World Bank suggested that it could seek funding for such a project. It was also suggested to secure information already collected by other agencies such as IMF (mostly country-level information on financial measures), OECD (survey results) as well as from some Governments such as USITC, which agreed to release all information contained in its NTB database.

- *Quantification***.** It was agreed that the data must be collected in such a way as to facilitate quantification of NTBs for further analysis. The current format of TRAINS database on NTBs would be expanded as necessary to accommodate additional information necessary to meet the requirements for quantification of efforts by researchers.

27. The meeting agreed on a number of follow-up measures: circulation of questionnaire to MAST members on the definition and classification of NTBs, information to be collected and validated, and inputs by each agency (to be done by UNCTAD); survey of existing NTB databases of IMF, OECD, USITC and European Commission; formulation of a pilot project

proposal on collection and dissemination of data (to be done by UNCTAD); continuation of preparations for the next meeting of the Support Team.

28. Three main achievements of the meeting are as follows: (a) it successfully launched the multi-agency support team (MAST) with active engagement of the participants, which augurs well for the work of the Eminent Persons; (b) it clarified a series of complex issues ranging from definition to collection of NTB data; (c) existing databases were acknowledged and there was agreement to build on UNCTAD's TRAINS database. The next meeting of the MAST will be hosted by the FAO in Rome in spring 2007.

IV. BUILDING COMPETITIVE SUPPLY CAPACITY OF DEVELOPING COUNTRIES IN NEW AND DYNAMIC SECTORS OF WORLD TRADE

A. Trends in developing countries' participation in new and dynamic sectors

29. Developing countries are playing an increasingly important role in new and dynamic sectors of world trade. Table 1 (Annex 1) shows the 25 most dynamic products groups in world trade in terms of export value growth during 1995-2005. Minerals and metals, chemicals and pharmaceuticals, machinery and transport and parts, electrical items, and textiles and clothing continued to dominate the list. Developing countries have increased their participation significantly in many of these sectors. In some dynamic textile categories, they accounted for nearly two-thirds of world exports. Their share in exports of mineral fuels, electrical machinery equipments and parts, organic chemicals, ores, and railway locomotives and rolling stock amounted to one-half or more of total world exports of these items. In some categories such as optical items, certain base metals, mineral fuels, furniture and certain transport vehicles, their total export value increased by 300 per cent or more during 1995-2005.

B. Building supply capacity in new and dynamic sectors: the UNCTAD-Philips initiative on electronics in Southern Africa

30. Not all countries, however, have been able to adequately participate in dynamic sectors of world trade. For example, an important finding of the second sectoral review of new and dynamic sector of world trade in 2005, which considered the electrical and electronics sector, was that the African continent has negligible participation, as compared with other developing regions, in production and trade in one of the most dynamic trade sectors (see Table 1, HS Code 85). Following this sectoral review, UNCTAD and Royal Philips Electronics Corp., a leading global corporation, decided to collaborate in exploring initial possibilities and prerequisites for establishing an energy saving light bulb industry in the Southern African (SADC) region.

31. This pilot project should be seen as a practical follow-up to the intergovernmental review of the electrical and electronic sector at UNCTAD's Expert Meeting on New and Dynamic Sectors of World Trade in October 2005. On 19 to 20 July 2006, UNCTAD, in collaboration with Philips and UNDP, hosted a regional conference in Pretoria to consider ways to start investment in and production of energy saving lamps in the SADC region (see Annex 2 for the outcome of the conference). For the same reasons, UNCTAD and Philips also undertook advisory missions to Lesotho, Mozambique and South Africa. Following these activities, Philips formulated its views, with an emphasis on the necessary prerequisites to make the project viable.

32. At the time of preparing this report, consultations were under way with SADC countries on key policy considerations relating to the project. According to information provided by Philips, minimum market size is the most important factor for the viability of the project. Key issues to be addressed relate to a common customs tariff for the SADC region for compact fluorescent (CFL) light bulbs; rules of origin; and technical standards. Success of this initiative depends critically on resolving these issues.

33. The objectives of this project are (i) to strengthen cooperation among SADC Members by creating competitive supply capacities of energy saving light-bulb products; (ii) to promote energy saving policy in the SADC region to meet the challenge of rising energy costs and achieve reliable energy security[††]; and (iii) to improve environmental sustainability by reducing greenhouse gas emissions.

