

**High-Level Meeting on Integrated Initiatives for
Least-Developed Countries' Trade Development**

MARKET ACCESS FOR LEAST-DEVELOPED COUNTRIES

1. This document surveys border trade restrictions that affect the access of least-developed countries' exports to their twenty-three main export markets (accounting for 95 per cent of their exports). It is intended to serve two purposes: to provide background information to Agenda Item B of the High-Level Meeting ("Initiatives to Improve Market Access for Least-Developed Countries"), and to provide governments of least-developed countries and private business active in these countries with up-to-date information about border restrictions that apply in their main export markets. To that end, the Addendum to this document (WT/LDC/HL/14/Add.1) provides highly disaggregated statistics on tariffs and selected non-tariff measures applied to least-developed countries' exports.

I. INTRODUCTION

2. The results of the Uruguay Round negotiations recognized that the least-developed countries have specific needs in the area of market access and that continued preferential access remains an essential means of improving their trading opportunities¹. It was agreed that, to the extent possible, most-favoured-nation (MFN) concessions on tariff and non-tariff measures agreed in the Uruguay Round on products of export interest to the least-developed countries could be implemented autonomously, in advance and without staging, and consideration would be given to further improving Generalized System of Preferences (GSP) schemes and other schemes for products of particular export interest to least-developed countries. It was agreed also to keep under review the specific needs of the least-developed countries and to continue to seek the adoption of positive measures which facilitate the expansion of their trading opportunities.

3. At their first Ministerial Conference in Singapore in December 1996, WTO Members reiterated the importance they attach to improving market access for the exports of least-developed countries and proposed the following initiatives as options for examination²:

- Developed country Members and developing country Members, on an autonomous basis, would explore the possibilities of granting preferential duty-free access for the exports of least-developed countries. In both cases, exceptions could be provided for.

¹"Ministerial Decision on Measures in Favour of Least-Developed Countries", The Results of the Uruguay Round of Multilateral Trade Negotiations: The Legal Texts (p.440-441)

²Comprehensive and Integrated WTO Plan of Action for the Least-Developed Countries, WTO document WT/MIN(96)/14

- WTO Members should endeavour to make use, when possible, of the relevant provisions of the Agreement on Textiles and Clothing to increase market access opportunities for least-developed countries.
- Whenever provided for in the WTO Agreements, Members may decide to extend unilaterally and on an autonomous basis certain benefits to least-developed countries' suppliers.
- WTO Members should pursue, on an autonomous basis, preferential policies and liberalization undertakings in order to further facilitate access to their markets for least-developed countries' exports, such as an early implementation of Uruguay Round undertakings.

4. The High-Level Meeting is a direct result of the Singapore Ministerial Conference and an opportunity to take stock of the market access situation of the least-developed countries.

5. Both at the Marrakesh and Singapore meetings, it was recognized that market access considerations are neither the sole cause of the weak export performance of least-developed countries nor the only area in which action is needed to enhance their trading opportunities and their integration into the multilateral trading system. The Uruguay Round results addressed the special needs of least-developed country Members of the WTO in a variety of ways and on a broad front: through exemptions from, lower levels of commitment to, delayed implementation of, and more flexible application of WTO obligations; through accelerated liberalization in their favour by other Members; through making available to them simplified procedures; through enhanced technical assistance; through the Decision on Measures in Favour of Least-Developed Countries; and through the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed Countries and Net Food-Importing Developing Countries³. The WTO Plan of Action for the Least-Developed Countries that was agreed in Singapore extends the scope for action further and places it within the context of a comprehensive approach, bringing together national efforts and those of the international community and encompassing appropriate macroeconomic policies and supply-side measures⁴.

6. Improving market access is acknowledged, therefore, by WTO Members to be only one aspect of the efforts that need to be made to assist the least-developed countries. It has, nevertheless, an important contribution to make in enhancing their export performance. From documents prepared for the High-Level Meeting it would appear that, while most least-developed countries feel their weak export performance is attributable primarily to supply-side constraints, many consider it results also from overseas market restrictions and lack of information about market access conditions and opportunities⁵. Similarly, the survey of private business opinion in least-developed countries carried out by ITC for the High-Level Meeting points strongly to market access restrictions and inadequate market information as obstacles to export expansion, and identifies them as the most important bottleneck

³Implementation of the provisions in favour of least-developed countries is regularly kept under review in the WTO Committee on Trade and Development and in the various WTO Committees with responsibility for individual WTO Agreements.

⁴Other documents prepared for the High-Level Meeting address these issues: see, for example, UNCTAD/ITC, "Building the Capacity to Trade for LDCs" (WT/LDC/HL/4), World Bank, "Encouraging Investment in Infrastructure: An Action Programme" (WT/LDC/HL/10), and IMF, "Review of the International and Domestic Economic Policy Context in which Least-Developed Countries are Operating" (WT/LDC/HL/15).

