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**MEASURING THE RELATIVE STRENGTH
OF PREFERENTIAL MARKET ACCESS**

by

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ABSTRACT

In the past 20 years, tariffs imposed on international trade have been decreasing both in virtue of multilateral agreements under the auspices of the World Trade Organization (WTO) and of the proliferation of preferential trade agreements (PTAs) at the regional and bilateral level. The consequence of the large number of PTAs is that an increasing share of international trade is not subject to the most favoured nation tariffs, but enters markets through preferential access. Preferential access can be thought of as a policy given comparative advantage where countries discriminate across trading partners by providing some countries with a relative advantage. As the number of PTAs increases, it becomes more difficult to assess the tariff advantage originating from an existing or future trade agreement. This paper proposes two new indices aimed at assessing the value of the preferential margin. The first index measures the relative value of preferential regimes on actual exports flows. It provides the tariff advantage to the exports originating from a given country relative to similar exports originating elsewhere. The second index measures the potential value of the preferential regime and it is calculated not on observed but on “potential” export flows. These indices are useful for calculating both the strength of existing or future trade agreements as well as the preference erosion that a third-parties trade agreement may cause.

Key words: Trade, Preferential Margins, Tariff, Trade Agreements

JEL Classification: F1, F13, F15

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INTRODUCTION

In the past 20 years, tariff liberalization has been used as an effective development tool based on the evidence that there are many benefits that a country can gain through more active participation in world trade. During this period, tariffs imposed on international trade have been decreasing both in virtue of multilateral agreements under the auspices of the World Trade Organization (WTO) and of the proliferation of preferential trade agreements (PTAs) at the regional and bilateral level. According to 2007 data, about 40 per cent of world trade is free under most-favoured nation (MFN) tariffs, and an additional 30 per cent is exempted from tariffs because of preferential access.

Multilateral trade liberalization was initiated by the General Agreement on Tariffs and Trade (GATT) and then culminated in the Uruguay Round of trade negotiations of 1994. More recently, PTAs have become more prominent in the trade agenda. The number of active PTAs has increased constantly in the last decade. In 2007, there were more than 200 PTAs notified to WTO. This number of active PTAs has continued to increase since the early 1990s and it is expected to grow given the large number of agreements in their proposal stage. As of today, virtually all members of WTO have notified participation in one or more PTAs.

The consequence of the large number of PTAs is that an increasing share of international trade is not subject to the MFN tariffs, but enters markets through preferential access. Preferential access can be thought of as a policy given comparative advantage where countries discriminate across trading partners by providing some countries with a relative advantage. For example, high-income countries often grant non-reciprocal preferential access to least developed countries (LDCs) to help their export and facilitate economic growth. Likewise, regional trade agreements (RTAs) are a common form of reciprocal preferential access that apply lower (or zero) tariff for products originating within RTA members so as to foster trade cooperation among neighboring countries. Such agreements, by providing some trading partners with a lower tariff, inevitably discriminate against those trading partners outside the trade agreement.¹ This makes it difficult to assess the tariff benefits originating from a trade agreement.

This paper proposes two new indices aimed at assessing the value of the preferential margin. The first index measures the relative value of preferential regimes on actual exports flows. It provides the tariff advantage to the exports originating from a given country relative to preferences provided to its competitors. The second index measures the potential value of the preferential regime and it is calculated not on observed but on “potential” export flows. These indices are useful for calculating both the strength of existing or future trade agreements as well as the preferences erosion caused by third-party trade agreements (i.e. the preference erosion for LDCs of a EU-China trade agreement). The indices are calculated for a sample of 127 countries using 2008 data on tariffs and trade. Both these indices are calculated at aggregate and bilateral levels. The paper then provides some simulations. In particular it provides the changes in these indices consequent to FTA of each country with its 5 closest developing countries, a FTA with the USA and a FTA with European Union. Finally, it also provides changes in these indices both for members and non-members consequent to the implementation of a free trade agreement (FTA) among East Asian countries.

This paper is organized as follows. Section 1 presents the methodology to calculate the relative preferential margin indices. Section 2 discusses the results. Section 3 provides a discussion on the change in these indices as a consequence of full trade liberalization in the region, with the USA and the European Union. Section 4 concludes.

¹ Hoekman, Martin and Primo Braga (2009) provide a discussion on the different effects of trade agreements.

1. Relative Preferential Margins

The strength of a trade agreement is generally measured by the preferential margin. The commonly used measure of preference margins is simply the difference between the preferential tariff and the MFN rate.² Because in most instances other countries will also have some form of preferential access, this measure generally overestimates the relative preference enjoyed by countries. In practice, it is possible that preferential rates granted to a particular country, although lower than MFN, still penalize it relative to other countries that benefit from even lower or zero tariffs. In other words, in calculating the comparative advantage given by the preferential regime it is important the relative market access condition, not just the absolute level of prevailing restrictions. The above discussion implies that the advantage, in terms of tariffs, of an RTA or a free trade agreement (FTA) depends on the existing structure of preferences.

To better capture the different effects of preferences, this paper adopts the methodology of Hoekman and Nicita (2008). The strength of the preferential trade agreement is measured by the “relative” preferential margin (relative to any preferential access provided to other competitors). In this sense, the relative preferential margin that a country grants to a given country is the difference – in tariff percentage points – that a determined basket of goods enjoys when imported from the given country relative to being imported from any other.³

There are two sets of weights when calculating such a preferential margin. First, the counterfactual is a weighted average of tariffs imposed on all other partners. Second, the overall tariff (and the preferential margin) is an average constructed across many tariff lines. To calculate the counterfactual, the first step is to calculate the trade weighted average tariff at the tariff line level that one country (i.e. the United States) imposes on all other countries except the country for which the preferential margin is calculated (i.e. Mexico). This is done by using (United States) bilateral imports as weights, in order to take into account the supply capacity of (United States) trading partners. The second step is to aggregate across tariff lines. This is done by using (Mexico) exports (to the United States) so as to take care of different product compositions across partners.⁴

A further complication arises in the aggregation across products. A proper aggregation would take into account the fact that imports of some goods can be more responsive to change in prices than others. In theory, products where imports are less sensitive to prices (inelastic) should be given less weight because a tariff change would have little effect on overall volumes of trade.⁵ To correct for this, HS six-digit product lines are aggregated using also import demand elasticities.⁶

In more formal terms, the bilateral relative preferential margin (RPM) measuring the advantage that exports of country j have in exporting its goods to country k can be calculated as:

² Some indices of preferential margins also adjust for effective utilization rates as in Alexandraki and Lankes (2004); Low, Piermartini and Richter, (2009); and Carrere, de Melo, and Tumurchudur (2008). Although these indices are computationally simpler, they also use a less precise counterfactual which does not fully take into account export composition.

³ To clarify with an example, in a proper measure of the preferential market access that Mexico enjoys in the United States, the counterfactual is the average tariff for Mexico’s export bundle (to the United States) if this were to originate in other countries. The relative preferential margin is the difference between the bilateral trade-weighted preferential tariff imposed by the United States on Mexico and that counterfactual.

⁴ As trade flows are generally reported at the six-digit harmonized system (HS), this indicator is constructed on the basis of the six-digit HS instead of the tariff line level.

⁵ This corrects for the issue that, when aggregating across product lines, the overall RPM should be higher if the exporting country has a higher preferential margin in products for which demand is more elastic to small movements in prices.

⁶ See Kee, Nicita and Olarreaga (2008).

$$\begin{aligned}
RPM_{j,k} &= \frac{\sum_{hs} \exp_{j,hs}^k \varepsilon_{k,hs} \left(\frac{\sum_{v} \text{imp}_{k,hs}^v t_{k,hs}^v}{\sum_{v} \text{imp}_{k,hs}^v} - t_{k,hs}^j \right)}{\sum_{hs} \exp_{k,hs}^j \varepsilon_{k,hs}} = \\
&= \frac{\sum_{hs} \exp_{j,hs}^k \varepsilon_{k,hs} \left(\frac{\sum_{v} \text{imp}_{k,hs}^v t_{k,hs}^v}{\sum_{v} \text{imp}_{k,hs}^v} \right)}{\sum_{hs} \exp_{k,hs}^j \varepsilon_{k,hs}} - \frac{\sum_{hs} \exp_{j,hs}^k \varepsilon_{k,hs} t_{k,hs}^j}{\sum_{hs} \exp_{k,hs}^j \varepsilon_{k,hs}}, j \neq v
\end{aligned}$$

where, imp are imports and exp are exports, ε is the import demand elasticity, t is the tariff, hs are HS six-digit categories, and v are exporters competing with country j in exporting to country k .⁷ Note that any measure of preference margin could be positive or negative, depending on the advantage or disadvantage of the country with respect to other competing exporters. In practice, the RPM provides a measure of the tariff advantage (or disadvantage) provided to the actual exports of country j in country k , given the existing structure of tariff preferences.