34. Major benefits for SADC countries are expected to be (i) promotion of energy saving and sustainable development to support implementation of national/regional energy strategies; (ii) revival of the electrical and electronics industry in the region, with possible export prospects to other regions and developed countries; (iii) additional employment creation; and (iv) transfer of modern technologies.

[††] CFL-I saves 80 per cent of energy consumption in comparison with energy-inefficient light bulbs. If average energy consumption is reduced by 60W per lamp, the full replacement of 140 Mln GLS lamps (estimated market in the SADC region) will save more than 8000 MW, which corresponds to a multitude of medium-sized power plants.

ANNEX I

Table. 25 most dynamic product groups in world trade in terms of export value growth during 1995-2005, ranked according to export value growth

Product sector (HS chapter)		World exports ($ mill.)			DCs - WLD exports ($ mill.)			
HS Code	Description	Exports value of 1995	Exports value of 2005	Growth rate (%)	Exports value of 1995	Exports value of 2005	Growth rate (%)	Share in WLD exports of 2005 (%)
27	Mineral fuels, oils & product of their distillation, etc.	247 599	1 068 055	**331.37**	129 529	530 498	**309.56**	**49.67**
30	Pharmaceutical products	57 508	246 621	**328.84**	3 579	11 702	**226.93**	**4.74**
26	Ores, slag and ash	20 990	64 509	**207.34**	11 180	36 872	**229.81**	**57.16**
75	Nickel and articles thereof	5 942	18 072	**204.15**	808	2 540	**214.39**	**14.05**
81	Other base metals/ cermets/ articles thereof	4 125	11 595	**181.07**	822	3 409	**314.93**	**29.40**
63	Other made up textile articles/ sets/worn clothing, etc.	13 357	32 263	**141.54**	6 543	21 455	**227.90**	**66.50**
33	Essential oils & resinoids/ perf, cosmetic/toilet prep	23 937	57 804	**141.48**	2 419	7 758	**220.71**	**13.42**
90	Optical, photo, cine, meas, checking, precision, etc.	133 690	322 631	**141.33**	15 080	84 911	**463.06**	**26.32**
86	Railw/tramw locom, rolling-stock & parts thereof, etc.	9 795	23 187	**136.73**	2 821	7 750	**174.69**	**33.42**
29	Organic chemicals	115 143	262 560	**128.03**	17 886	65 400	**265.65**	**24.91**
97	Works of art, collectors' pieces and antiques	6 411	14 437	**125.18**	261	1 044	**300.01**	**7.23**
72	Iron and steel	121 422	273 203	**125.00**	27 079	77 338	**185.60**	**28.31**
85	Electrical mchy equip parts thereof/ sound recorder, etc.	629 004	1 390 896	**121.13**	202 783	681 162	**235.91**	**48.97**
94	Furniture/ bedding, mattress, matt support, cushion, etc.	55 105	120 139	**118.02**	10 416	41 614	**299.53**	**34.64**
73	Articles of iron or steel	77 299	167 533	**116.73**	14 130	49 561	**250.75**	**29.58**
39	Plastics and articles thereof	152 867	330 252	**116.04**	30 363	96 415	**217.54**	**29.19**
83	Miscellaneous articles of base metal	17 478	37 151	**112.56**	3 208	11 611	**261.98**	**31.25**

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Product sector (HS chapter)		World exports ($ mill.)			DCs - WLD exports ($ mill.)			
HS Code	**Description**	**Exports value of 1995**	**Exports value of 2005**	**Growth rate (%)**	**Exports value of 1995**	**Exports value of 2005**	**Growth rate (%)**	**Share in WLD exports of 2005 (%)**
71	Natural/cultured pearls, prec stones & metals, coin, etc.	84 392	176 046	**108.61**	24 216	64 262	**165.37**	**36.50**
19	Prep. of cereal, flour, starch/milk/pastry cooks' prod.	14 104	29 144	**106.64**	1 940	4 805	**147.76**	**16.49**
80	Tin and articles thereof	1 658	3 410	**105.68**	1 278	2 790	**118.40**	**81.83**
87	Vehicles o/t railw/tramw roll-stock, pts & accessories	437 009	898 358	**105.57**	35 945	143 589	**299.47**	**15.98**
60	Knitted or crocheted fabrics	9 541	19 563	**105.04**	4 812	12 605	**161.97**	**64.43**
34	Soap, organic surface-active agents, washing prep, etc.	14 555	29 577	**103.20**	2 137	5 307	**148.39**	**17.94**
43	Fur skins and artificial fur/manufactures thereof	3 812	7 739	**103.03**	1 160	4 328	**273.13**	**55.92**
61	Art. of apparel & clothing access, knitted or crocheted	55 171	111 055	**101.29**	30 897	73 840	**138.99**	**66.49**