⁵See the needs assessments prepared by the least-developed countries, of which a first selection is contained in documents WT/LDC/HL/12 and Add.1 to Add.12.

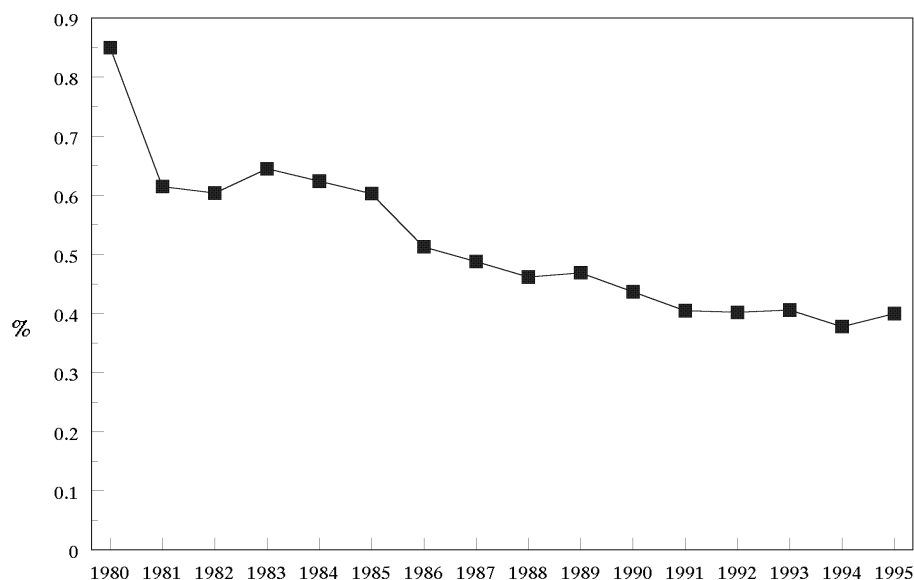
to international business development in least-developed countries after lack of efficient trade support services⁶.

7. The need of least-developed countries for open and predictable access to their overseas export markets will increase as successful policy reforms and capacity-building lead them to increased productive efficiency, economic diversification and higher, sustained real growth rates. If the private sector is to respond effectively to the efforts of least-developed country governments and the international community to improve supply-side conditions in these countries, its expectations that attractive and stable market opportunities exist which would warrant long-term investment must be fulfilled early on. In a comprehensive and integrated approach to resolving the trade and trade-related problems of the least-developed countries, no component can be relegated to second place.

II. EXPORT PERFORMANCE OF THE LEAST-DEVELOPED COUNTRIES

8. Trade is only a small share of economic activity in most least-developed countries: on average, exports and imports account respectively for about 9 per cent and 16 per cent of their GDP, compared with 24 percent and 26 percent for developing countries as a group. The least-developed countries' exports have grown far more slowly than world trade over the past twenty years, and their collective share of world merchandise exports has consequently declined from about 0.8 per cent in 1980 to 0.46 per cent in 1995, when their exports were valued at about \$23 billion (Chart 1). In the 1990s, the annual growth in value of least-developed countries' exports has averaged less than 2 per cent, compared with 8 percent for world trade as a whole. On the import side, the participation of least-developed countries in trade is equally marginal; their total import bill in 1995 was equivalent to 0.7 per cent of world merchandise imports.