The RPM measures the relative preference on the *observed* level of trade but it says little about how the structure of preferences could *potentially* provide advantage to a determined country. That is, the value of preferential access depends not only on what a given country exports, but also on how large is the market for which preferential access is given. This may be of particular interest in the trade negotiation process as it would make a difference whether the preferences given are on goods imported in large quantities, or goods with low volumes of trade. To control for this, this paper proposes another indicator: the potential preferential margin (PPM). It is called potential because it provides a measure of the potential value of the preferential regime given to a particular country on the basis of the overall structure of imports of the country providing preferential access.⁸ This index is similar to the RPM,⁹ but the aggregation across tariff lines is done by using imports rather than exports.

The PPM is most informative at the bilateral level. The bilateral PPM is to be interpreted as the value of the preference for the given exporter in terms of potential exports to the trading partner. In the calculation of the bilateral PPM, both elasticities and total imports for each product are taken into account. If a large preference is given to a good that is minimally imported or is unresponsive to prices (low elasticity) the potential value of that preference will be small. On the other hand, if the preference is provided on goods that are imported in large volumes then the potential value of the preference is high.

At the country level, the PPM provides an indication of the relative value of all preferential regimes with weights given by the trade value of each product in each market. In most cases, the overall PPM will be negative as preferences schemes are often restricted to a limited number of countries (relative preferences are negative in the countries outside the preferential schemes). A positive PPM generally implies a widespread and large bilateral potential preferential margin in particularly important markets.

⁷ In short, the first term of the RPM is the trade (and elasticity) weighed average tariff that country k imposes on country j , the second term is the counterfactual, the weighed tariff that country k imposes on the competitors of country j on the existing basket of products traded between j and k .

⁸ For example, the potential value of United States preferences on Mexican oranges depends not only upon the level of preferences given to other competitors (besides United States domestic production), but also on the size of the market for imported oranges in the United States.

⁹ At the product level, the PPM is equal to the RPM. The difference is in the aggregation across products.

Regarding the calculation of the PPM, a further complication is that, although one country could enjoy very high relative preference on a determined product, this product could be beyond its production (and export) capability.¹⁰ Thus, any preference given to products beyond the production capacity of the given country has no value. To control for this, the bilateral PPM is calculated only across the set of products that are actually exported (to any country). In more formal terms, the PPM of country j exporting to country k is as follows:

$$PPM_{j,k} = \frac{\sum_{hs} imp_{k,hs}^v \varepsilon_{k,hs} \left(\frac{\sum_{hs} imp_{k,hs}^v t_{k,hs}^v}{\sum_{hs} imp_{k,hs}^v} - t_{k,hs}^j \right)}{\sum_{hs} imp_{k,hs}^v \varepsilon_{k,hs}} = \frac{\sum_{hs} imp_{k,hs}^v \varepsilon_{k,hs} \left(\frac{\sum_{hs} imp_{k,hs}^v t_{k,hs}^v}{\sum_{hs} imp_{k,hs}^v} \right)}{\sum_{hs} imp_{k,hs}^v \varepsilon_{k,hs}} - \frac{\sum_{hs} imp_{k,hs}^v \varepsilon_{k,hs} t_{k,hs}^j}{\sum_{hs} imp_{k,hs}^v \varepsilon_{k,hs}}, hs \in exp_j$$

where notation is as above and the sum across hs products is only for those products exported by j .

Although the difference between PPM and RPM has no univocal meaning, it does provide an indication of the extent to which the preferential regime is aligned to the export structure of a country. This is more informative at the bilateral level. A high PPM paired with a low RPM would imply that, although the country has large potential preferences, its export structure is biased toward sectors where its preferential advantage is lower. On the other hand, a low PPM and a high RPM imply that, although the preferential access given to a country is not extremely favourable, the country's exports are concentrated in those sectors where its relative preferential margin is higher.

As a cautionary note, the PPM is an indicator just based on tariff preferences and do not take into account other trade costs or economic, political and geographic factors that could favor or obstruct trade flows.

The analysis of this paper utilizes 2008 data on trade flows and tariffs for 127 countries. Trade data originates from the United Nations COMTRADE database, tariff data originates from the UNCTAD Trade Analysis and Information System (TRAINS) database. Both databases are available from the World Bank through the World Integrated Trade Solutions (WITS). Import demand elasticities are from Kee, Nicita and Olarreaga (2008). Tariff, trade, and import demand elasticity data follow the Harmonized System 2007 at the six-digit level and cover about covers about 5,000 different products. Data on bilateral RPM and PPM are available from the author on request.

¹⁰ For example, a generous preferential access on airplanes produced in Africa will not likely create any trade. There are likely other obstacles that preclude Africa from exporting airplanes.

2. The Extent of Preferential Margins

The large number of existing PTAs implies that, in a great number of cases, countries discriminate across trading partners by applying different tariffs to the same products depending on their origin. According to the data, in only about 40 per cent of trade do countries not discriminate across trading partners and apply (within each single HS six-digit product) the same tariff. About 30 per cent of trade is in products where countries apply two different tariff rates, and about 15 per cent in products with three different tariff rates. The remaining 15 per cent of trade is given by products for which there are four or more different tariff rates. The extent of the favouritism (or discrimination) provided to their trading partners largely varies by importing country; it depends on the number of trade agreements, and on the variance of the tariffs applied across these agreements.

Table 1 provides some statistics on the preferential margins that each country faces on its exports as well as the preferential margin that the given country imposes on imports, depending on their origin. The table differentiates by developed, developing and least developed countries (however, the indices can be calculated for any bilateral trade flow or group of countries). Column 1 reports the traditional preferential margin (henceforth PM). It captures the trade-weighted difference between MFN and preferential tariff. Countries with higher PM are those where a substantial share of exports is bound to markets where countries have preferences. In general, the PM is larger when the country is under an advantageous preferential regime (as in the case of many LDCs), or when the country is part of a strong PTA. Countries that do not participate in a substantial number of PTA or are exporters of goods subject to low MFN tariff (i.e. oil) tend to have low preferential margins. As discussed above, the traditional PM does not take into account the preferences that the trading partner is according to competitors, while the RPM does. The RPM provides the average *relative* tariff advantage (or disadvantage) that the country has in exporting to all its trading partners.¹¹ A negative value implies that the country's exports, on average, are relatively disadvantaged vis-à-vis its competitors.

Although the RPM provides a more precise measure of preferential margin, it is still correlated with the MFN preferential margin (correlation = 0.83). However, some differences do exist. For example, Madagascar and Paraguay MFN preferential margins are similar, but the RPM of Paraguay is much lower than that of Madagascar. The interpretation of this is that Madagascar exports competitors face a much higher tariff than those competing with Paraguay. In other words, considering all systems of preferences Paraguay exports do not have a large advantage vis-à-vis similar products originating elsewhere. A scatter plot between the traditional MFN preferential margin and the RPM is illustrated in figure 1. The differences between the RPM and the traditional PM result substantial in a number of cases, especially for those countries trading with members that are part of large PTAs, as these countries compete for market access with other exporters facing similar or lower tariffs. This is the case of a number of Latin American countries as well as some East European and African countries. Moreover, the difference between traditional and relative preferential margins depends also on the composition of the export basket (more precisely on the variance of tariffs applied by trading partners on the given country's major export products). In general, a large difference between PM and RPM indicates that, although the country has a substantial advantage relative to MFN tariffs, this advantage is reduced because it is also provided to the country's competitors. On average, the RPM is about one third the PM, although it varies considerably across countries (and even more so when calculated at the bilateral level).

¹¹ Instead of bilaterally, equation (1) is then calculated at the exporting country level (i.e. a given country's overall level of relative preferences for its exports relative to all its export markets, as in Hoekman and Nicita (2008)), thus summing also for k , (or at the importing country level, so as to measure the variance in the tariff of the importing country).