Source: UN COMTRADE database.

ANNEX II

REGIONAL CONFERENCE ON NEW AND DYNAMIC SECTORS OF WORLD TRADE

CAN SOUTHERN AFRICAN COUNTRIES PLAY A ROLE IN THE ELECTRICAL AND ELECTRONICS SECTOR?

Pretoria, 19-20 July 2006

Conclusions and Recommendations[‡‡]

UNCTAD, UNDP and Philips co-hosted the regional conference in Pretoria, South Africa on 19 and 20 July 2006, focusing on the potential and perspectives of 11 Southern African countries[§§] for production, trade and investment in the electrical and electronics sector, which is one of the new and dynamic sectors of world trade. Participants hailed the event as an innovative approach to addressing competitive supply capacity-building and diversification of African economies in an integrated manner, involving all relevant stakeholders.

The Conference (a) reviewed the factors affecting production, investment and trade in the sector; (b) discussed the respective roles of Government and the private sector in improving supply capacity, FDI and market support conditions in the region, particularly in the electrical sector and within the context of dynamic competitiveness; (c) explored the case for developing an energy saving light bulb industry in the region; and (d) discussed regional trade regimes and trade agreements, as well as supportive regional energy efficiency strategies focusing on their impacts for building effective production and export capacities in the sector.

Participants acknowledged that promoting transnational public–private partnerships to establish or improve cost-effective competitive supply capacity in the electrical and electronics sector was vital. It was also highlighted that such partnerships should be regarded as a long-term venture, aiming to enable Southern African countries to move into global production and value chains in the electronics and electrical sector, starting from relatively simple but technologically advanced products such as energy saving electrical lamps. With regard to initial investment opportunities, the following factors were mentioned as important prerequisites: (i) a stable and predictable investment environment; (ii) favourable and harmonized regional market conditions (as a single integrated market of Southern African countries); (iii) reliable transportation infrastructure; (iv) responsive and reliable distribution networks; (v) secure and cost-competitive telecom and energy infrastructure; (vi) an adequate quality productive workforce; (vii) proximity of national/regional key input suppliers and associated service providers; and (viii) secure and predictable access to the integrated regional market.

Governments in the region were called upon to explore the following measures: (i) focusing on implementing common SADC market access conditions (including elimination of tariffs and reduction of non-tariff barriers within the SADC integrated market); (ii) applying tax and other incentives for attracting effective investments for production and trade of energy saving

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[‡‡] Adopted at the closing session on 20 July 2006

[§§] Botswana, Lesotho, Mauritius, Malawi, Mozambique, Namibia, Swaziland, South Africa, United Republic of Tanzania, Zambia and Zimbabwe.

lamps; (iii) promoting a predictable and transparent regulatory environment, including energy saving strategies, and (iv) improving and modernizing infrastructure in the region.

Participants welcomed the fact that Philips, as an immediate follow-up action, would launch specific feasibility studies for establishing production facilities (such as assembly plants) for manufacturing energy saving light bulbs in Southern African countries. Participants shared the view that that could significantly enhance opportunities for the Southern Africa region to participate in the electrical and electronics sector, while simultaneously contributing to energy security, sustainable development and attainment of UN Millennium Development Goals (MDGs).

Participants requested UNCTAD to continue to focus on the needs and requirements of African countries in its annual sectoral reviews of new and dynamic sectors of world trade. They also welcomed UNCTAD–UNDP collaboration for concrete operational activities in the area, including promotion of public–private partnerships, and urged the donor community to generously support such activities.

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