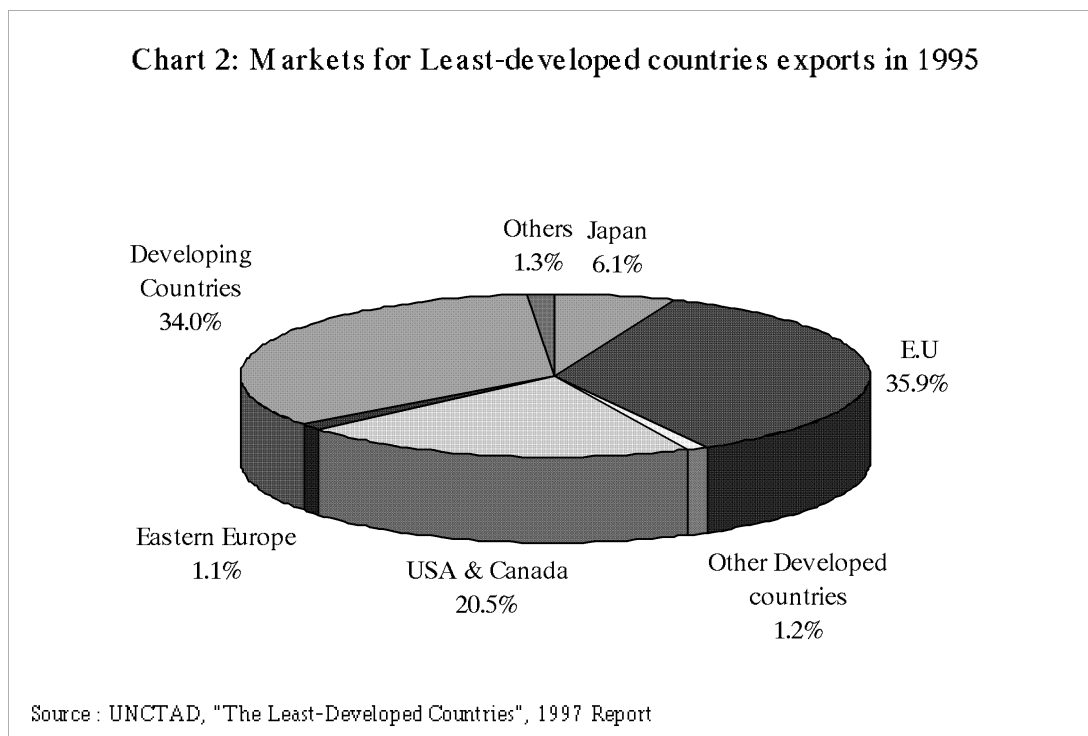
Chart1: LDCs Shares in World Trade



Source: OECD, 1997

⁶"Principal Bottlenecks to International Business Development and the Related technical Cooperation Needs of Least-Developed Countries: A Business Sector Perspective", WT/LDC/HL/3.

9. Over 60 per cent of the least-developed countries' exports is sold in developed country markets, mainly the European Union, Japan and the United States (Chart 2). Thirty-four percent is sold in developing country markets, of which the main ones (accounting annually for \$150 million or more) are Brazil, China, Chinese Taipei, Hong Kong, India, Indonesia, Korea, Malaysia, Singapore, South Africa, and Thailand.



10. The product structure of the least-developed countries' exports is familiar and has changed little over the past twenty-five years. Primary commodities, mainly minerals and tropical agricultural products make up over 70 per cent of the total. Most are exported as raw materials with very little processing. Manufactured products (mainly textiles and clothing) constitute about 20 per cent of the least-developed countries' exports in aggregate, but they are significant for only a few of them, notably Bangladesh.

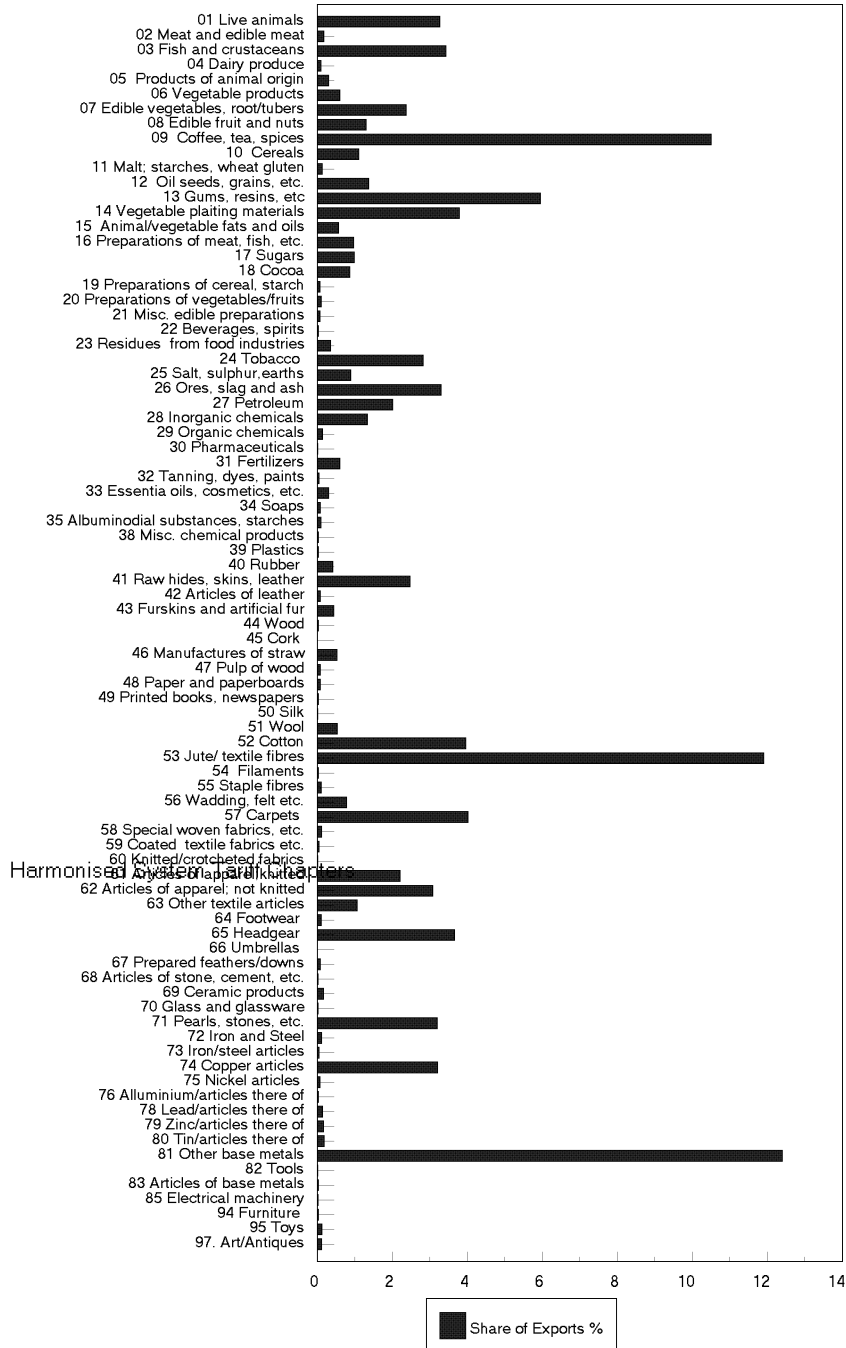
11. Most least-developed countries are dependent upon a very small range of export products, usually just two or three. About 75 per cent of least-developed countries' total exports are accounted for by 112 products (classified at the 6-digit H.S. level), out of over 5,000 that are traded internationally. On average, the top three export commodities account for over 70 per cent of each least-developed country's total exports, leaving them vulnerable to changes in demand and prices on world markets and to exogenous factors affecting domestic supply⁷. Only five least-developed countries (Bangladesh, Haiti, Laos, Madagascar and Myanmar) have a significantly more diversified export structure.