Table 1. Preferential Margins

Country Code	Country/Economy Name	Preferences on Exports				Preferences given to Imports		
		MFN Preferential Margin	Relative Preferential Margin (RPM)	RPM in Developed Countries	RPM in Developing Countries	RPM on Developed Countries Imports	RPM on Developing Countries Imports	RPM on Least Developed Countries imports
ALB	Albania	0.028	0.014	0.014	0.009	-0.006	0.005	-0.001
DZA	Algeria	0.001	0.000	0.001	0.000	0.020	-0.023	-0.004
AGO	Angola	0.005	-0.001	0.001	-0.004	0.000	0.000	0.000
ARG	Argentina	0.063	0.010	-0.003	0.017	-0.059	0.108	-0.104
AUS	Australia	0.005	-0.001	0.000	-0.002	-0.013	0.004	0.044
AZE	Azerbaijan	0.018	0.002	0.000	0.010	-0.016	0.027	0.000
BHR	Bahrain	0.023	0.007	0.009	0.002	0.008	-0.011	-0.005
BGD	Bangladesh	0.036	0.036	0.037	0.020	0.000	-0.004	0.000
BLR	Belarus	0.013	0.000	0.000	0.000	-0.072	0.051	0.031
BEN	Benin	0.035	0.021	0.004	0.026	-0.011	0.023	0.056
BOL	Bolivia, Plurinational State of	0.046	0.025	0.005	0.034	-0.046	0.052	-0.008
BIH	Bosnia and Herzegovina	0.044	0.017	0.016	0.019	-0.050	0.062	-0.028
BWA	Botswana	0.009	0.001	0.001	0.001	-0.001	0.042	0.048
BRA	Brazil	0.048	0.010	-0.003	0.030	-0.030	0.040	-0.004
BRN	Brunei Darussalam	0.001	0.001	0.000	0.007	-0.003	0.004	-0.004
BFA	Burkina Faso	0.012	0.007	0.006	0.007	-0.008	0.012	0.031
BDI	Burundi	0.014	0.004	0.001	0.013	-0.064	0.042	0.008
KHM	Cambodia	0.052	0.026	0.027	0.001	-0.013	0.009	-0.004
CMR	Cameroon	0.010	0.005	0.003	0.020	-0.001	-0.007	0.083
CAN	Canada	0.017	0.012	0.008	0.059	0.003	-0.006	0.098
CPV	Cape Verde	0.076	0.038	0.022	0.067	0.000	0.000	
CAF	Central African Rep.	0.002	0.000	0.000	-0.001	0.000	0.000	
TCD	Chad	0.003	0.001	0.001	0.000	0.000	0.000	0.000
CHL	Chile	0.026	0.012	0.004	0.029	0.002	-0.007	-0.025
CHN	China	0.008	-0.006	-0.006	-0.006	-0.010	0.005	0.002
COL	Colombia	0.051	0.026	0.004	0.066	-0.057	0.078	-0.012
COG	Congo, Dem. Rep. of	0.011	0.000	0.001	0.000	0.000	0.000	0.000
CRI	Costa Rica	0.021	0.010	0.005	0.021	-0.009	0.020	-0.003
CIV	Côte d'Ivoire	0.020	0.007	0.005	0.011	-0.003	0.002	0.060
HRV	Croatia	0.056	0.018	0.015	0.025	0.009	-0.009	-0.051
CUB	Cuba	0.040	-0.009	-0.020	-0.003	-0.026	0.013	-0.012
DJI	Djibouti	0.010	-0.007	0.003	-0.012	-0.003	0.002	0.065
DOM	Dominican Republic	0.051	0.022	0.023	0.002	-0.008	0.011	0.000
ECU	Ecuador	0.040	0.016	0.008	0.031	-0.035	0.048	-0.075
EGY	Egypt	0.043	0.013	0.008	0.031	-0.009	0.004	0.189
SLV	El Salvador	0.100	0.054	0.056	0.051	-0.007	0.023	-0.017
GNQ	Equatorial Guinea	0.013	0.002	0.001	0.003	0.000	0.000	
ETH	Ethiopia	0.020	0.006	0.004	0.014	0.000	0.000	0.001
EUN	European Union	0.016	0.000	-0.002	0.003	-0.007	0.007	0.042
GAB	Gabon	0.001	0.002	0.003	-0.001	-0.019	0.035	0.019
GMB	Gambia	0.008	0.008	0.023	-0.002	0.000	0.000	0.000
GEO	Georgia	0.052	0.009	0.004	0.019	-0.004	0.014	-0.001
GHA	Ghana	0.004	0.003	0.007	-0.003	-0.002	0.001	0.064
GTM	Guatemala	0.071	0.033	0.030	0.041	-0.016	0.026	0.000
GIN	Guinea	0.002	0.001	0.000	0.001	0.000	0.000	0.000
GNB	Guinea-Bissau	0.006	0.004	0.003	0.004	0.000	0.000	
GUY	Guyana	0.067	0.023	0.002	0.103	-0.023	0.091	-0.083
HND	Honduras	0.086	0.043	0.046	0.021	-0.019	0.043	-0.028
HKG	Hong Kong, China	0.014	-0.001	-0.008	0.007	0.000	0.000	0.000
ISL	Iceland	0.018	0.016	0.019	-0.012	0.011	-0.021	0.043
IND	India	0.007	-0.001	0.000	-0.001	-0.001	0.003	0.098
IDN	Indonesia	0.012	-0.001	0.000	-0.003	0.001	0.000	
IRN	Iran (Islamic Rep. of)	0.005	-0.001	0.000	-0.003	0.000	-0.001	0.000
ISR	Israel	0.009	0.003	0.004	0.000	0.010	-0.011	-0.004
JPN	Japan	0.007	-0.007	-0.006	-0.010	-0.004	0.005	0.009
JOR	Jordan	0.047	0.025	0.031	0.012	-0.001	0.004	0.008

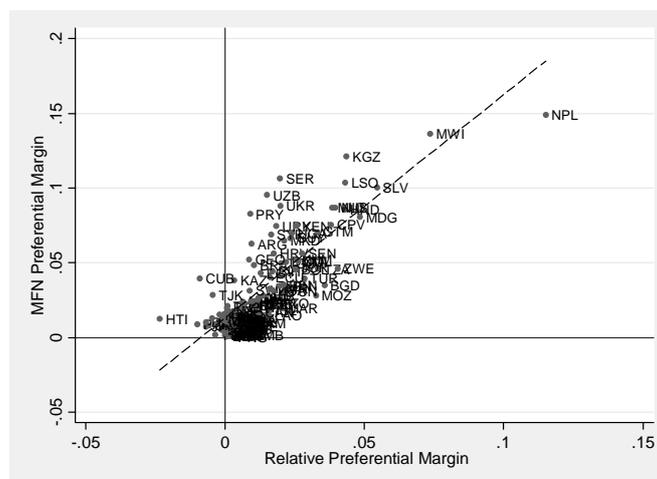
Table 1 (continued)

Country Code	Country/Economy Name	Preferences on Exports				Preferences given to Imports			
		MFN Preferential Margin	Relative Preferential Margin (RPM)	RPM in Developed Countries	RPM in Developing Countries	RPM on Developed Countries Imports	RPM on Developing Countries Imports	RPM on Least Developed Countries imports	
KAZ	Kazakhstan	0.038	0.003	0.000	0.009	-0.010	0.022	0.025	
KEN	Kenya	0.075	0.026	0.017	0.042	-0.005	0.020	0.110	
KOR	Korea, Republic of	0.009	-0.004	-0.004	-0.003	-0.004	0.005	0.018	
KWT	Kuwait	0.010	0.001	0.000	0.002	-0.008	0.005	0.000	
KGZ	Kyrgyz Republic	0.121	0.044	-0.002	0.046	-0.008	0.028	0.001	
LAO	Lao People's Democratic Republic	0.015	0.016	0.038	0.003	-0.022	0.020	-0.002	
LBN	Lebanon	0.035	0.020	0.016	0.028	-0.009	0.017	0.054	
LSO	Lesotho	0.104	0.043	0.043	0.044	0.000	0.000	0.000	
LBY	Libyan Arab Jamahiriya	0.005	0.001	0.000	0.010	0.000	0.000	0.000	
MDG	Madagascar	0.081	0.048	0.051	0.017	-0.040	0.031	0.022	
MWI	Malawi	0.136	0.074	0.058	0.099	-0.114	0.013	0.024	
MYS	Malaysia	0.008	0.003	0.001	0.007	-0.019	0.024	-0.021	
MLI	Mali	0.004	0.001	0.006	-0.001	-0.019	0.061	0.036	
MRT	Mauritania	0.024	0.006	0.012	0.000	0.000	0.000	0.000	
MUS	Mauritius	0.087	0.038	0.031	0.088	-0.004	0.008	0.017	
MEX	Mexico	0.023	0.014	0.013	0.019	0.058	-0.039	-0.123	
MNG	Mongolia	0.005	0.000	0.002	-0.001	0.000	0.000	0.000	
MAR	Morocco	0.020	0.020	0.023	0.007	0.048	-0.049	0.057	
MOZ	Mozambique	0.033	0.033	0.039	0.014	-0.003	0.003	0.008	
MMR	Myanmar	0.033	0.016	0.043	0.009	0.000	-0.002	0.000	
NAM	Namibia	0.010	0.009	0.011	0.000	-0.043	0.094	0.007	
NPL	Nepal	0.149	0.115	0.029	0.175	-0.002	0.003	0.001	
NZL	New Zealand	0.015	-0.002	0.000	-0.010	0.003	-0.008	0.050	
NIC	Nicaragua	0.087	0.040	0.039	0.043	0.005	-0.006	-0.007	
NER	Niger	0.006	0.002	0.001	0.003	-0.014	0.034	0.088	
NGA	Nigeria	0.001	0.001	0.004	-0.004	0.000	0.000	0.000	
NOR	Norway	0.011	0.004	0.004	0.004	-0.001	0.000	0.016	
OMN	Oman	0.006	0.000	0.001	0.000	0.016	-0.021	-0.013	
PAK	Pakistan	0.009	-0.010	-0.013	-0.002	-0.003	0.004	0.001	
PAN	Panama	0.013	-0.005	0.005	-0.011	-0.002	0.005		
PNG	Papua New Guinea	0.003	0.003	0.003	0.000	0.000	0.001	0.000	
PRY	Paraguay	0.083	0.009	0.000	0.013	-0.023	0.036	-0.007	
PER	Peru	0.025	0.012	0.010	0.015	-0.024	0.025	-0.007	
PHL	Philippines	0.010	0.007	0.003	0.014	-0.008	0.019	-0.006	
QAT	Qatar	0.003	0.000	0.000	0.000	0.002	-0.005	-0.007	
RUS	Russian Federation	0.020	0.001	0.000	0.005	-0.019	0.029	0.037	
RWA	Rwanda	0.002	0.001	0.002	0.000	-0.027	0.034	0.112	
SAU	Saudi Arabia	0.008	0.001	0.000	0.004	-0.002	-0.001	0.001	
SEN	Senegal	0.056	0.028	0.026	0.030	-0.005	0.006	0.001	
SER	Serbia	0.106	0.020	0.015	0.028	-0.013	0.011	-0.002	
SGP	Singapore	0.011	0.003	0.001	0.006	0.000	0.000	0.000	
ZAF	South Africa	0.013	0.003	0.001	0.009	0.007	-0.009	0.023	
LKA	Sri Lanka	0.024	0.010	0.010	0.008	-0.007	0.012	-0.001	
SDN	Sudan	0.002	0.001	0.001	0.002	-0.016	0.007	0.058	
SUR	Suriname	0.007	0.002	0.002	0.014	-0.032	0.028	0.000	
SWZ	Swaziland	0.031	0.009	0.035	-0.018	0.000	0.000	0.000	
CHE	Switzerland	0.007	0.007	0.008	0.000	0.000	0.001	0.127	
SYR	Syrian Arab Rep.	0.069	0.017	0.003	0.076	0.000	0.000	0.000	
TWN	Taiwan Province of China	0.002	-0.004	-0.003	-0.004	0.000	0.000	0.000	
TJK	Tajikistan	0.028	-0.004	-0.015	0.013				
TZA	Tanzania, United Rep.	0.046	0.033	0.035	0.031	-0.019	0.020	0.172	
THA	Thailand	0.024	0.009	0.006	0.017	0.000	0.000	0.000	
MKD	The former Yugoslav Republic of Macedonia	0.065	0.021	0.016	0.039	-0.018	0.022	-0.003	
TGO	Togo	0.050	0.020	0.005	0.028	-0.007	0.017	0.067	
TTO	Trinidad and Tobago	0.023	0.018	0.009	0.053	-0.009	0.006	-0.005	
TUN	Tunisia	0.031	0.021	0.022	0.008	-0.016	0.030	-0.002	
TUR	Turkey	0.040	0.028	0.036	-0.005	0.001	-0.008	0.016	

Table 1 (continued)

Country Code	Country/Economy Name	Preferences on Exports				Preferences given to Imports		
		MFN Preferential Margin	Relative Preferential Margin (RPM)	RPM in Developed Countries	RPM in Developing Countries	RPM on Developed Countries Imports	RPM on Developing Countries Imports	RPM on Least Developed Countries imports
TKM	Turkmenistan	0.021	0.001	-0.003	0.005			
UGA	Uganda	0.070	0.024	0.015	0.048	-0.029	0.054	0.116
UKR	Ukraine	0.088	0.020	-0.001	0.038			
ARE	United Arab Emirates	0.007	0.003	0.002	0.006	-0.004	-0.001	0.000
USA	United States	0.032	0.017	0.004	0.041	-0.002	0.002	-0.006
URY	Uruguay	0.075	0.018	-0.004	0.035	-0.054	0.046	-0.001
UZB	Uzbekistan	0.096	0.015	-0.003	0.025	-0.050	0.030	-0.253
VEN	Venezuela, Bolivarian Republic of	0.009	0.002	-0.003	0.024	-0.047	0.078	-0.058
VNM	Viet Nam	0.013	0.000	-0.001	0.004	-0.025	0.031	0.007
YEM	Yemen	0.003	0.002	0.006	0.001	0.029	-0.026	-0.006
ZAR	Zaire	0.002	0.001	0.001	0.001			
ZMB	Zambia	0.023	0.012	0.010	0.015	-0.021	0.045	0.055
ZWE	Zimbabwe	0.046	0.041	0.012	0.058			
	Sample Mean	0.031	0.012	0.009	0.017	-0.010	0.013	0.013
	Sample St.Dev.	0.0319	0.0176	0.0152	0.0267	0.0209	0.0236	0.0510

Figure 1. MFN Preferential Margin and Relative Preferential Margin

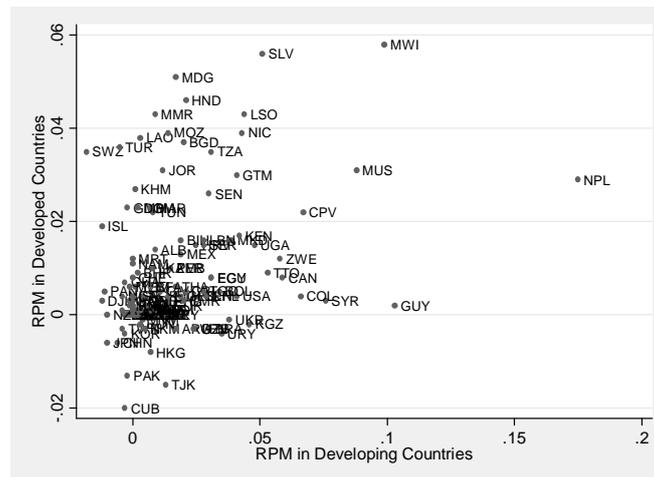


The magnitude of the RPM varies from about 11.5 per cent (Nepal) to -1 per cent (Pakistan). The interpretation of this is that Nepal's exports benefit from 11.5 percentage point lower tariffs in their destinations relative to its competitors. Conversely, Pakistan's exports face a tariff that is 1 per cent higher than that of its competitors. Not surprisingly, low-income developing countries tend to be among those that benefit most from the structure of preferences. In 2007, out of the 10 countries with higher RPM, 5 are from sub-Saharan Africa (Lesotho, Madagascar, Malawi, Mauritius and Zimbabwe) 3 are from Central America (El Salvador, Honduras and Nicaragua), 1 is from South Asia (Nepal) and 1 is from central Asia (Kyrgyzstan). These relatively high numbers of RPM are largely driven by preferential access in the United States or European Union (EU) markets.