12. Except for a few products, least-developed countries account for a very small proportion of world trade in the commodities they export (Chart 3). In 1995, they traded in three-quarters of the

⁷OECD, "Market Access for the Least Developed Countries: Where are the Obstacles?" OECD document TD/TC(97)19, Paris, 1997.

products entering world merchandise trade, but in 90 per cent of these they accounted for less than 1 per cent of world exports, in most cases substantially less. They account for over one-third of world exports in only 18 of the 5,000 products that are traded internationally, of which the most important are unsorted rough diamonds, aluminium ores and concentrates, wood in the rough, and jute and jute products (Table 1).

Chart 3 : Least Developed Countries' Share of World Exports in 1995*



Source: UN Statistical Database (COMTRADE)

13. The dependence of least-developed countries on exports of a narrow range of largely unprocessed primary commodities and raw materials, which are susceptible to price volatility on world markets, whose price and income elasticity of demand is low, and whose growth has been far more sluggish than world trade overall, is one of the main factors hindering their export performance. It also limits severely the stimulus that the export sector can provide to the domestic economy through backward linkage activities. As has been suggested repeatedly in the past, the diversification of their economies and of their exports, especially into manufactures, is seen as the most promising long-term solution to their increased participation in world trade. It is from that perspective, as much as from their current economic situation, that improvements in market access opportunities for least-developed countries need to be considered.

Table 1

Commodities for which Least-Developed Countries are Major Suppliers on World Markets

H.S. Code	Product	Exports (in US\$1000)		Market Share (in %)
		World*	LDCs**	
530310	Jute, and other textile bast fibres	56941	50671	88.98
90700	Cloves	24679	19702	79.83
71390	Dried leguminous vegetables, other	116694	82230	70.46
90500	Vanilla	111804	75761	67.76
10420	Live goats	40536	26697	65.86
130120	Natural gum arabic	151037	86167	57.05
330126	Essential oils of vetiver	14985	8271	55.2
430130	Raw furskins of lamb	11335	5785	51.04
530710	Yarn of jute, single	51876	25057	48.3
530720	Yarn of jute, multiple or cabled	116418	55839	47.96
531010	Woven fabrics of jute, unbleached	149599	69949	46.75
260500	Cobalt ores and concentrates	37357	17005	45.52
440333	Wood in the rough, other	775184	327639	42.27
630510	Sacks and bags, of jute or other textile bast fibres	83096	32073	38.59
560710	Twine, cordage, ropes, of jute or other textile bast fibres	33953	12849	37.84
710210	Diamonds, whether or not worked, unsorted	1801387	661614	36.73
410310	Raw hides and skins, of goats or kids	44260	14823	33.49
260600	Aluminum ores and concentrates	1032742	341170	33.03

* World exports are figured for the 35 leading exporters reporting in Harmonised System chapters for 1995.

** Least-developed countries' exports are calculated on the basis of the imports reported by the same 35 markets.

Source: UN Statistical Database (COMTRADE)

III. MARKET ACCESS CONDITIONS FOR LEAST-DEVELOPED COUNTRIES' EXPORTS

Tariffs

14. The overall unweighted average applied tariff facing least-developed countries' main exports in their twenty-three main export markets is 10.6 per cent⁸. In their developed country markets, the average is 1.8 per cent; in their developing country markets it is 14.5 per cent. These averages will be reduced following full implementation of the results of the Uruguay Round negotiations.

15. When aggregated together, about seventy per cent of the products (reported by tariff line) that are imported into developed country markets from least-developed countries enter free of duties, either under bound MFN tariffs (about 30 per cent) or under GSP or special least-developed country preference schemes (see tables in WT/LDC/HL/14/Add.1). However, the picture varies from one developed country market to another. Certain offer preferences on an extensive range of products under regional arrangements or other schemes (e.g., the Lomé Convention), which in some cases provide virtually unrestricted access for the beneficiaries to their markets. Some others offer practically no tariff line from among the products which represent their main imports from least-developed countries that is entirely free of tariffs or specific duties. Although for many products the level of duty faced by least-developed country exports is small and is unlikely to affect market access significantly, products they export which continue to face relatively high applied tariffs (over 5 per cent) in developed country markets are beef, asparagus, cigarettes, processed wood, clothing and footwear (Chart 4). Together, these account for about 10 per cent of least-developed countries' total exports to developed country markets, and for some individual least-developed countries they account for a substantially higher share.

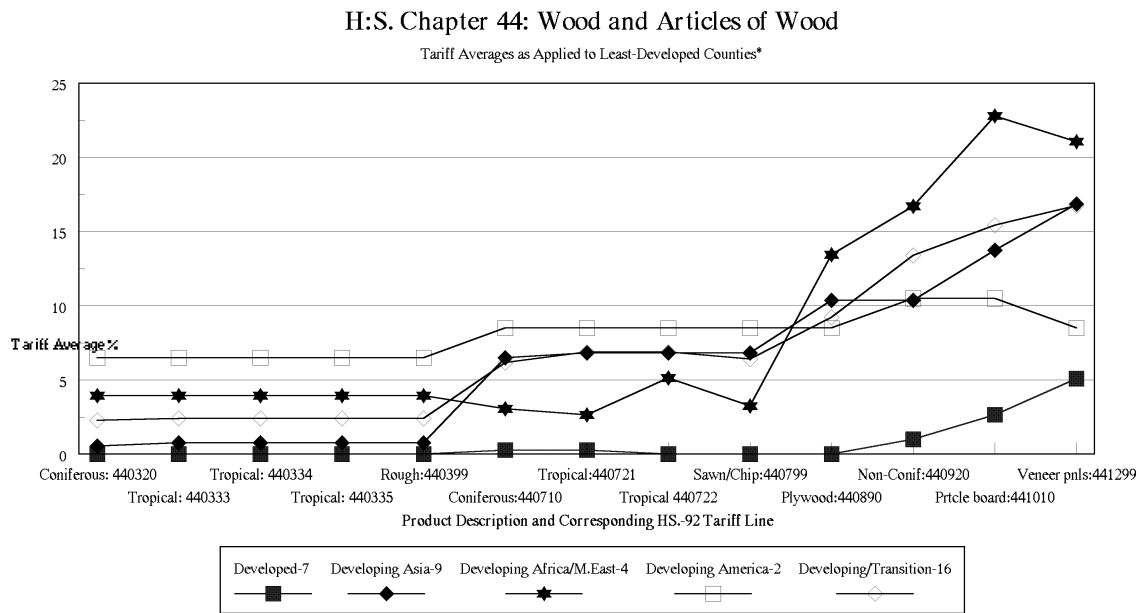
16. Seven of the developing countries covered by this study provide tariff preferences on some products under the Generalized System of Trade Preferences (GSTP), which benefit exports from least-developed countries (see tables in WT/LDC/HL/14/Add.1). Some provide preferential market access also under regional trade arrangements, which benefit certain least-developed countries. Products on which least-developed countries continue to face relatively high applied tariffs (over 25 per cent) in their main developing country export markets are beef, certain tropical fruits, black tea, sorghum, groundnuts, sesamum seeds, raw cane sugar, sparkling wines, cigarettes, and clothing (Chart 4). Together, these products account for about 35 per cent of least-developed countries' total exports to developing country markets, and for a substantially higher share of exports for some individual least-developed countries.