The majority of countries tend to have a positive RPM. This is not surprising, as it implies that volumes of trade are biased towards flow where there is relative tariff advantage. Less than 20 per cent of countries have negative RPM. This includes, with the exception of the United States, most developed countries.¹² The relative disadvantage of developed countries' exports results from the system of preferences that tends to tax exports from developing countries relatively less, especially those from LDCs. Indeed, countries with the highest RPM include many low-income and least developed countries. Moreover, countries with important trade agreements with major export markets tend to have a higher RPM. This includes countries such Turkey, Tunisia and Mauritius (PTA with the EU), Colombia and the Plurinational State of Bolivia (which has preferential access to a number of Latin American markets). Also, countries that are part of FTAs where the external tariff is high also have a higher RPM. This group includes countries in Latin America (especially those within the Southern Common Market (MERCOSUR)) but also countries within the North American Free Trade Agreement (NAFTA) area. Countries that do not engage in a large number of strong PTAs tend to have a negative RPM (as they compete with countries which benefit from other PTAs). In particular, China's exports face an average tariff that is 0.5 per cent higher than that of its competitors, while Japan's exports disadvantage is about 0.7 per cent.

Columns 3 and 4 in table 1 report the RPM that export of the given country faces in high-income and developing countries markets. These numbers provide an indication of whether the country has a relative advantage (or disadvantage) in exporting to a developed or developing countries. In general, RPM for exports to developed and developing countries is correlated (figure 2). However, some differences do exist. The RPM of exports to developed countries has a lower sample mean and a smaller standard deviation than that of exports to developing countries. This suggests a lower degree of discrimination that developed countries apply to their imports.

Figure 2. Real Preferential Margin on Exports to Developed and Developing Countries



¹² Intra-EU trade is excluded in the calculation of the RPM. By including intra-EU trade the RPM for Europe turns positive.

The last 3 columns of table 1 report the RPM calculated as an import index. That is the relative advantage that each country imposes on imports, depending on its origin. This measures the extent to which the tariff schedule of the given country relatively favours imports from particular groups of countries by providing them with a relatively lower tariff. The results suggest that the vast majority of countries discriminate against imports originating in developed countries. On average, developed countries' exports are taxed 1 percentage point more.¹³ The significant exceptions are countries (such as Mexico and Morocco) that have particularly strong PTA with developed countries' markets. Regarding LDCs' preferential access, the picture is more mixed. On average, the RPM imposed on imports from LDCs is similar to that from other developing countries. However, its standard deviation is substantially higher. This implies that there are significant differences across countries in the treatment of LDCs' imports. Indeed, while a number of countries substantially facilitate imports from LDCs, an approximately equal number of countries impose relatively higher tariffs on imports from LDCs. This largely depends on whether the given country has PTA or FTA with the LDCs or not, and on whether the given country is providing a non-LDC with large preferential access.

As noted above, the existing system of preferences is generally to the advantage of developing countries. Among developing countries, the system of preferences appears to substantially favor intraregional trade. Table 2 reports the RPM calculated at the regional level. Due to the presence of RTAs, trade within each developing country region is often facilitated by a relatively lower tariff. Regarding intraregional trade, the RPM goes from a maximum of almost 5 per cent (intraregional trade within the Middle East–North Africa region) to 1.2 per cent of intra–East Asia trade. Regarding intraregional trade in other regions, that of South Asia is favoured by a 4 per cent RPM, that within Latin America is facilitated by 3.6 per cent, that within sub-Saharan Africa by 2.1 per cent, and that within Central Asia by about 1.8 per cent. The counterpart of a lower relative tariff in intraregional trade is a relatively higher tariff for most extraregional trade flows. For example, Latin America and the Middle East–North Africa extraregional imports face a higher tariff regardless of origin, with the exception of imports from developed countries (largely due to NAFTA for Latin America, and FTA with the EU for North Africa). This is mirrored on a market access perspective. For example, sub-Saharan Africa exports (which are favoured in most other regions) face relatively higher tariffs in Latin America and marginally higher tariffs in the Middle East and North Africa, due to the larger preferences provided by these regions to developed countries' exports. Other regions, such as East Asia and sub-Saharan Africa, tend to have a lower variance in the RPM, implying that the structure of preferences in the countries in those regions is rather homogeneous.

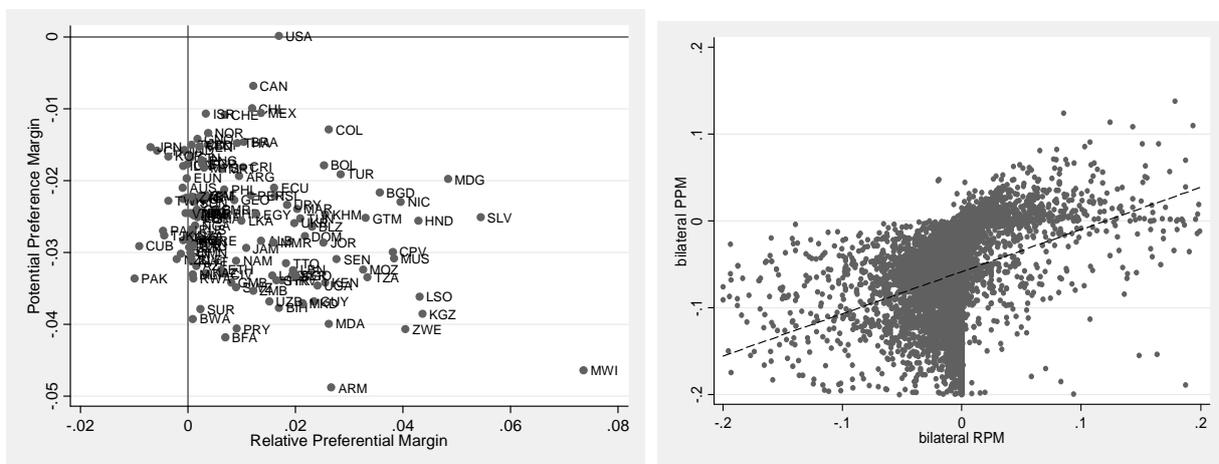
Table 2. Regional Real Preferential Margin

Importing Region	Exporting Region						
	East Asia	Central Asia	Latin America	Middle East N. Africa	South Asia	Sub-Saharan Africa	Developed Countries
East Asia	0.012	-0.007	0.002	0.001	0.003	0.003	-0.013
Central Asia	-0.003	0.018	-0.016	-0.009	0.006	0.009	-0.017
Latin America	-0.036	-0.021	0.036	-0.002	-0.039	-0.012	0.004
Middle East N. Africa	-0.030	-0.022	-0.014	0.049	-0.048	-0.003	0.007
South Asia	-0.015	0.002	-0.019	0.003	0.041	0.000	-0.005
Sub-Saharan Africa	-0.019	-0.007	-0.005	0.009	-0.015	0.021	-0.006
Developed Countries	-0.008	0.008	0.018	0.004	0.005	0.003	-0.004

¹³ Note that the difference is not related to product composition as the RPM is weighed on the export basket of the given country.

The PPM provides a measure of the relative potential value of the preferential regime given to a particular country. The overall PPM has no direct interpretation and thus is not reported in the tables. However, the relationship between RPM and PPM is illustrated in figure 3. As explained in the previous section, in most cases, the overall PPM is negative as preference schemes are often restricted to a limited number of countries (relative preferences are negative in the countries outside the preferential schemes). More informative is PPM at the bilateral level. Figure 3b indicates that at the bilateral level RPM and PPM show a positive correlation. This implies that countries with potential large preferences are also those that take advantage of them by orienting their exports to markets and products where preferences are higher.

Figure 3. Relative Preferential Margin and Potential Preferential Margin (Overall and Bilateral)



3. Simulations: Effects of FTA on Relative Preferential Margins

The indices presented above are useful for assessing the strength of trade agreements. That is, the tariff advantage that a trade agreement provides to imports originating from a given country with respect to imports originating elsewhere. These indices can be used to assess the advantage of existing agreements as described above, or used to calculate the impact of any future trade agreement. For example, by examining the changes in the indices, it is possible to have an indication of whether a new PTA would have a substantial impact on the relative tariff advantage of a given country or not. In this regard, this section calculates and discusses the effects of four different FTAs. The first three scenarios are about FTAs in which the given country is given free market access in the region, in the EU and in the United States. The last scenario is the effect that a FTA among third parties has on both members and non-members.

Before turning to the results, it is important to provide some indication of how to interpret them. The impact of an FTA depends on several factors. First, as the RPM is calculated on the total level of exports, the impact on a change in tariff on the overall RPM is largely dependent on the share of bilateral trade over total exports. For example, if one country exports little to the United States, free United States market access for that country will have little impact on the overall RPM (still, it may

have a large impact on the bilateral RPM and PPM). Second, the impact on both RPM and PPM depends on the level of the existing tariffs. If a given country exports products that are subjected to low or already-zero tariffs, then an FTA will have limited effect. Third, the effect also depends on any change in the competitors' market access. For example, if the new FTA is negotiated for a region, then the resulting RPM is likely to be smaller than the level of the old tariff, as competitors also would have ameliorated their market access. Finally, as discussed above, the impact of an FTA on the PPM also depends on whether the size of the import market (by product), and the extent to which a given country can export a product for which free market access is given.

In summary, a substantial increase in the RPM (especially in the overall RPM) indicates an objective advantage in the given country in signing an FTA with that particular trading partner, as it implies a much lower tariff on the existing level of exports. An increase in the PPM indicates a substantial improvement in market access which has the potential to increase exports.

Table 3 reports the results on the change in RPM and PPM for the four scenarios. First are discussed the three scenarios about the creation of a FTA in which the given country participates. The last scenario showing the effect that a FTA among third parties is discussed last.

Regarding the FTA with the 5 closest countries, the change in overall RPM is generally small, and larger than 1 percentage point only for about 14 countries. The little change in RPM depends on two factors. One reason is that many countries are already engaged in a PTA with its closer neighbours, and thus an additional FTA will have little or no effect. The other reason is that regional trade is quite limited, and an FTA will be of little impact in the overall level of tariff faced by the given country's exports. Similar reasoning can be done for the scenario of an FTA with the EU and the United States. However, given the large size of these two markets, the changes in overall RPM are more substantial. In particular, an FTA with the EU would be important for a number of countries including Tajikistan, Uruguay, Pakistan, Swaziland, Cuba, New Zealand, Mauritius and Guyana. The countries that would benefit most from an FTA with the United States would be Viet Nam, Jordan, Pakistan, Sri Lanka, Bangladesh, Malawi and Cambodia.

Table 3 also reports the effect of an FTA on the PPM. From a trade negotiation perspective, the PPM is more relevant, as it gives the potential impact of the FTA on tariffs. That is, the PPM takes into account not the observed level of trade, but the size of the importing market and the capacity of the given country to export products in which preferences are given. Changes in bilateral PPM tend to be high in the case of FTA with the closest five countries. For about 10 countries, the reduction in PPM is larger than 10 percentage points. Regarding free access to the EU and the United States, the largest effect in terms of PPM are for other developed countries. The reasons for the larger effect are to be found in the capacity of those countries to produce (and export) most of the products imported in large quantities by the EU and United States.

The RPM is particularly suited to analyse the impact of a FTA on non-member countries. This is the fourth scenario on how a hypothetical FTA among some East Asia economies (China, Indonesia, Hong Kong (China), Lao People's Democratic Republic, Macau (China), Malaysia, Philippines, Thailand, Taiwan Province of China and Viet Nam) will affect member and non-member countries. Such agreement would have an impact on non-members as a reduction in the tariff between China and Indonesia would affect the RPM and PPM of countries outside the FTA because their relative advantage would be diminished. This is essentially the concept of preference erosion. The results of this scenario are reported in the last three columns of table 3. Changes in RPM indicate that the countries that would be more negatively affected are non-member countries with close linkages to East Asia (Japan, Republic of Korea, Singapore, Myanmar, Nepal, Sri Lanka, etc.). The change in overall RPM would generally be small, as it is diluted over total exports. Overall RPM changes only for countries with a large share of exports bound for East Asia. Bilateral RPM (where the trading partner is the group of countries forming the FTA) changes more. The change is especially large in the case of Nepal, meaning that Nepal's exports would lose almost 9 percentage points in terms of relative tariff advantage with respect to export competitors within the new FTA. For other countries in

the region the change is smaller but still significant. Japan, Sri Lanka, Cambodia, the Republic of Korea, Pakistan, Ukraine and Bangladesh RPMs would lose between 1 and 2 percentage points tariff advantage.

The changes in PPM are generally larger for developed countries. For Japan, the Republic of Korea, the United States, Singapore, Australia and Switzerland, but also India, the PPM is expected to fall between 1 and 2 percentage points. The reason is that the East Asia economies represent a large potential (in terms of demand for products exported by these developed countries), and the FTA would shift some of this demand away from developed countries' exports to the advantage of FTA members. Other countries, whose export composition does not overlap with that of East Asian countries (i.e. natural resources), will be less affected. Regarding the effect on member countries, the larger beneficiaries in term of RPM would be Hong Kong (China), Taiwan Province of China and Indonesia. The lowest gainer would be China.

4. Conclusions

This paper provides two new indices aimed to assessing the value of preferential margin. Those indices are useful for calculating both the strength of existing or future trade agreements as well as the preference erosion that third parties trade agreements may cause. The first index is the Relative Preferential Margin (RPM) and measures the relative value of preferential regimes on actual exports flows. That is, the strength of the preferential trade agreement is relative to any preferential access provided to other competitors. In this sense, the relative preferential margin that a country grants to a given country is the difference – in tariff percentage points – that a determined basket of goods enjoys when imported from the given country relative of being imported from elsewhere. The second index is the Potential Preferential Margin (PPM) and measures the potential value of the preferential regime. This index is calculated not on observed but on “potential” export flows.

The paper calculates these indices for some 127 countries, and provides changes in those indices as a consequence of a number of hypothetical FTAs. In particular, it provides changes in the indices consequent to free market access provided to each given country by its five closest developing countries, by an FTA with the United States and by an FTA with the EU. Finally, it also provides changes in these indices both for members and non-members consequent to the implementation of an FTA among East Asian countries. The results point to a large variance of benefit and losses.

Table 3. Impact of Free trade Agreements on the Relative Preferential Margin

Country Code	Country/Economy Name	Free Trade Agreement with closest 5 developing countries		Free Trade Agreement with the European Union		Free Trade Agreement with the USA		Creation of East Asia FTA (CHN, IDN, HKG, LAO, MAC, MYS, PHL, THA, TWN, VNM)	
		Change in RPM	Change in bil. PPM	Change in RPM	Change in bil. PPM	Change in RPM	Change in bil. PPM	Change in RPM	Change in bil. PPM
ALB	Albania	0.000	0.010	0.004	0.000	0.000	0.013	0.000	-0.005
DZA	Algeria	0.000	0.009	0.000	0.000	0.002	0.005	0.000	0.000
AGO	Angola	0.000	0.047	0.000	0.000	0.000	0.000	0.000	0.000
ARG	Argentina	0.001	0.002	0.013	0.015	0.002	0.020	-0.001	-0.005
AUS	Australia	0.002	0.030	0.002	0.018	0.000	0.008	-0.001	-0.004
AZE	Azerbaijan	0.000	0.002	0.000	0.011	0.000	0.002	0.000	0.000
BHR	Bahrain	0.000	0.000	0.005	0.025	0.000	0.000	-0.001	-0.006
BGD	Bangladesh	0.002	0.063	0.000	0.000	0.028	0.104	-0.001	-0.010
BLR	Belarus	0.001	0.059	0.003	0.011	0.002	0.017	0.000	-0.003
BEN	Benin	0.012	0.064	0.011	0.058	0.000	0.000	0.000	0.000
BOL	Bolivia	0.000	0.000	0.001	0.016	0.000	0.003	0.000	0.000
BIH	Bosnia Herzegovina	0.000	0.000	0.004	0.006	0.000	0.036	0.000	-0.001
BWA	Botswana	0.000	0.004	0.006	0.011	0.000	0.000	0.000	0.000
BRA	Brazil	0.000	0.001	0.015	0.053	0.004	0.025	0.000	-0.002
BRN	Brunei Darussalam	0.000	0.006	0.000	0.003	0.002	0.031	-0.001	-0.007
BFA	Burkina Faso	0.003	0.036	0.000	0.000	0.000	0.006	0.000	0.000
BDI	Burundi	0.000	0.001	0.000	0.000	0.000	0.000	0.000	0.000
KHM	Cambodia	0.001	0.037	0.000	0.000	0.076	0.125	-0.002	-0.013
CMR	Cameroon	0.001	0.056	0.003	0.005	0.000	0.000	0.000	-0.001
CAN	Canada	0.000	0.060	0.001	0.015	0.001	0.001	0.000	-0.004
CPV	Cape Verde	0.000	0.005	0.000	0.000	0.000	0.000	0.000	-0.017
CAF	Central African Republic	0.000	0.080	0.000	0.000	0.000	0.003	0.000	0.000
TCD	Chad	0.000	0.018	0.000	0.000	0.000	0.000	0.000	0.000
CHL	Chile	0.001	0.017	0.002	0.009	0.000	0.002	0.000	-0.001
CHN	China	0.000	0.061	0.007	0.029	0.005	0.021	0.002	0.008
COL	Colombia	0.001	0.004	0.004	0.017	0.002	0.005	0.000	-0.005
COG	Congo, Dem. Rep.	0.000	0.005	0.000	0.000	0.000	0.000	0.000	0.000
CRI	Costa Rica	0.000	0.002	0.006	0.020	0.003	0.010	0.000	0.000
CIV	Côte d'Ivoire	0.009	0.080	0.002	0.004	0.000	0.001	-0.001	-0.006
HRV	Croatia	0.004	0.020	0.006	0.009	0.000	0.006	0.000	-0.003
CUB	Cuba	0.002	0.038	0.034	0.125	0.000	0.000	-0.010	-0.027
DJI	Djibouti	0.030	0.057	0.000	0.065	0.000	0.000	0.000	-0.004