17. In both developed and developing country markets, tariffs tend to be higher on processed than on primary commodities, resulting in tariff escalation. Tariff escalation will decline significantly following full implementation of Uruguay Round commitments, but it will still persist to some extent for many product chains⁹. Chart 5 shows the escalation of current applied tariffs for wood products and for textiles and clothing, which are of significant current or potential export interest to several least-developed countries. These profiles are characteristic of other product chains of export interest to them, notably fish and fish products and leather and leather products. They are of particular relevance as obstacles to efforts by least-developed countries to diversify their exports into higher value-added (and particularly manufactured) products and to engage in sustained export-led growth.

⁸The twenty-three markets accounted for about 95 percent of least-developed countries' exports in 1995.

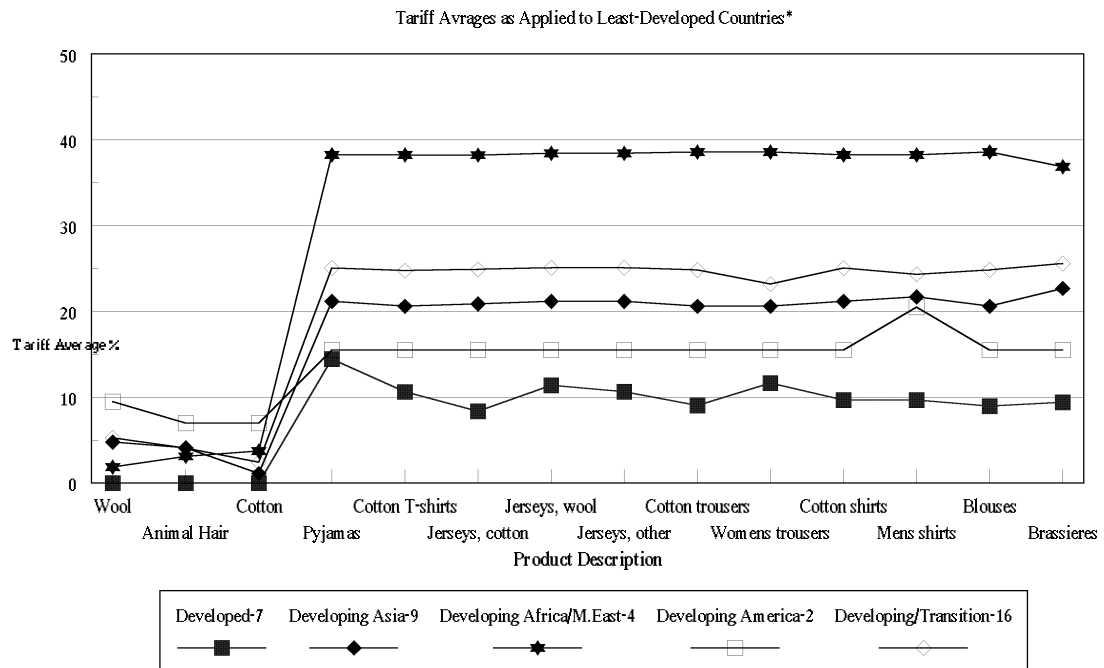
⁹OECD, op cit, 1997

Chart 5: Tariff Escalation in Wood and Textile Products



* Averages are based on the individual product (at H.S. 6-digit) and not for all products in the chapter.
Sources: Most recent tariff available to the WTO Integrated Database and UNCTAD.

H:S: Chapters 51, 52, 61-62: Textile Fibers and Garments



* Averages are based on the individual product (at H.S. 6-digit) and not for all products in the chapter.
Sources: Most recent tariff available to the WTO Integrated Database and UNCTAD.

18. An issue which has attracted concern from the point of view of least-developed countries' exports is the erosion of margins of preference that is occurring as a result of the general lowering of tariffs in developed country markets as the results of the Uruguay Round negotiations are implemented. UNCTAD has calculated that, on a trade-weighted basis, full implementation of the Uruguay Round tariff cuts will result in an estimated overall loss of preference margins for least-developed countries' products of about 8 percentage points for Canada, 3 percentage points for the European Union and Japan, and 2 percentage points for the United States¹⁰. Calculations by the OECD Secretariat confirm the loss of preference margins¹¹.

19. The effects of preference erosion should not be exaggerated¹². While the impact is no doubt being felt by least-developed countries, particularly for certain products, several factors have been advanced to suggest that its effect on their trade is likely to be less important than crude calculations would suggest¹³. The main one is that, historically, the utilization of preferences has been limited by supply-side constraints and by conditions attached to the granting of the preferences, notably origin rules and in some cases procedural complexities which least-developed countries have found difficult to meet. Other measures affecting imports (such as product standards) which least-developed countries find difficult to comply with can also limit the extent to which benefits can be derived from tariff preferences. In addition, tariff preferences have not been offered by some developed countries on products which are of particular current or potential export interest to least-developed countries. Finally, it is worth recalling that the purpose of preferences is at least as much to allow beneficiaries to compete on more equal terms with producers in the preference-giving country as it is to provide them with a competitive advantage over other foreign suppliers.

20. As noted in the results of the Uruguay Round negotiations, continued preferential access remains an essential means of improving the trading opportunities of least-developed countries. However, preferences should be viewed as a transitional opportunity which beneficiaries should endeavour to take full advantage of (and be enabled to take full advantage of through simple and transparent procedures) in the short-term. In the longer-term, least-developed countries' best interests, as well as those of other members of the multilateral trading system, are more likely to be served by guaranteed, non-discriminatory and open access to the markets of their trading partners.

Quantitative Restrictions and Other Non-Tariff Measures

21. One of the most significant results of the Uruguay Round has been the reduction and in many cases the removal of quantitative import restrictions and other non-tariff measures affecting merchandise trade, many of which have acted in the past to limit least-developed countries' exports. Chart 6 shows, on the basis of frequency ratios, the extent to which quantitative restrictions and certain other non-tariff measures (import quotas, tariff quotas, non-automatic import licensing, prior authorization, import monitoring and surveillance, state monopolies, state trading and canalised imports) are currently applied

¹⁰UNCTAD, "The Least-Developed Countries", 1996 Report

¹¹OECD, op cit, 1997

¹²See OECD, op cit, 1997, for a review of the economic arguments for and against preferences.

¹³UNCTAD, Ibid, 1996. A recent OECD Secretariat calculation suggests, as an order of magnitude, that the overall effect of the erosion of the European Communities' preferences on imports from the ACP countries under the Lomé Convention could amount to between 1 percent and 5 percent of these countries' annual export earnings (OECD, op cit, 1997).

to the main products exported by least-developed countries in their principal export markets¹⁴. Based on the measure of frequency of application, least-developed countries have a 6.2 per cent probability that their exports will encounter some form of non-tariff measure in their main developed country markets and about a 16.5 per cent probability in their main developing country markets. Chart 6 shows also that products for which the incidence of non-tariff measures is highest correlate closely with those where the level of tariffs is also high in both their developed country and developing country markets.

22. Quantitative restrictions and other non-tariff measures can create a particularly serious obstacle to exporters from least-developed countries because of their more limited means for gaining information about the measures and meeting the procedural requirements that are involved. The same goes for origin requirements in the case of tariff preferences. From the least-developed countries' point of view, the general rule about overseas market access restrictions is likely to be the simpler and more transparent, the better.

Other measures

23. The documents prepared by least-developed countries in the context of the High-Level Meeting report that their exporters frequently have particular difficulty in meeting technical regulations, product standards, and sanitary and phytosanitary measures in their main export markets, and that they regard these as one of the main obstacles they face in expanding and diversifying their exports. An important aspect of the trade-related technical assistance requested by many least-developed countries is strengthening their institutional capacity to maintain product quality and to test and certify products to international standards for export.

IV. CONCLUSIONS

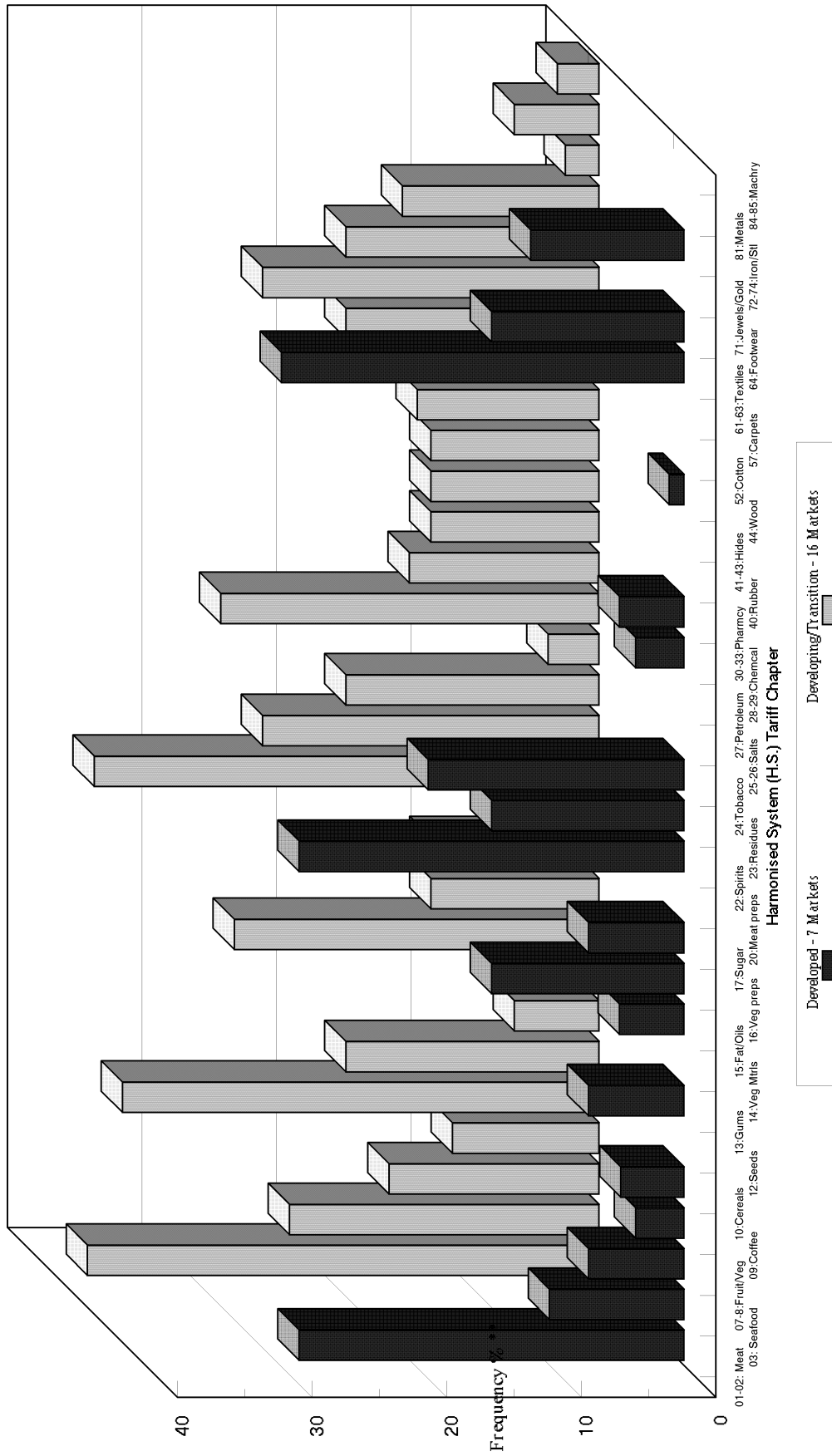
24. It is not the purpose of this document to arrive at an overall judgement on the market access situation for least-developed countries. Meaningful statements can in any case be made by-and-large only at a disaggregated level for specific products from specific least-developed countries into specific export markets, and the tables in WT/LDC/HL/14/Add.1 aim to provide information in this regard.

25. In the light of the agreements reached by WTO Members in Marrakesh and in Singapore regarding positive measures that can be taken to improve market access conditions in favour of least-developed countries, the following points may be found helpful:

- While developed countries are the largest trading partners of the least-developed countries, developing countries are already important markets for least-developed countries' exports and their importance is likely to increase;

¹⁴Frequency ratios do not indicate necessarily the restrictive effect of a measure or the extent to which exports by least-developed countries are constrained. This is best understood in the case of an import quota, which may exercise a prohibitive effect on imports if it is set at a very low level or not affect imports at all if it is set very high and is consequently not filled.

Non-Tariff Measures* Affecting Imports From Least-Developed Countries



* Note: Non-tariff measures are defined as import licensing, non automatic licensing, quotas, import monitoring/surveillance, prior authorization, state monopoly, and canalised imports.
 **Frequency has been calculated from the 112 leading products of export interest to least-developed countries, and are in reference to the presence of non-tariff measures by tariff lines within each H.S. chapter.

- Improved market access conditions for least-developed countries will become increasingly relevant as action is taken to correct the supply-side constraints that at present are limiting their capacity to produce for export;
- Preferential access for least-developed countries' exports has an important role to play. To enable the least-developed countries to benefit to the maximum, preference schemes should be simple and transparent. The conditions attached to them should be applied flexibly. With regard to rules of origin, consideration could be given to allowing for product cumulation;
- Preference schemes could be structured in such a way as to encourage least-developed countries to diversify their exports into high value-added, processed and manufactured products;
- Where least-developed countries account for a significant share of world exports of particular products, consideration could be given by their main trading partners to reducing and, where possible eliminating, tariffs on a bound MFN basis. This would minimize the risk of preferences in favour of least-developed countries diverting trade from other low-income suppliers of the same products;
- Non-tariff border measures can cause particular difficulties for least-developed country suppliers. In keeping with the proposal made in the WTO Plan of Action for the Least-Developed Countries that "WTO Members should endeavour to make use, when possible, of the relevant provisions of the Agreement on Textiles and Clothing to increase market access opportunities for least-developed countries", WTO Members may also wish to consider removing quantitative import restrictions on products of particular export interest to least-developed countries at the earliest opportunity, particularly where least-developed country suppliers account for only a small share of the domestic market;
- High priority could be given to assisting least-developed countries to build the necessary domestic institutional capacity to meet technical regulations, product standards and sanitary and phytosanitary measures which they encounter in their main export markets.