Table 3 (continued)

Country Code	Country/Economy Name	Free Trade Agreement with closest 5 developing countries			Free Trade Agreement with the European Union			Free Trade Agreement with the USA			Creation of East Asia FTA (CHN, IDN, HKG, LAO, MAC, MYS, PHL, THA, TWN, VNM)		
		Change in RPM	Change in bil. RPM	Change in bil. PPM	Change in RPM	Change in bil. RPM	Change in bil. PPM	Change in RPM	Change in bil. RPM	Change in bil. PPM	Change in RPM	Change in bil. RPM	Change in bil. PPM
DOM	Dominican Republic	0.000	0.044	0.057	0.003	0.015	0.002	0.006	0.008	0.001	0.000	-0.005	-0.003
ECU	Ecuador	0.000	0.001	0.001	0.006	0.035	0.002	0.002	0.005	0.004	0.000	-0.001	-0.003
EGY	Egypt	0.000	0.008	0.006	0.002	0.004	0.004	0.003	0.026	0.012	0.000	-0.004	-0.003
SLV	El Salvador	0.002	0.008	0.005	0.000	0.005	0.003	0.001	0.002	0.000	0.000	-0.001	-0.001
GNQ	Equatorial Guinea	0.000	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
ETH	Ethiopia	0.001	0.091	0.086	0.005	0.010	0.001	0.000	0.001	0.001	0.000	-0.001	-0.001
EUN	European Union	0.000	0.051	0.116	0.005	0.010	0.001	0.004	0.015	0.018	-0.001	-0.001	-0.001
GAB	Gabon	0.000	0.021	0.061	0.000	0.000	0.000	0.000	0.000	0.000	-0.001	-0.003	-0.001
GMB	Gambia	0.006	0.127	0.128	0.000	0.000	0.001	0.000	0.006	0.009	0.000	-0.001	-0.001
GEO	Georgia	0.001	0.009	0.006	0.002	0.004	0.002	0.001	0.010	0.010	0.000	-0.001	-0.003
GHA	Ghana	0.030	0.154	0.105	0.001	0.003	0.001	0.000	0.000	0.001	-0.001	-0.009	0.000
GTM	Guatemala	0.003	0.013	0.009	0.000	0.005	0.004	0.004	0.009	0.001	0.000	-0.006	0.000
GIN	Guinea	0.001	0.051	0.092	0.000	0.000	0.000	0.000	0.000	0.000	0.000	-0.005	-0.001
GNB	Guinea-Bissau	0.006	0.069	0.142	0.000	0.000	0.000	0.000	0.000	0.002	0.000	0.000	0.000
GUY	Guyana	0.000	0.006	0.000	0.083	0.220	0.004	0.001	0.008	0.003	0.000	0.000	0.000
HND	Honduras	0.001	0.014	0.005	0.001	0.012	0.004	0.001	0.002	0.001	0.000	-0.008	-0.001
HKG	Hong Kong, China	0.016	0.065	0.047	0.006	0.029	0.032	0.004	0.040	0.019	0.017	0.043	0.030
ISL	Iceland	0.003	0.081	0.089	0.008	0.011	0.003	0.001	0.011	0.016	0.000	-0.004	-0.003
IND	India	0.002	0.087	0.119	0.006	0.021	0.015	0.003	0.016	0.012	-0.001	-0.006	-0.011
IDN	Indonesia	0.004	0.044	0.026	0.003	0.023	0.014	0.004	0.036	0.012	0.007	0.033	0.024
IRN	Iran, Islamic Rep.	0.001	0.044	0.048	0.000	0.002	0.011	0.000	0.006	0.016	0.000	-0.001	-0.004
ISR	Israel	0.001	0.032	0.046	0.001	0.005	0.004	0.000	0.000	0.000	0.000	-0.001	-0.008
JPN	Japan	0.022	0.090	0.055	0.005	0.031	0.029	0.002	0.011	0.018	-0.007	-0.017	-0.018
JOR	Jordan	0.000	0.000	0.000	0.001	0.010	0.001	0.018	0.049	0.002	0.000	-0.001	-0.004
KAZ	Kazakhstan	0.001	0.020	0.030	0.002	0.004	0.009	0.001	0.033	0.010	0.000	-0.002	-0.001
KEN	Kenya	0.001	0.007	0.004	0.000	0.001	0.003	0.000	0.001	0.001	0.000	-0.004	-0.003
KOR	Korea, Rep. of	0.015	0.054	0.050	0.004	0.027	0.028	0.002	0.013	0.017	-0.006	-0.012	-0.014
KWT	Kuwait	0.001	0.085	0.014	0.000	0.001	0.013	0.000	0.001	0.015	-0.001	-0.004	-0.003
KGZ	Kyrgyz Republic	0.010	0.034	0.022	0.001	0.026	0.011	0.000	0.006	0.015	0.000	-0.002	-0.001
LAO	Lao People's Dem. Rep.	0.011	0.019	0.076	0.000	0.000	0.000	0.001	0.064	0.027	0.008	0.015	0.020
LBN	Lebanon	0.003	0.019	0.009	0.000	0.001	0.001	0.001	0.009	0.010	0.000	-0.001	-0.001
LSO	Lesotho	0.000	0.109	0.298	0.000	0.000	0.000	0.000	0.000	0.001	0.000	-0.003	0.000

Table 3 (continued)

Country Code	Country/Economy Name	Free Trade Agreement with closest 5 developing countries			Free Trade Agreement with the European Union			Free Trade Agreement with the USA			Creation of East Asia FTA (CHN, IDN, HKG, LAO, MAC, MYS, PHL, THA, TWN, VNM)		
		Change in RPM	Change in bil. RPM	Change in bil. PPM	Change in RPM	Change in bil. RPM	Change in bil. PPM	Change in RPM	Change in bil. RPM	Change in bil. PPM	Change in RPM	Change in bil. RPM	Change in bil. PPM
LBY	Libyan Arab Jamahiriya	0.000	0.000	0.000	0.000	0.000	0.006	0.001	0.009	0.013	0.000	0.000	-0.002
MDG	Madagascar	0.000	0.000	0.002	0.001	0.002	0.000	0.000	0.000	0.003	0.000	-0.007	-0.001
MWI	Malawi	0.001	0.013	0.027	0.018	0.042	0.001	0.039	0.423	0.003	0.000	-0.002	0.001
MYS	Malaysia	0.003	0.046	0.055	0.001	0.008	0.014	0.001	0.005	0.018	0.004	0.015	0.017
MLI	Mali	0.000	0.036	0.067	0.000	0.000	0.000	0.000	0.003	0.003	0.000	0.000	0.000
MRT	Mauritania	0.009	0.099	0.088	0.000	0.000	0.000	0.000	0.005	0.003	0.000	0.000	0.000
MUS	Mauritius	0.001	0.020	0.094	0.063	0.087	0.002	0.000	0.001	0.002	0.000	-0.008	-0.001
MEX	Mexico	0.000	0.025	0.025	0.000	0.001	0.004	0.000	0.000	0.000	0.000	-0.005	-0.008
MNG	Mongolia	0.014	0.019	0.031	0.000	0.001	0.002	0.004	0.069	0.013	-0.001	-0.002	-0.001
MAR	Morocco	0.001	0.090	0.070	0.004	0.006	0.002	0.000	0.002	0.003	0.000	-0.002	-0.004
MOZ	Mozambique	0.003	0.013	0.054	0.006	0.008	0.001	0.000	0.029	0.001	0.000	0.000	0.000
MMR	Myanmar	0.019	0.036	0.048	0.004	0.058	0.025	0.000	0.000	0.000	-0.004	-0.007	-0.009
NAM	Namibia	0.001	0.014	0.011	0.006	0.011	0.003	0.000	0.000	0.001	0.000	0.000	-0.001
NPL	Nepal	0.007	0.012	0.002	0.005	0.025	0.001	0.004	0.031	0.014	-0.002	-0.084	-0.004
NZL	New Zealand	0.002	0.030	0.039	0.045	0.263	0.030	0.007	0.054	0.017	-0.001	-0.005	-0.007
NIC	Nicaragua	0.000	0.002	0.000	0.002	0.020	0.004	0.004	0.005	0.001	0.000	-0.001	-0.001
NER	Niger	0.011	0.095	0.103	0.000	0.000	0.000	0.000	0.000	0.000	0.000	-0.001	-0.001
NGA	Nigeria	0.000	0.004	0.077	0.000	0.000	0.001	0.000	0.000	0.000	0.000	-0.002	-0.001
NOR	Norway	0.001	0.059	0.088	0.001	0.002	0.004	0.001	0.015	0.017	0.000	-0.003	-0.007
OMN	Oman	0.000	0.014	0.033	0.000	0.010	0.012	0.000	0.001	0.012	0.000	-0.001	-0.003
PAK	Pakistan	0.005	0.056	0.062	0.020	0.067	0.016	0.020	0.089	0.014	-0.002	-0.012	-0.005
PAN	Panama	0.019	0.103	0.058	0.006	0.031	0.003	0.000	0.006	0.003	0.000	-0.006	-0.001
PNG	Papua New Guinea	0.001	0.012	0.015	0.000	0.000	0.000	0.000	0.011	0.010	0.000	-0.004	-0.003
PRY	Paraguay	0.002	0.005	0.013	0.004	0.016	0.021	0.001	0.037	0.017	0.000	-0.002	0.000
PER	Peru	0.000	0.004	0.002	0.000	0.002	0.003	0.001	0.005	0.004	0.000	-0.001	-0.001
PHL	Philippines	0.006	0.018	0.030	0.001	0.007	0.013	0.002	0.016	0.013	0.005	0.010	0.018
QAT	Qatar	0.000	0.008	0.007	0.000	0.005	0.009	0.000	0.012	0.014	0.000	-0.003	-0.003
RUS	Russian Federation	0.001	0.014	0.041	0.002	0.003	0.015	0.001	0.014	0.012	0.000	-0.002	-0.004
RWA	Rwanda	0.000	0.002	0.002	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
SAU	Saudi Arabia	0.000	0.001	0.002	0.000	0.003	0.014	0.001	0.007	0.016	-0.001	-0.004	-0.005
SEN	Senegal	0.005	0.023	0.067	0.000	0.000	0.000	0.000	0.000	0.001	0.000	-0.002	-0.001
SER	Serbia	0.001	0.002	0.004	0.007	0.011	0.001	0.000	0.011	0.012	0.000	-0.006	-0.001

Table 3 (continued)

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		Change in RPM	Change in bil. RPM	Change in bil. PPM	Change in RPM	Change in bil. RPM	Change in bil. PPM	Change in RPM	Change in bil. RPM	Change in bil. PPM	Change in RPM	Change in bil. RPM	Change in bil. PPM
SGP	Singapore	0.003	0.019	0.021	0.001	0.010	0.028	0.000	0.000	0.002	-0.005	-0.003	-0.013
ZAF	South Africa	0.003	0.035	0.029	0.002	0.006	0.005	0.000	0.000	0.002	0.000	-0.003	-0.007
LKA	Sri Lanka	0.007	0.083	0.068	0.000	0.000	0.002	0.024	0.083	0.012	-0.001	-0.015	-0.004
SDN	Sudan	0.000	0.001	0.013	0.002	0.048	0.001	0.000	0.000	0.013	0.000	0.000	-0.004
SUR	Suriname	0.000	0.000	0.001	0.002	0.008	0.002	0.000	0.000	0.005	0.000	0.000	0.000
SWZ	Swaziland	0.001	0.021	0.075	0.025	0.118	0.003	0.001	0.005	0.001	0.000	-0.001	-0.004
CHE	Switzerland	0.000	0.034	0.043	0.001	0.002	0.005	0.001	0.013	0.017	0.000	-0.004	-0.010
SYR	Syrian Arab Rep.	0.000	0.000	0.000	0.002	0.004	0.003	0.000	0.020	0.019	0.000	-0.002	0.000
TWN	Taiwan Province of China	0.014	0.037	0.056	0.002	0.019	0.029	0.002	0.016	0.017	0.015	0.028	0.030
TJK	Tajikistan	0.001	0.044	0.023	0.020	0.055	0.012	0.000	0.005	0.013	0.000	-0.002	-0.001
TZA	Tanzania, Utd. Rep. of	0.002	0.018	0.027	0.004	0.011	0.001	0.000	0.000	0.001	0.000	-0.001	0.000
THA	Thailand	0.002	0.021	0.017	0.005	0.032	0.015	0.002	0.012	0.012	0.004	0.011	0.018
MKD	The former Yugoslav Republic of Macedonia	0.001	0.004	0.002	0.001	0.001	0.000	0.001	0.039	0.014	0.000	-0.009	0.000
TGO	Togo	0.030	0.108	0.074	0.001	0.004	0.001	0.000	0.000	0.003	-0.001	-0.006	-0.001
TTO	Trinidad Tobago	0.000	0.002	0.006	0.001	0.008	0.002	0.000	0.000	0.002	0.000	0.000	-0.001
TUN	Tunisia	0.002	0.125	0.119	0.012	0.014	0.001	0.001	0.017	0.013	0.000	-0.009	-0.003
TUR	Turkey	0.001	0.032	0.032	0.001	0.001	0.002	0.001	0.023	0.012	0.000	-0.006	-0.008
TKM	Turkmenistan	0.004	0.020	0.016	0.002	0.005	0.008	0.004	0.022	0.016	0.000	-0.009	0.000
UGA	Uganda	0.003	0.029	0.027	0.000	0.000	0.001	0.000	0.001	0.001	0.000	-0.004	-0.003
UKR	Ukraine	0.001	0.005	0.010	0.004	0.010	0.012	0.000	0.005	0.012	-0.001	-0.011	-0.003
ARE	United Arab Emirates	0.004	0.036	0.048	0.001	0.007	0.014	0.000	0.031	0.018	0.000	-0.002	-0.007
USA	United States	0.000	0.076	0.080	0.004	0.018	0.029	0.000	0.026	0.014	-0.001	-0.004	-0.014
URY	Uruguay	0.001	0.003	0.002	0.020	0.092	0.015	0.002	0.017	0.014	-0.001	-0.005	-0.001
UZB	Uzbekistan	0.001	0.009	0.005	0.002	0.007	0.011	0.001	0.017	0.014	0.000	0.000	0.000
VEN	Venezuela, Bolivarian Republic of	0.000	0.008	0.044	0.000	0.004	0.001	0.008	0.013	0.012	0.000	-0.002	-0.002
VNM	Viet Nam	0.003	0.049	0.061	0.009	0.038	0.013	0.013	0.055	0.018	0.003	0.020	0.022
YEM	Yemen	0.000	0.002	0.001	0.000	0.000	0.000	0.000	0.000	0.002	0.000	0.000	-0.003
ZAR	Zaire	0.001	0.047	0.122	0.000	0.000	0.000	0.000	0.000	0.001	0.000	-0.001	0.000
ZMB	Zambia	0.000	0.004	0.004	0.003	0.015	0.001	0.000	0.000	0.001	0.000	-0.001	-0.002
ZWE	Zimbabwe	0.001	0.009	0.008	0.004	0.017	0.003	0.001	0.023	0.011	0.000	-0.001	0.000

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International organization	<input type="checkbox"/>	Media	<input type="checkbox"/>
Not-for-profit organization	<input type="checkbox"/>	Other (specify) _____	

3. In which country do you work? _____

4. Did you find this publication Very useful Of some use Little use to your work?

5. What is your assessment of the contents of this publication?
 Excellent Good Adequate Poor

6. Other comments:
