UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

KEY STATISTICS and TRENDS in TRADE POLICY 2023

The importance of unilateral trade preferences

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NOTE

Key Statistics and Trends in Trade Policy is a yearly publication of the Division on International Trade and Commodities (DITC), UNCTAD secretariat. The publication informs on the use and effects of a wide range of trade policies influencing international trade.

The series is part of a larger effort by UNCTAD to analyse trade-related issues of particular importance to developing countries in terms of their participation in the international trading system, as requested by the mandate of UNCTAD XV outlined in the Bridgetown Covenant paragraphs 107 and 113. Alessandro Nicita and Ksenia Koloskova contributed to this study, which also benefited from inputs and comments from various DITC staff members and the UNCTAD Statistics team. Desktop publishing was done by Jenifer Tacardon-Mercado.

OVERVIEW

With the notable exception of the increase in bilateral tariffs between the United States of America and China, tariffs applied to imports have been largely constant declining during the last few years, with tariff protection remaining a significant factor in some sectors and markets. As of 2022, trade costs directly related to tariffs remained stable at about 2 per cent for developed countries and about 4 per cent for developing countries. Tariff restrictiveness remains substantial in many developing countries, especially in South Asian and African countries. Moreover, tariffs remain relatively high in some sectors where tariff peaks are present, including some of key interest to low-income countries such as agriculture, apparel, textiles, and leather products. Tariffs also remain substantial for most South–South trade.

During the last few years the process of deeper economic integration has remained strong at the regional and bilateral levels, with an increasing number of preferential trade agreements (PTAs) being negotiated and implemented. Most of the recent PTAs address not only goods but also services and increasingly deal with rules beyond reciprocal tariff concessions to cover a wide range of behind-the-border issues. As of 2022, about half of world trade has occurred between countries sharing a PTA.

International trade is subject to and influenced by a wide array of non-tariff measures. Technical measures and requirements regulate about two-thirds of world trade, while various forms of sanitary and phytosanitary measures (SPS) are applied to almost all agricultural products. Border measures contribute substantially to trade costs. On average, the compliance costs of such measures are generally higher than tariffs. The World Trade Organization (WTO) remains an important arbiter of trade disputes; however, the past few years have seen a general decrease in the number of trade defense investigations brought to the WTO. As of 2022, there is a large number of trade defense measures in force, most of them by developed countries and major emerging economies.

This report is structured in two parts. The first part provides a discussion on the Generalized System of Preferences (GSP), with the United States as an example. The second part presents and discusses trends in selected trade policy instruments, including illustrative statistics. The second part is divided into four chapters: tariffs, trade agreements, non-tariff measures, and trade defense measures. Trade trends and statistics are provided at various levels of aggregation, illustrating the use of the trade policy measures across economic sectors and geographic regions.

DATA SOURCES

All statistics in this publication have been produced by UNCTAD by using data from various sources. Data on tariffs and non-tariff measures originate from the UNCTAD Trade Analysis and Information System (TRAINS) database (https://trainsonline.unctad.org/home), while data on bound tariffs derive from the WTO's Consolidated Tariff Schedules database (tdf.wto.org). Trade data are from the United Nations Commodity Trade Statistics Database (COMTRADE; comtrade.un.org). Data on trade defence measures are sourced from the WTO I-TIP (i-tip.wto.org). Tariff and trade data are at the Harmonized System 6-digit level and have been standardized to ensure comparability across countries. Data related to preferential trade agreements are derived from various databases, including the WTO regional trade agreement gateway (rtais.wto.org) and the World Bank global preferential agreements database (wits.worldbank.org/gptad/trade_database.html). Other macro level data used in the figures originate from UNCTADstat (unctadstat.unctad.org). Unless otherwise specified, aggregated data cover more than 160 countries representing over 95 per cent of world trade. Data on non-tariff measures covers around 80 countries, covering about 80 per cent of world trade.

Countries are categorized by geographic region as defined by the United Nations classification (UNSD M49). Developed countries comprise those commonly categorized as such in United Nations statistics. Product sectors are categorized according to the Broad Economic Categories (BEC) and the International Standard Industrial Classification (ISIC). Preferential trade agreements that relate to both goods and services are counted as one. Non-tariff measures are classified according to UNCTAD classification (https://unctad.org/system/files/official-document/ditctab2019d5_en.pdf). Data on non-tariff measures (NTMs) is still fragmentary and therefore does not allow computation of comparative statistics across countries. Although the data may also not be fully representative of world trade, some preliminary statistics can be derived from the available data.

Further information relating to the construction of data, statistics, tables and graphs contained in this publication can be made available by contacting tab@unctad.org.

GLOSSARY

Antidumping: A trade policy instrument within the WTO framework to rectify the situation arising out of the dumping of goods and its trade distortive effect

Ad-valorem equivalent: the conversion in percentage terms of the cost of a trade policy measure not expressed in percentage terms

Applied tariff: The actual tariff rate in effect at a country's border (including preferential rates)

ASEAN: Association of Southeast Asian Nations is a trade agreement between Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam

Binding overhang: The extent to which a country's WTO bound tariff rate exceeds its applied rate

Bound tariff line: See tariff binding

Countervailing duty: A tariff designed to counteract the effect of export subsidies

Coverage ratio: The percentage of trade affected by a measure or set of measures

Deep trade agreements: Agreements that include provisions that go beyond reciprocal reductions of tariffs

Duty-free: Not subject to import tariffs

Export restrictiveness: The average level of tariff restrictions imposed on a country's exports as measured by the MA-TTRI

Frequency index: The percentage of tariff lines covered by a measure or set of measures

GDP: Gross domestic product

GSP: Generalized System of Preferences

HS: Harmonized System – An international system for classifying goods in international trade

Import restrictiveness: The average level of tariff restrictions on imports as measured by the TTRI

LDC: Least developed country

MA-TTRI: Market Access Tariff Trade Restrictiveness index. An index measuring the average level of tariff restrictions imposed on exports

MFN (most favoured nation) tariff: The tariff level that a member of the General Agreement on Tariffs and Trade / WTO charges on a good to other members

NAFTA: North American Free Trade Agreement

Nominal exchange rate: The actual rate at which currencies are exchanged on the exchange market

NTM: non-tariff measure – Any policy, other than tariffs, that alters the conditions of international trade

Preferential scheme: An arrangement under which countries levy lower (or zero) tariffs against imports from members than outsiders

PTA: preferential trade agreement. This includes what WTO refers to as regional trade agreements and also free trade areas, custom unions and common markets.

RPM: relative preferential margin – A measure of the preferential margin for a given country relative to foreign competitors

Safeguard: A WTO-compliant import protection policy that permits restricting imports if they cause injury to domestic industry

Shallow trade agreement: Preferential agreements including mainly preferential tariffs

SPS: Sanitary and phytosanitary measures

Tariff binding: A commitment, under the General Agreement on Tariffs and Trade, by a country not to raise the tariff on an item above the specified bound

Tariff escalation: Higher tariffs on processed goods than raw materials from which they are produced

Tariff line: A single item in a country's tariff schedule

Tariff peak: A single tariff or a small group of tariffs that is/are particularly high

Tariff water: See binding overhang

TBT: Technical barriers to trade

Technical NTM: Non-tariff measure related to SPS and TBT

Trade defence measure: Policies within the WTO framework preventing or correcting injury to domestic industry due to imports

True tariff water: Tariff water that takes into account implicit bindings imposed by PTA obligations

TTRI: Tariff Trade Restrictiveness Index – An index measuring the average level of tariff restrictions imposed on imports

Unbound tariff line: See tariff binding

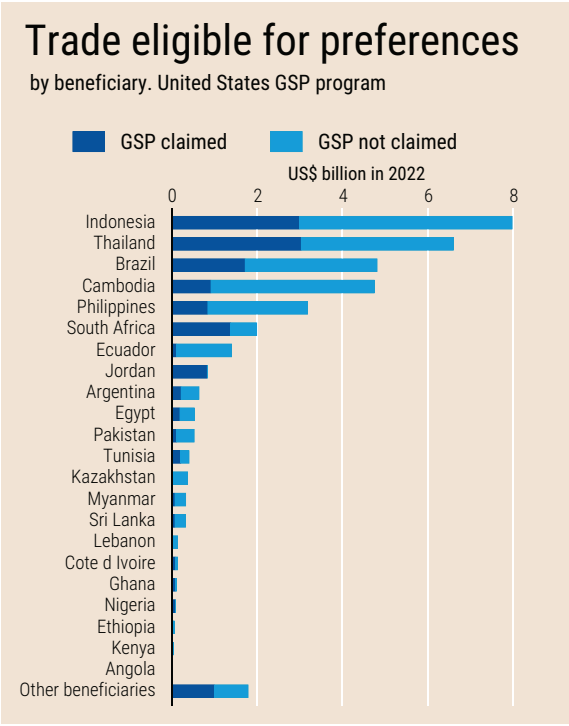
Weighted average tariff: Average tariffs, weighted by value of imports

WTO: World Trade Organization

In focus:
The importance of unilateral trade preferences

International trade has been greatly liberalized during the last few decades. However certain sectors, such as agriculture and foodstuffs, remain relatively protected in many economies. The reasons for this are diverse and include factors such as industrial development, political sensitivity, and overarching domestic policy objectives, including but not limited to food security and rural development. There are multiple trade policy instruments for countries to protect sensitive sectors, with the most relevant being tariffs and quotas. In many cases, these trade restrictive measures are particularly detrimental for the exports of low-income countries, as they are often applied to sectors (e.g. agriculture and apparel) in which these countries have substantial export potential. In this context, developed countries and emerging economies have long recognized the importance of supporting imports from lower-income nations by providing preferential access, generally in the form of quota-free duty-free access. Preferential access granted to low-income countries not only increase their exports but also to foster investment, stimulate the growth of local industries, and enhance the integrationof these nations into the global economy.

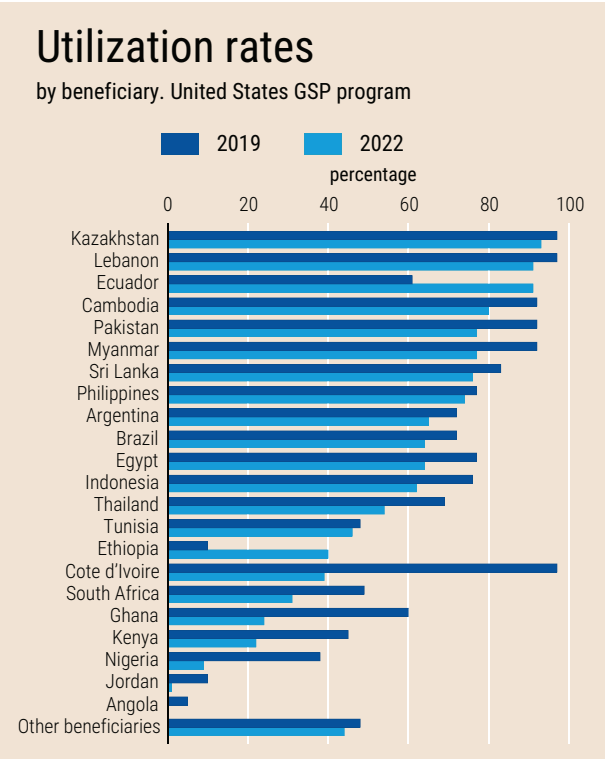
Generalized System of Preferences (GSP) programs are a common framework implemented by many developed nations, as well as some emerging economies. They aim to boost export competitiveness from poorer countries by providing lower or zero tariffs. These programs undergo periodic review and modification based on various factors such as trade agreements, domestic policies, and evaluations of their effectiveness. Changes in preferential trade programs, such as modifications to tariff preferences or eligibility criteria, can have significant repercussions for the beneficiary countries. The main reason is that preferential access is often a crucial factor for importers when sourcing products from specific countries. Impediments in obtaining such preferential access can quickly lead to trade diversion away from low-income countries.



Source: UNCTAD calculations.

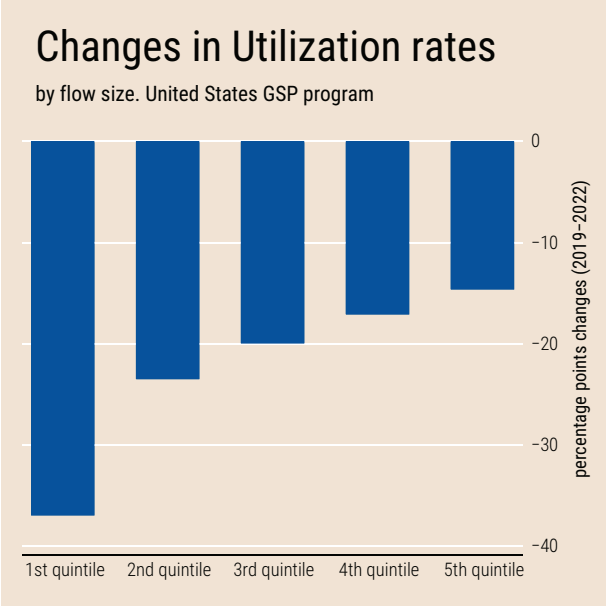
The effect of the changes in preferential schemes on the exports of beneficiaries' countries is provided as a case study by the United States Generalized System of Preferences program, which lapsed in December 2020 . Since then, traders are required to pay duties on GSP-eligible imports. An important caveat is that there is a strong possibility that the United States Congress may renew the program with a retroactive refund clause. While the expiration of the United States GSP introduces uncertainty for businesses relying on its benefits, the consistent history of retroactive reinstatement during past lapses provides expectations that refunds will be issued. In such case, importers who have continued to flag GSP-eligible importations with the applicable special program indicator for GSP should be eligible to receive a full refund of the import duties. In summary, the expiration of the United States GSP program has led to an immediate cost for importers, represented by the payment of import duty. However, the impact of this cost on imports from beneficiaries' countries is potentially mitigated by the possibility of a future refund.

The prospect of a refund has resulted in importers continuing to file under the GSP program after its lapse. In 2022, the United States GSP program covered imports from 119 designated beneficiary developing countries and territories. Under this program, over 3500 products, identified by their 8-digit Harmonized Tariff Schedule tariff lines, are granted duty-free entry into the United States. Additionally, 1500 products from 44 GSP beneficiaries categorized as "least-developed beneficiary developing countries" enjoy duty-free status. Indonesia and Thailand were the primary beneficiaries of the United States GSP program in 2022, with GSP-eligible imports from each of these countries totalling approximately US$ 3 billion. Notably, a substantial share of eligible trade, although qualified, did not file under GSP. Beyond Indonesia and Thailand, other countries like Brazil, Cambodia, the Philippines, and South Africa also hold significant stakes in the United States' GSP program. The variations across countries can be attributed mainly to differences in economic size and the nature of the products imported from each GSP beneficiary.



Source: UNCTAD calculations, based on national statistics of the United States.

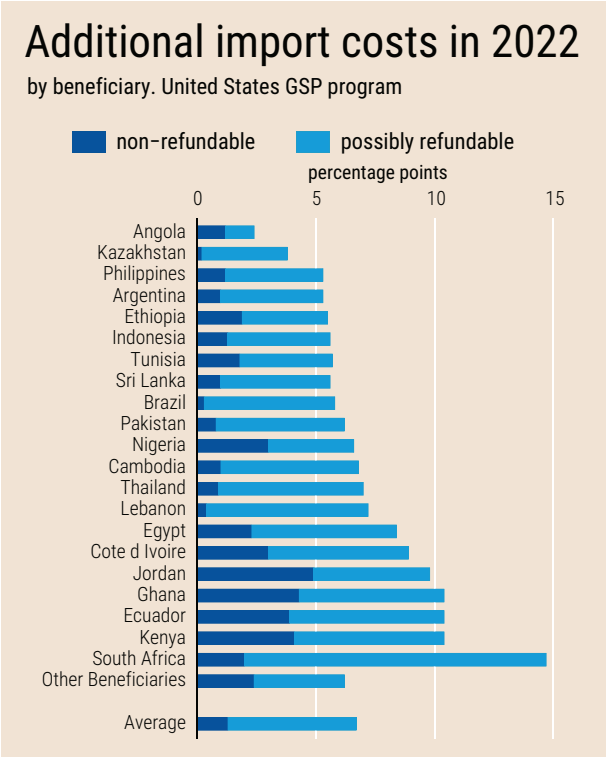
Since its lapse the value of trade under the United States GSP program has increased. However, the increase in the value of imports filed under the United States GSP program between 2019 and 2022 needs to be put into a context of a general increase in trade, with the import of GSP-eligible products growing at a much lower rate than the average. In 2019, the last pre-COVID19 year for which the program was in effect, about US$ 18 billion worth of goods entered the United States duty-free under the GSP program, representing about 11 percent of all imports from GSP-eligible countries. In 2022, about US$ 23 billion of all imports claimed duty-free access under the United States GSP program. While this represents an increase in GSP claims of about 30 per cent relative to 2019, United States' imports of GSP eligible products from GSP-eligible countries grew substantially more, at almost 60 per cent, thus suggesting that the GSP lapse has had a detrimental effect on trade from beneficiary countries. The detrimental effect of the lapse is also reflected in a lower utilization rate. The GSP utilization rate in 2019 was close to 70 per cent, implying that only 30 per cent of eligible products did not claim, or were not granted, GSP preferences. In 2022 the United States GSP utilization rate was at about 60 per cent. The lower utilization rate is the consequence of uncertainties introduced by the lapse of the GSP program and by the presence of alternative preferential schemes. Among the major beneficiaries of the GSP program, only Ecuador and Ethiopia experienced an increase in utilization rates. However, these increases can be explained by specific factors. Ecuador's rise was due to traders seeking duty free access for a product newly benefiting for GSP eligibility, namely rose flowers. In the case of Ethiopia, the increase in GSP utilization rates resulted from losing eligibility under the African Growth and Opportunity Act (AGOA) program. By contrast, the large reduction in GSP utilization rates observed in some of the African countries is due to



Source: UNCTAD calculations, based on national statistics of the United States.

a shift from the GSP program to AGOA. For example, the significant decline in the GSP utilization rate of Cote d'Ivoire is because importers of cocoa paste shifted their duty-free claims from GSP to AGOA.

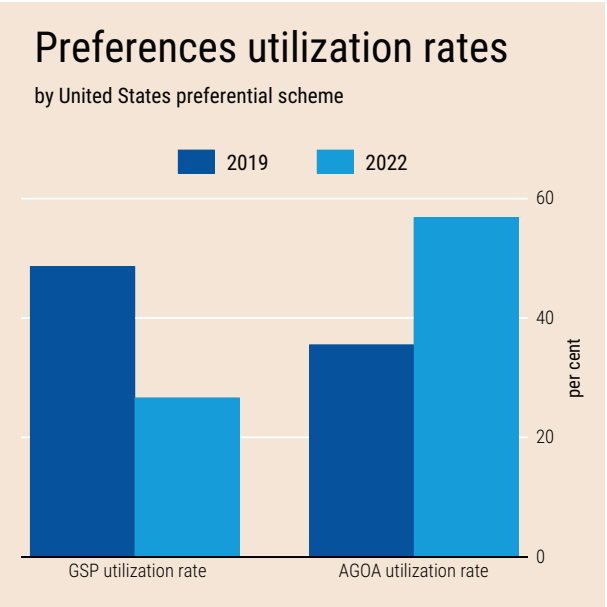
Notably, the expiration of the United States GSP had a more significant impact on smaller trade flows. When trade flows are categorized into five groups based on their size, the utilization rate of smaller trade flows shows a percentage decline of approximately 37 points. In contrast, the utilization rates for the largest trade flows decreased by less than 15 points. This discrepancy suggests that traders dealing with smaller trade flows may have been reluctant to file the necessary paperwork in the current situation of an uncertain refund. That is, the paperwork associated with GSP claims adds additional costs which smaller exporters find more difficult to absorb. Overall, this trend indicates that smaller exporting countries and smaller firms have been relatively more affected by the expiration of the GSP.



Source: UNCTAD calculations, based on national statistics of the United States.

The effects resulting from the expiration of the GSP can be roughly assessed by examining the observed level of trade, the applied tariff rate in lieu of the duty-free access provided by the GSP, and the utilization rates. The overall cost for importers can be classified in two elements: the non-refundable and the refundable cost. The refundable cost is already sustained by the importer, but it could eventually be refunded if the GSP is renewed with a refund clause. The second cost is non-refundable. This is a sunk cost based on the consideration that a significant number of GSP claims were forfeited in 2022, as indicated by the lower utilization rate. In terms of additional average tariffs applied to GSP eligible imports, the average non-refundable cost of the GSP lapse is just above one percent additional tariff, with an additional 5 per cent in case GSP is not renewed or renewed without a refund clause. The difference between refundable and non-refundable costs indicates that a large percentage of importers has continued to claim GSP preferences in the expectation of a refund.

The additional import costs described above do not consider the presence of alternative schemes for trade to claim in seeking duty-free access. Indeed, one effect of GSP expiration was the increase in utilization of other preferential schemes. As of 2023, imports from some GSP beneficiaries can still enjoy duty-free access under bilateral agreement (e.g., United States-Jordan Free Trade Agreement), and other preferential programs and initiatives (e.g., AGOA and the Caribbean Basin Initiatives). The availability of alternative preferences such as the ones provided by AGOA allows traders to continue claiming duty-free access to the United States market without relying on the possibility of a retroactive rebate. Indeed, in the case of countries which are both GSP and AGOA beneficiaries, the decline in GSP utilization rates observed after GSP expiration has been largely matched by an increase in the AGOA utilization rates.



Source: UNCTAD calculations, based on national statistics of the United States.

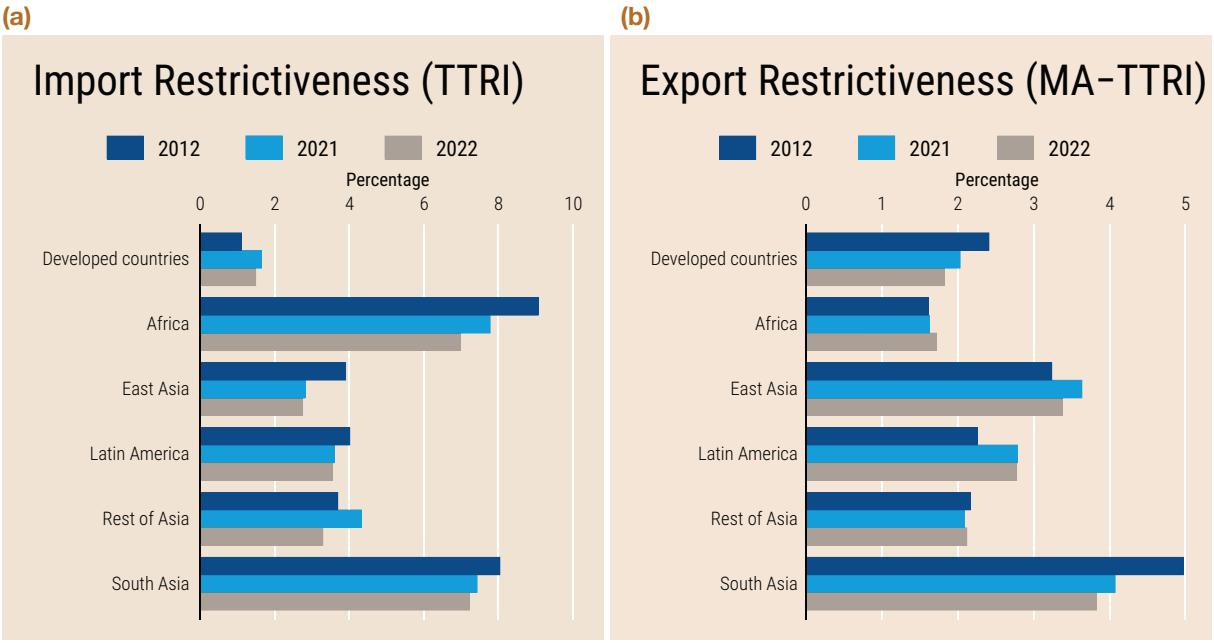
The expiration of the United States GSP program has had a relatively small but noticeable impact on imports to the United States from GSP beneficiary countries. While imports eligible under the United States GSP increased substantially since its lapse, the increase in trade was notably lower in products where utilization rates declined. In other words, United States' imports experienced lower growth (about 75 per cent) in products where importers chose not to seek a refund, compared to the trade growth (about 120 per cent) in the products where traders continued to submit GSP claims in hopes of receiving a retroactive refund. This pattern suggests that many importers not only have renounced to a possible of a rebate (as indicated by the lower utilization rate), but have offset some of the costs by choosing alternative suppliers (as indicated by the relatively lower growth rate of import under GSP). The importance of preferential access is also evident when comparing the trade effects of the GSP expiration in the presence of alternative preferential schemes. For instance, import growth remained substantial (at about 65 per cent) in cases where traders switched their claims from GSP to AGOA. Conversely, trade growth was marginal (about 5 per cent) for products where traders could not claim AGOA as an alternative.

From the perspective of beneficiary countries, preferential access programs can have substantial implications for their exports. In the specific case of the lapse of the United States GSP program, the decrease in United States imports from beneficiary countries has been partially mitigated by the potential for a refund and the availability of alternative preferential schemes. The impact on trade would have been more significant in cases where preferential programs are let to expire or when alternative schemes are unavailable. The lapse of the United States GSP programs also shows that while unilateral preferences bring advantages such as duty-free and quota-free access, they also expose beneficiaries countries' exports to uncertainties resulting from policy changes over which they have limited influence.

1. TARIFFS

Tariffs have generally declined between 2012 and 2022. However, tariffs applied by developed countries increased between 2012 and 2021, while slightly declining in 2022. These changes are largely a result of United States imposing significant tariffs on most imports from China in 2018, followed by their reduction in 2021. More broadly, import restrictiveness remains relatively higher in developing countries, especially in South Asia and in Africa. Exporters in East and South Asia face the relatively higher tariffs. The recent increase in tariffs faced by East Asian exports is largely due to United States tariffs on China.

Figure 1
Average import and export restrictiveness, by region



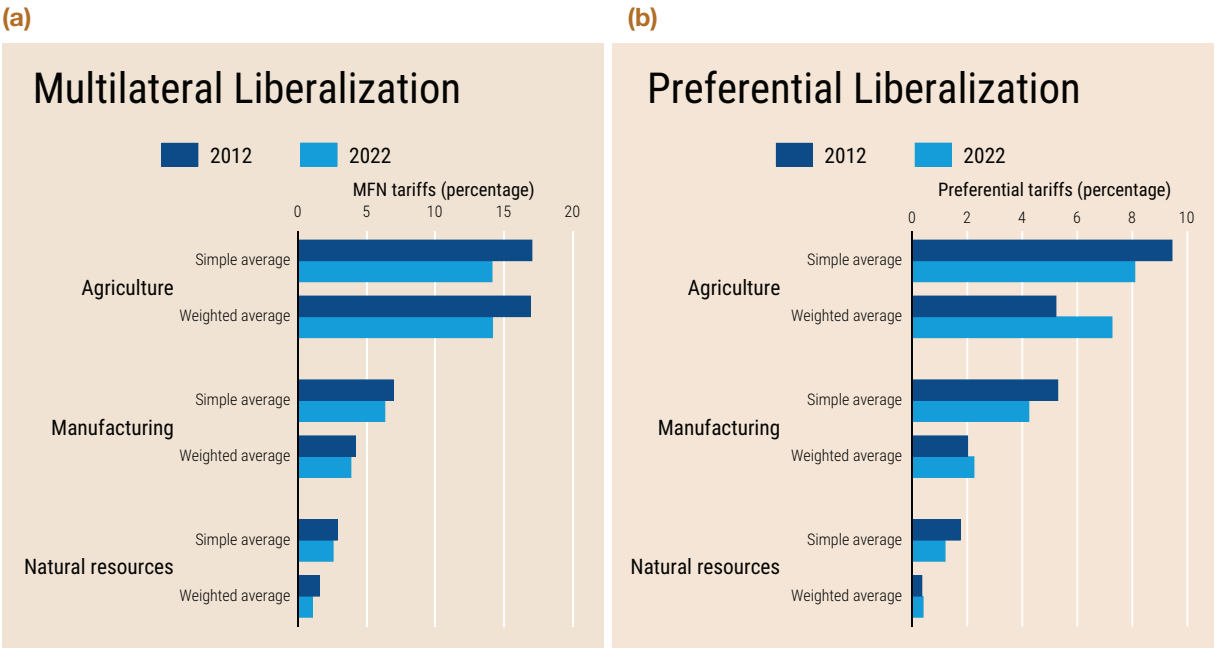
Source: UNCTAD calculations, based on COMTRADE data and UNCTAD TRAINS data.

Figure 1a portrays the tariff trade restrictiveness index (TTRI), which measures the average level of tariff restrictions imposed on imports. The index is weighed to control for different import values and import demand elasticities. The market access counterpart (MA-TTRI) summarizes the tariff restrictiveness faced by exports (Figure 1b). Both indices are calculated based on applied tariffs (ad valorem and specific tariffs), including tariff preferences.

Multilateral and unilateral liberalization contributed to the decline of tariff restrictions during the last decade. Aggregates for developed countries and China are influenced by the retaliatory tariffs between the United States and China imposed starting from 2018, and then slightly reduced in 2022. As 2022, tariff restrictiveness remains substantially higher in developing countries than in developed countries. Among developing countries, import restrictiveness is highest in South Asia and Africa (about 7 per cent TTRI). Although slightly increasing, African countries face the most liberal market access conditions with an MA-TTRI of less than 2 per cent in 2022. This was largely due to unilateral preferences granted by developed countries and an export composition tilted towards natural resources that typically face low tariffs. In contrast, exports from South Asia faced a higher average level of restrictiveness, almost 4 per cent. The slight increase in export restrictiveness for East Asia exports since 2012 is largely because retaliatory tariffs of the United States on China.

Since 2012, applied tariffs have somewhat declined both on a preferential and MFN basis. The tariffs imposed on agricultural products remain higher but have declined by almost 3 per cent on an MFN basis. Applied tariffs on manufacturing and natural resources have also declined, especially on a preferential basis. Weighted averages applied tariffs have in some instances increased; however, this has been largely due to retaliatory tariffs between the United States and China.

Figure 2
Multilateral and preferential tariff liberalization

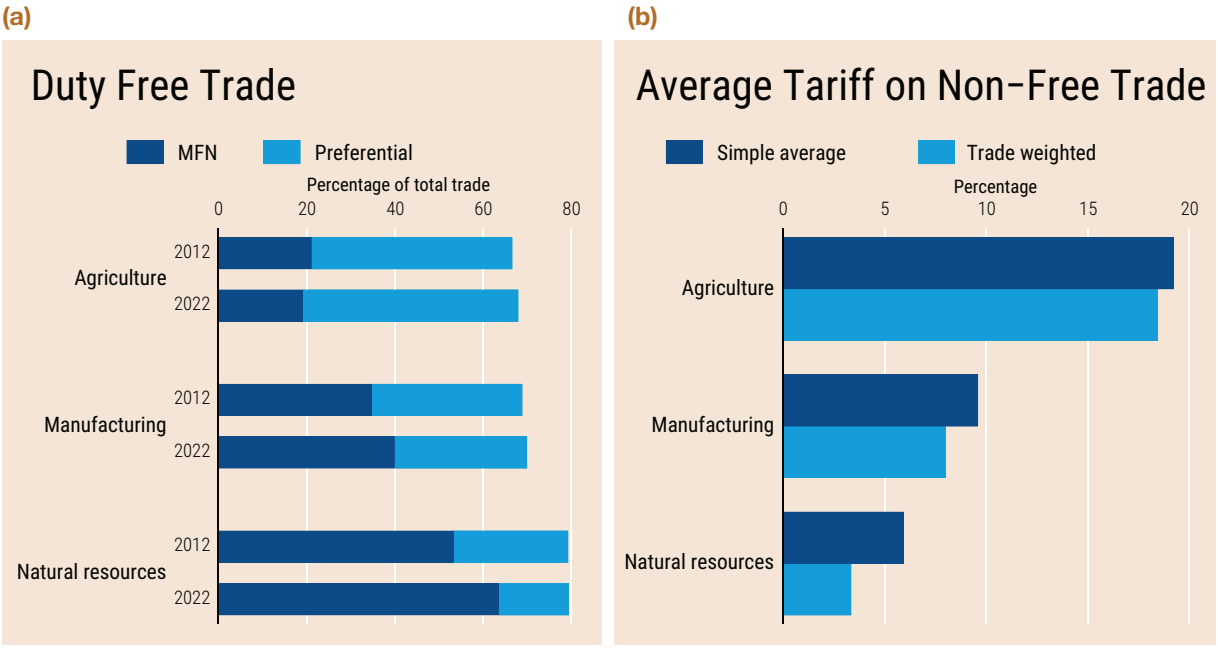


Source: UNCTAD calculations, based on COMTRADE data and UNCTAD TRAINS data.

Figure 2a and 2b illustrate average MFN and preferential tariffs for 2012 and 2022 in three main sectors. The decline in tariffs that has occurred since 2012 is a result of both multilateral and preferential liberalizations. Overall, agricultural MFN tariffs have been reduced on average by about 3 percentage points. Preferential liberalization has contributed to about 1.5 percentage points to the reduction of simple agricultural tariffs. The proliferation of preferential schemes in the manufacturing sector has resulted reductions amounting to about 1 percentage point on a simple average basis. The increases in the trade weighted averages are largely a result of the retaliatory tariffs imposed by the United States and China on each other. Liberalization both in MFN and preferential terms has also occurred in natural resource trade, further reducing the already low levels of tariffs in this sector.

International trade continues to be largely free from tariffs both as a result of zero MFN duties and because of duty-free preferential access. However, tariffs applied to the remainder of international trade can be high. Preferential access continues to play a key role for agricultural market access, but also remains significant for manufacturing products.

Figure 3
Free trade and remaining tariffs, by broad category (2022)



Source: UNCTAD calculations. based on COMTRADE data and UNCTAD TRAINS data.

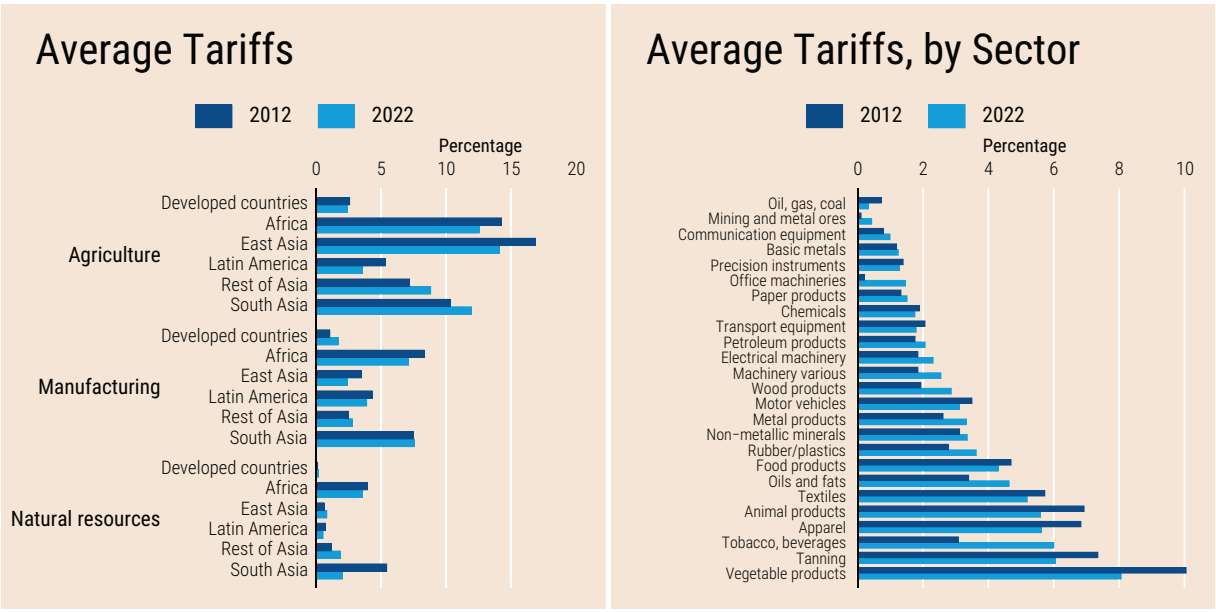
International trade has been largely liberalized owing to both zero MFN tariffs and preferential duty-free access. The consequence is that as of 2022, about two-third of international trade is free of tariffs (Figure 3a). Still, tariffs applied to the remainder of international trade are often very high (Figure 3b). Importantly, there are differences between agriculture, manufacturing and natural resources. Agricultural trade is free from tariffs largely due to preferential access (as opposed to zero MFN tariffs). In this regard, preferential access and reciprocal concessions continue to play a key role for agricultural market access, as the remaining tariffs are fairly high (averaging almost 20 per cent). Preferential access is also important for manufacturing products, for which the simple average tariff is at almost 10 per cent. On the other hand, preferential access is of limited importance in the case of natural resources, as trade in this category is largely tariff-free under MFN rates, and remaining tariffs are generally low (simple average about 6 per cent).

Low average tariffs mask large differences across economic categories and product sectors. In general, international trade in agriculture is taxed at a much higher rate than trade in manufacturing and natural resources. Tariffs also remain relatively high for manufacturing products, such as textiles and apparel, which are important for developing countries. Moreover, trade in some sectors has recorded higher tariffs in 2022 than in 2012 largely because of still applying retaliatory tariffs between the United States and China.

Figure 4

Trade weighted average tariffs, by region, broad category and sector

(a) **(b)**



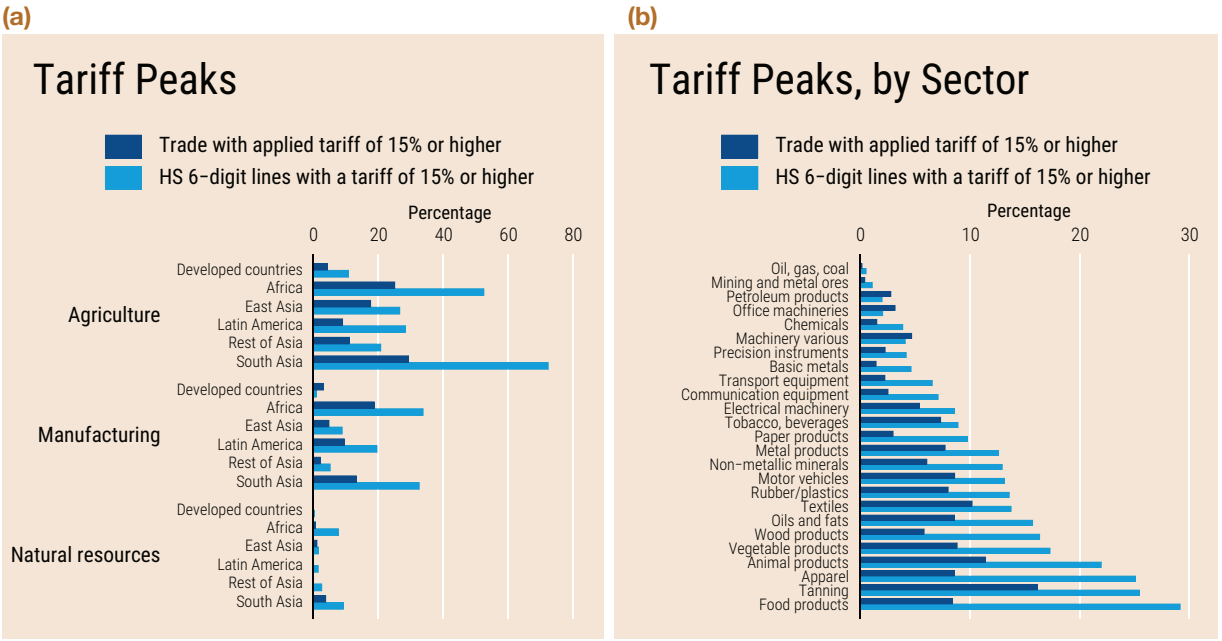
Source: UNCTAD calculations, based on COMTRADE data and UNCTAD TRAINS data.

Figures 4a and 4b depict the trade weighted average tariff for broad, as well as specific, categories of products. Tariff restrictions remain quite different across geographic regions and economic sectors. In general, international trade in agriculture is taxed at a much higher rate than trade in manufacturing and natural resources. Even within agriculture, tariffs vary greatly across geographic regions. South Asian and East Asian countries tend to apply relatively high tariffs in agriculture, while such tariffs are on average much lower in Latin American and developed countries. Manufacturing tariffs remain high only in the South Asian and in the Africa regions (about 8 per cent on average). Average tariffs vary greatly across product sectors, ranging from about 8 per cent for vegetable products and tobacco, beverages to almost zero for fuels and metal ores. Even considering all concessions and preferential schemes, international trade is subject to high tariffs not only in relation to agricultural products but also in the case of manufacturing products of importance for developing countries such as textiles and apparel (almost 6 per cent). Finally, the increase in average tariffs in many sectors (and notably, office machinery) is largely due to the retaliatory tariffs between the United States and China..

Amid generally low tariffs, there are a significant number of products where tariffs are relatively high. Tariff peaks are part of the tariff structures of many developing and developed countries. Tariff peaks tend to be concentrated in products of interest to low-income countries, such as agriculture as well as apparel, textiles and tanning.

Figure 5

Tariff peaks, by region, broad category and sector (2022)



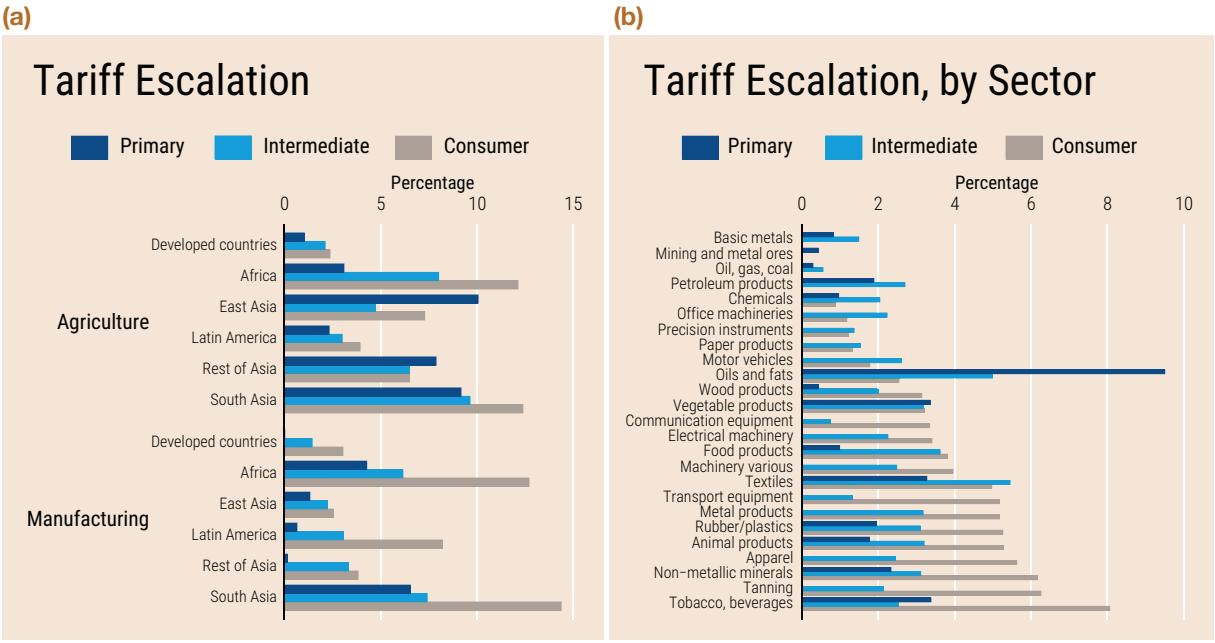
Source: UNCTAD calculations, based on COMTRADE data and UNCTAD TRAINS data.

In view of generally low tariffs, and even when all concessions such as unilateral and reciprocal preferential schemes are considered, there remain a significant number of products for which tariffs are relatively high. These high tariffs (at or above 15 per cent) are generally referred to as tariff peaks and are usually levied on sensitive products. Tariff peaks appear in the tariff structure of many developing countries, but with different patterns. For example, tariff peaks are a large part of the tariff structure of agricultural products of developing countries in South Asia and Africa (Figure 5a). Tariff peaks tend to be less prevalent in manufacturing, and less so in natural resources sectors. Tariff peaks tend to be concentrated in some of the products of interest to low-income countries, such as the agricultural sectors, but also apparel, textiles and tanning. For example, tariffs on about 8 per cent of international trade in food products (and almost 30 per cent of the products in this group) are higher than 15 per cent (Figure 5b). Similarly, about 8 per cent of international trade in apparel is subject to a tariff of 15 per cent or more. The large percentage in the trade of office machineries subject to high tariff is the result of the United States retaliatory tariffs on China.

Tariff escalation remains a feature of the tariff regimes of both developed and developing countries. It is more pervasive in manufacturing products than in agriculture. Tariff escalation is prevalent in many sectors, including those of importance (e.g., apparel) to developing countries. Still for some important sectors (e.g., motor vehicles, office machineries) tariffs are higher for intermediate relative to consumer products.

Figure 6

Tariff escalation by region, broad category and sector (2022)



Source: UNCTAD calculations, based on COMTRADE data and UNCTAD TRAINS data.

Tariff escalation – the practice of imposing higher tariffs on consumer (finished) products than on intermediates and raw materials – is present in the tariff structure of many countries. This practice favours processing industries closer to consumers, while discouraging the undertaking of processing activities in countries where raw materials originate. Most developing and developed countries adopt escalating tariff structures, but to varying degrees. Overall tariff escalation is more pervasive in manufacturing products than in agriculture (Figure 6a). Indeed, the tariff structure for the Asian regions is not escalating in the agricultural sector. Tariff escalation is prevalent in most sectors, including those of importance to developing countries: apparel, animal products, tanning and many light manufacturing sectors, some notable exceptions are motor vehicles and office machineries where intermediate inputs face a higher tariff relative to finished products (Figure 6b).

The pattern of trade restrictiveness varies greatly among regional trade flows. Intraregional trade is generally subject to lower TTRI than interregional trade. Many South–South regional trade flows are still burdened by relatively high tariffs. Average tariffs have changed little over the last 10 years, with variations primarily attributable to differences in import composition.

Table 1
Tariff restrictiveness, matrix by region (percentage), 2022

	Exporting region					
Importing region	Developed countries	Africa	Latin America	East Asia	South Asia	Rest of Asia
Developed countries	1.5 -0.2	0.6 0.1	1.0 0.3	4.5 2.3	2.5 -0.3	1.0 0.3
Africa	7.4 -1.6	3.6 0.5	8.4 -0.3	10.4 -1.5	7.9 -1.1	6.5 0.9
Latin America	2.8 -0.6	2.3 0.3	1.3 -0.1	7.8 -0.1	8.8 0.1	3.6 0.1
East Asia	4.4 -1.2	2.0 0.4	6.5 1.0	1.4 -1.0	3.1 -1.7	1.5 0.0
South Asia	9.4 0.6	4.6 -1.7	10.1 2.4	8.3 -0.6	5.7 -1.9	4.7 -1.9
Rest of Asia	3.0 -0.6	1.6 0.2	5.2 0.5	4.5 0.1	3.4 -0.5	3.3 1.6

Source: UNCTAD calculations, based on COMTRADE data and UNCTAD TRAINS data.
Note: Changes between 2012 and 2022 are shown in a smaller font.

Table 1 represents a matrix of the average levels of tariffs imposed on trade flows between regions in 2022. Differences in the rates exhibited in the table arise from different patterns of both market access and trade composition. The effect of regional trade agreements is reflected in the relatively lower degree of restrictiveness on intraregional compared with interregional trade. Many South–South trade flows are still burdened by relatively high tariffs. For example, trade between Latin America and South Asia face an average tariff of about 10 per cent. Tariffs have remained relatively constant in regard to trade between regions. Small changes are largely due to shifting composition of trade flows (as opposed to an increase in tariffs on particular product lines).

The system of tariff preferences affects international competitiveness by providing various countries with different market access conditions. Because trade agreements are often regional, the system of preferences tends to favour regional trade over interregional trade. Still, the magnitude of the effect of preferences differs widely across regions. South Asian and African countries enjoy the highest preferential margins in trading with regional partners, estimated at almost 4 percentage points.

Table 2
Relative preferential margins, matrix by region (percentage), 2022

	Exporting region					
Importing region	Developed countries	Africa	Latin America	East Asia	South Asia	Rest of Asia
Developed countries	0.5 0.3	0.3 0.1	1.8 1.5	-2.1 -1.4	0.3 1.2	0.1 0.0
Africa	0.8 1.1	3.7 0.0	-1.1 0.4	-2.5 -0.5	-1.9 -0.7	0.4 -0.2
Latin America	0.6 0.6	-0.4 -0.1	2.9 -1.6	-1.8 0.2	-2.6 -0.7	-0.5 0.7
East Asia	-0.3 0.1	-0.1 -0.2	-0.9 -1.1	0.6 0.2	0.0 0.0	0.0 0.0
South Asia	-0.9 -0.3	0.5 0.7	-0.5 -0.4	-0.1 0.3	3.9 2.9	0.3 0.5
Rest of Asia	0.3 0.1	0.6 -0.9	-0.7 0.2	-0.8 0.4	0.4 0.8	0.2 -1.1

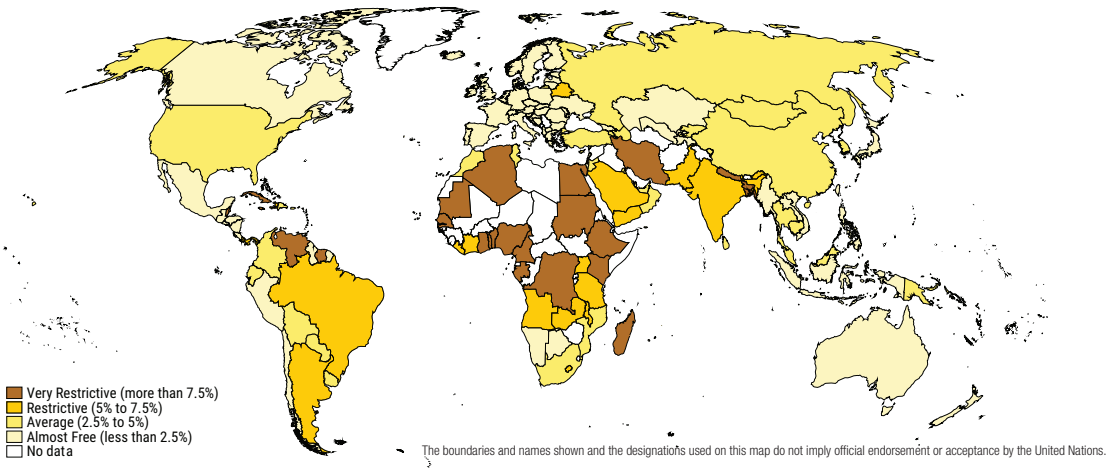
Source: UNCTAD calculations, based on COMTRADE data and UNCTAD TRAINS data.
Note: Changes between 2012 and 2022 are shown in a smaller font.

Table 2 reports relative preferential margins (RPMs) calculated at the regional level for 2022 and their changes since 2012. RPMs provide a measure of the average preferential margin for a given country by taking into consideration any preference provided by its trading partners to foreign competitors. RPMs can be positive or negative, depending on the advantage or disadvantage a country has in terms of preferences with respect to other competing exporters. The RPM is exactly zero when there is no discrimination; it is largest for South Asian countries, which enjoy almost a 4 percentage point advantage on foreign competitors when trading within their region. The RPM is also large within Africa (about 3.7 percentage points) and Latin America (almost 3 percentage points). On the other hand, the preferential systems provide only about half percentage points advantage to East Asian countries trading in their own region. With very few exceptions, interregional trade faces a negative RPM, suggesting that the preferential tariff structure negatively impacts non-regional exporters' competitiveness. The least favoured are South Asian exporters in Latin America and East Asian exporters in Africa.

Import restrictiveness differs substantially across countries, and even within the same region. Many developing country exports, especially in Latin America and East Africa still face relatively high tariffs. Tariffs imposed on China exports are relatively higher due to retaliatory tariffs of the United States.

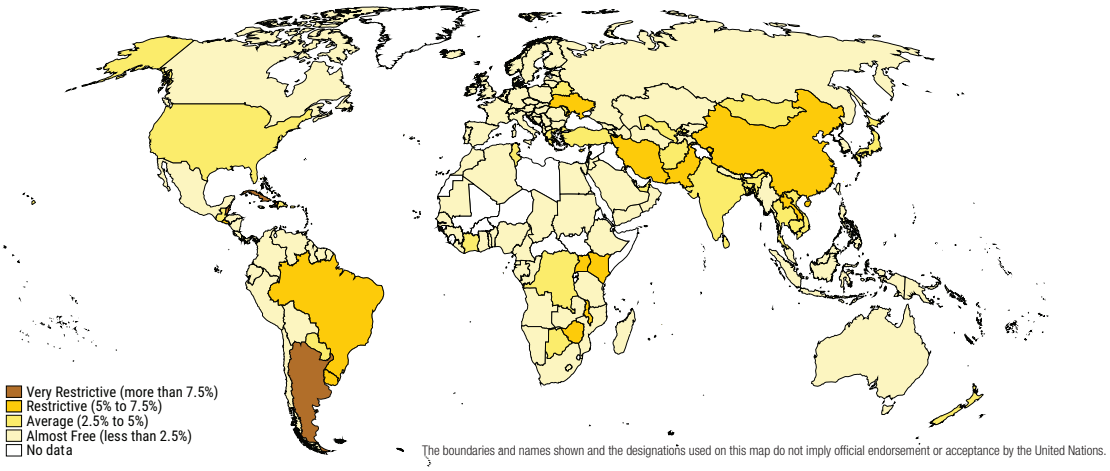
Figure 7
Import and export restrictiveness, by country

(a) Import restrictiveness (2022)



Source: UNCTAD calculations based on COMTRADE and UNCTAD TRAINS data.

(b) Export restrictiveness (2022)



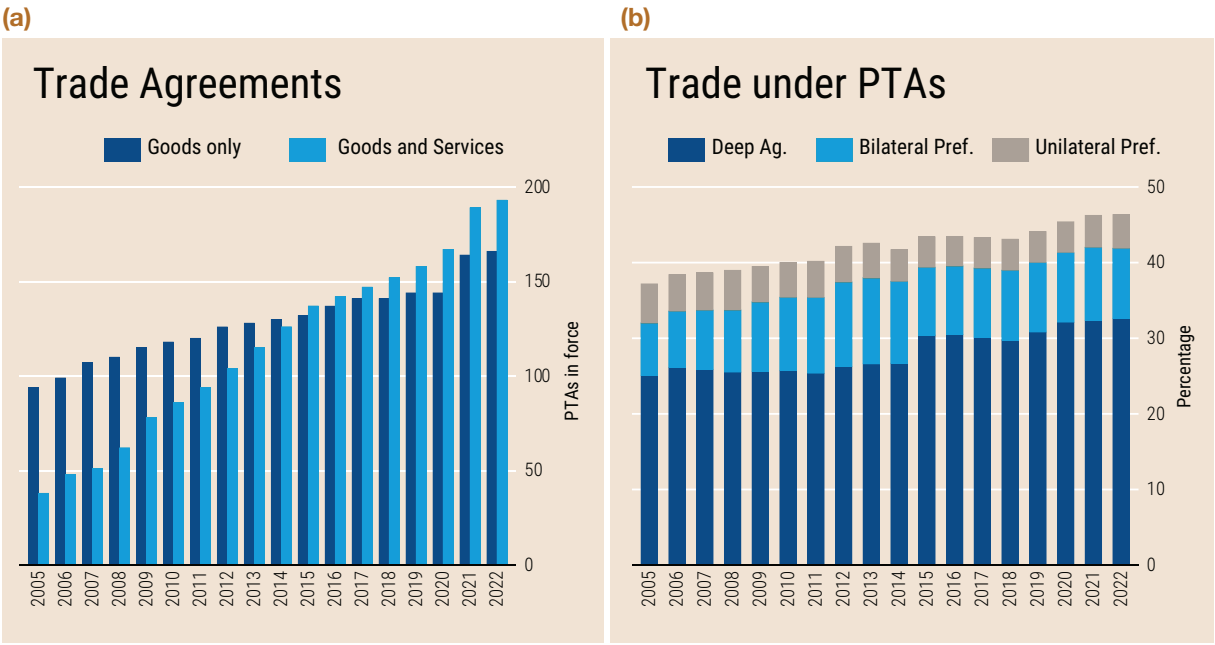
Source: UNCTAD calculations, based on COMTRADE and UNCTAD TRAINS data.

Figure 7a illustrates the average level of tariff restrictions imposed on imports (as measured by the TTRI). The level of tariffs differs substantially across countries, and even within the same region. Figure 7b reports the overall level of tariff restrictions faced by exporters (as measured by the MA-TTRI). Latin American countries face high tariffs because a large share of their exports consists of agricultural products.

2. TRADE AGREEMENTS

The international trading system is regulated by an increasing number of preferential trade agreements (PTAs). Most of the recent trade agreements address not only goods but also services, and deal with rules beyond reciprocal tariff concessions. The percentage of trade within PTAs has continued to increase. The significant increase of trade agreements in 2021 is largely due to new agreements signed by the United Kingdom as it left the European Union. The percentage of trade between countries that have formed a deep agreement has steadily increased, and more so during the recent years.

Figure 8
Trade agreements



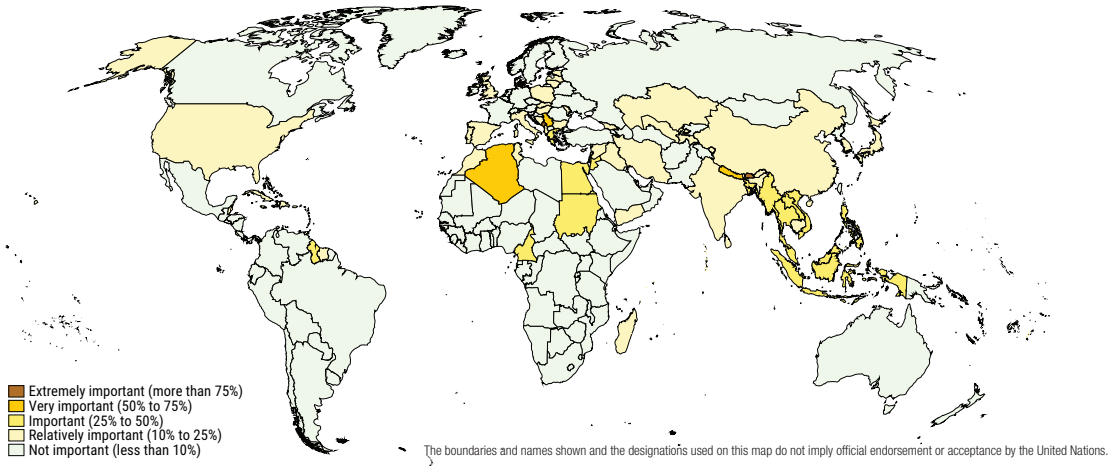
Source: UNCTAD calculations, based on WTO RTAIS data and COMTRADE data.

Figure 8a illustrates the number of PTAs that have been in force in each year since 2005. The number of PTAs in force has approximately doubled from less than 150 in 2005 to more than 350 in 2022. More than half of all trade agreements in force go beyond tariff concessions, to cover services and behind-the-border measures. After 2015 the upward trend has been largely driven by new trade agreements covering both goods and services. The significant rise in the number of trade agreements for 2021 is largely statistical, and due to the new agreements signed by the United Kingdom to substitute for its pre-existing agreements as a member of the European Union. Although the number of PTAs has strongly increased, the percentage of trade between countries part of PTAs has not increased as much (Figure 8b). Overall, and without considering trade within the European Union, about one third of world trade took place between countries that share a deep trade agreement (i.e. a agreement with trade rules going beyond traditional tariffs and existing WTO agreements, to cover deeper behind-the-border measures).

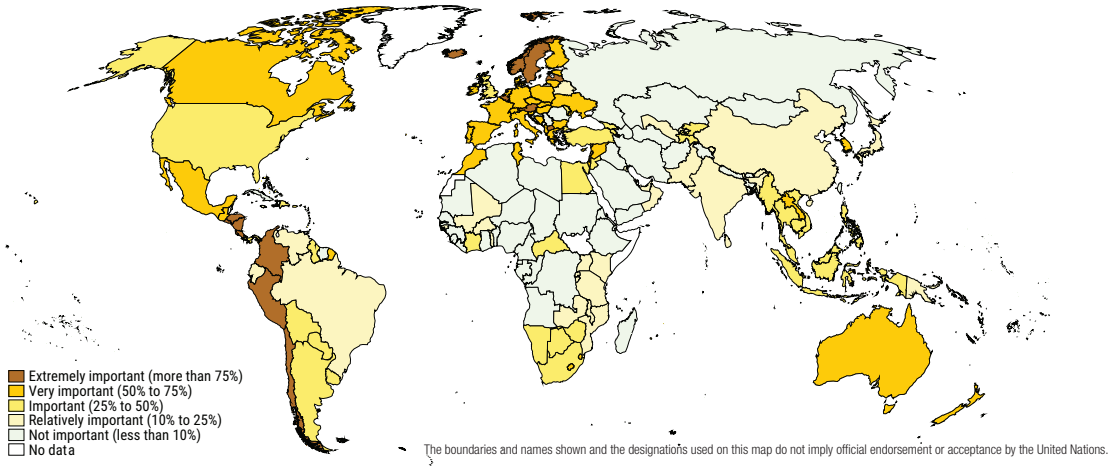
For many countries a significant part of trade occurs with trading partners they have a deeper agreement with. These agreements cover more than just tariff preferences. Trade with trading partners part of PTAs providing only tariff preferences covers a smaller per cent of trade. As of 2022, most of the trade of African countries occurs outside any preferential trade agreements, but for the Southern African region.

Figure 9
Importance of preferential trade agreements

(a) Importance of PTAs, as measured by percentage of trade (2022)



(b) Importance of deep PTAs, as measured by percentage of trade (2022)



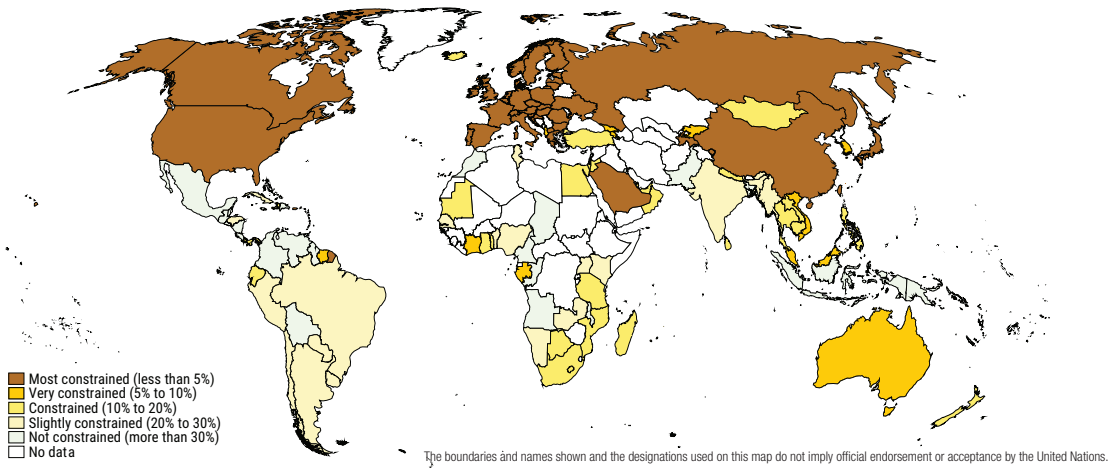
Source: UNCTAD calculations, based on WTO RTAIS and COMTRADE data.

For many countries, a significant portion of their trade is conducted with trading partners with whom they have a PTA. Figure 9a illustrates the percentage of trade with partners engaged in shallow agreements, primarily focused on tariff concessions. Figure 9b depicts the percentage of trade with partners involved in deep agreements, which extend beyond traditional tariffs and existing WTO agreements to encompass more comprehensive behind-the-border measures.

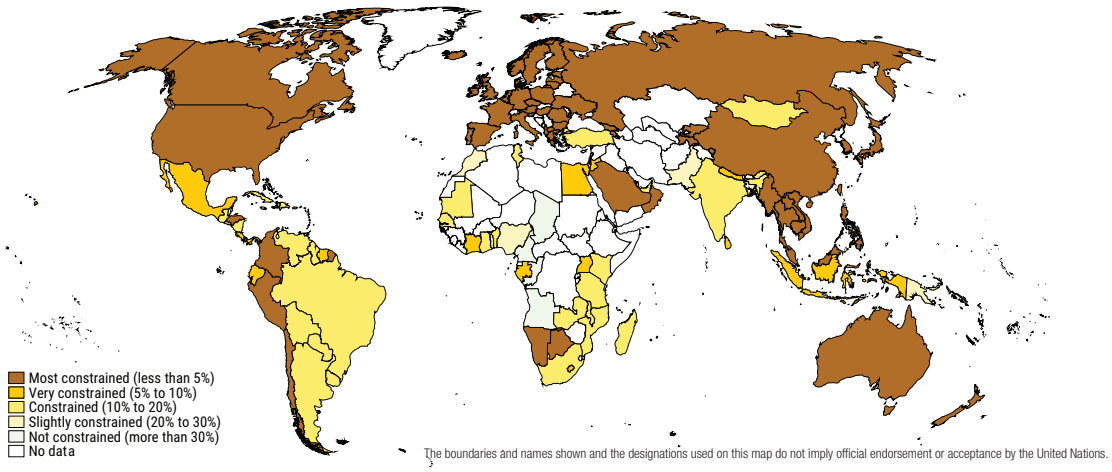
WTO bound tariff and bilateral trade agreements limit the policy space of countries in raising their tariffs. Developed countries tend to have very limited policy space in raising their tariffs, as most tariff lines are bound by WTO obligations. Once PTAs are accounted for, a substantial amount of trade is locked under preferential tariffs, which in turn means that the amount of "true" tariff water is lower.

Figure 10
Policy space: Multilateral constraints

(a) Tariff water (2022)



(b) True tariff water (2022)



Source: UNCTAD calculations, based on UNCTAD TRAINS and COMTRADE data.

Figure 10a portrays the average tariff water (trade weighed) calculated as the difference between WTO bound tariffs and applied MFN tariffs. Figure 10b portrays the average tariff water calculated as the difference between bound and applied tariffs, considering the implicit bindings imposed by both WTO and PTA commitments. The difference between the tariff that a country applies at the border and the country's commitments to other WTO members is referred to as "tariff water", or "binding overhang". In principle, tariff waters provide the policy space for country to set their tariff at non-cooperative levels.

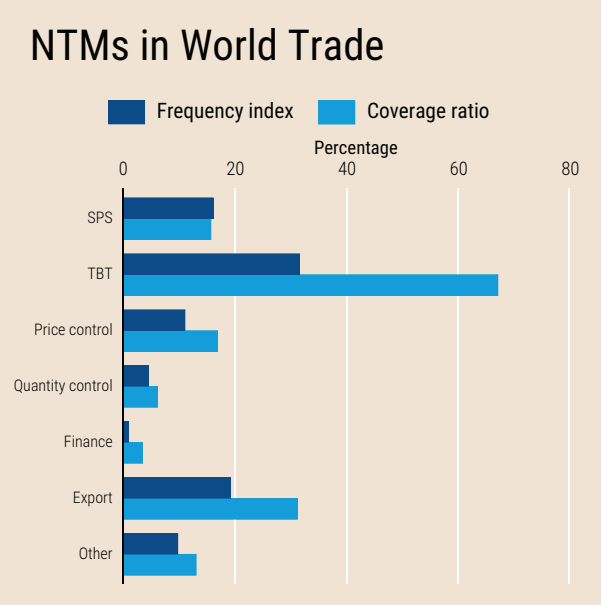
3. NON-TARIFF MEASURES

Non-tariff measures include a diverse array of policy measures serving different purposes. Among the various types of non-tariff measures, technical barriers are the most pervasive, as most international trade is regulated by some form of technical barrier. Quantity and price control measures cover a much smaller, but still significant, share of world trade. Export measures cover a significant part of world trade.

Figure 11

Prevalence of non-tariff measures, by type and broad category (2022)

(a)



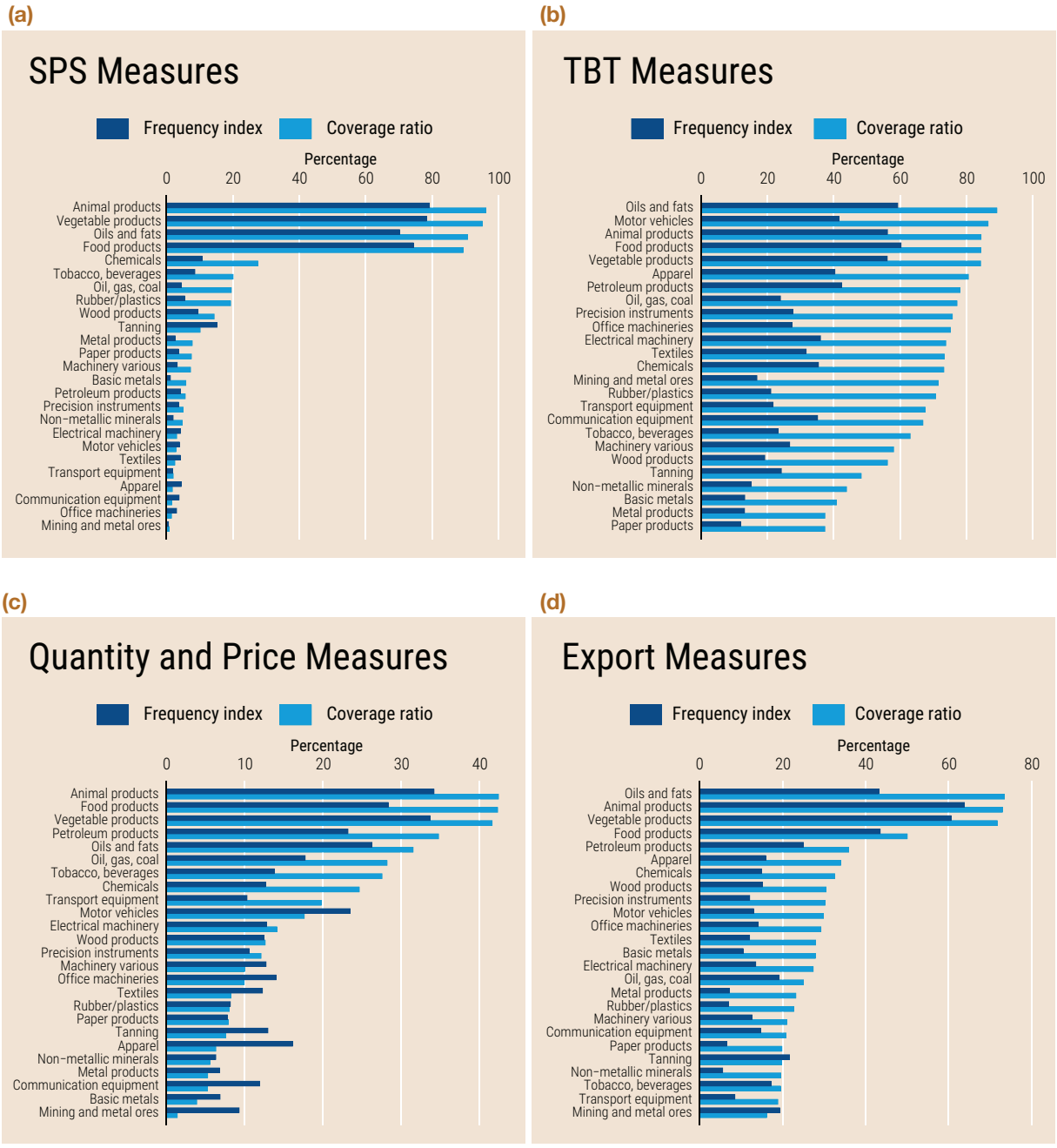
(b)

Source: UNCTAD calculations, based on UNCTAD TRAINS data.

Figure 11a illustrates the distribution of NTMs across broad categories. For each category, both the frequency index (i.e., the percentage of HS 6-digit lines covered) and coverage ratio (i.e., the percentage of trade affected) are reported. International trade is highly regulated through the imposition of technical barriers to Trade (TBT) with more than 30 per cent of product lines and almost 70 per cent of world trade affected. Price control measures affect about 15 per cent of world trade. SPS affect almost 20 per cent of world trade. Export measures are also frequently applied to international trade, still their use is largely related to agriculture. Coverage of NTMs by broad category (Figure 11b), shows that agriculture is the most affected, with most of world agricultural trade subject to forms of SPS and TBT.

The prevalence of various types of non-tariff measures differs by economic sectors. Sectors related to agriculture tend to be regulated by SPS and export measures. TBT are used to regulate most economic sectors. Quantity and price measures although used in many sectors cover only much smaller percentage of trade.

Figure 12
Non-tariff measures, by sector (2022)



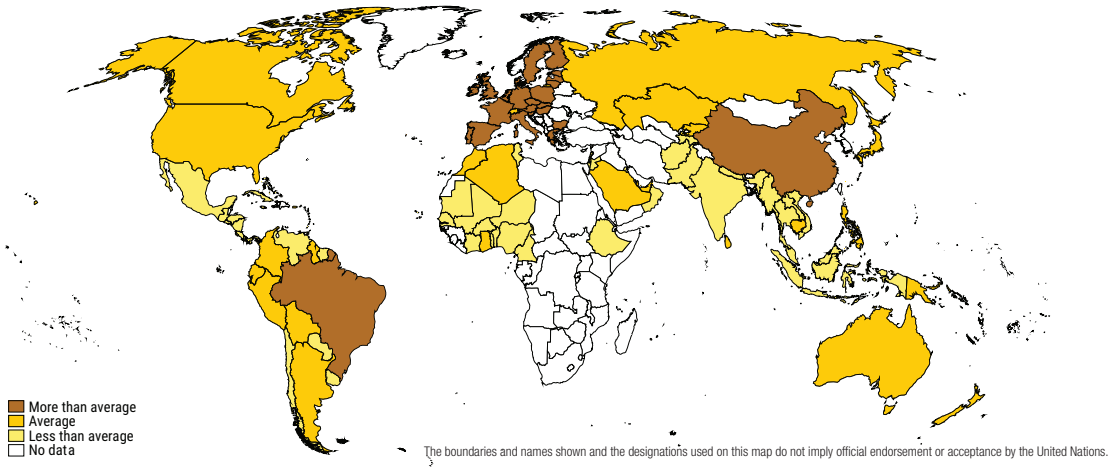
Source: UNCTAD calculations, based on UNCTAD TRAINS data.

SPS measures are typically applied to agricultural products, and to other products that may have inherent health hazards due to contaminants (Figure 12a). TBT are widely used to regulate international trade in most sectors and concern the vast majority of world trade flows (Figure 12b). Quantity and price control measures are widely applied to many sectors. They cover a large share of world trade in regard to agricultural related products. (Figure 12c). Finally, agricultural sectors as well as petroleum products and chemicals are generally affected by export measures (Figure 12d).

The use of technical measures tends to be more pervasive in the European Union, China, Brazil and Australia and less so in many low-income countries. Developed countries' use of technical non-tariff measures tends to be more targeted to specific products. This applies also to China and Brazil. Other developing countries tend to use technical non-tariff measures in a more homogenous manner.

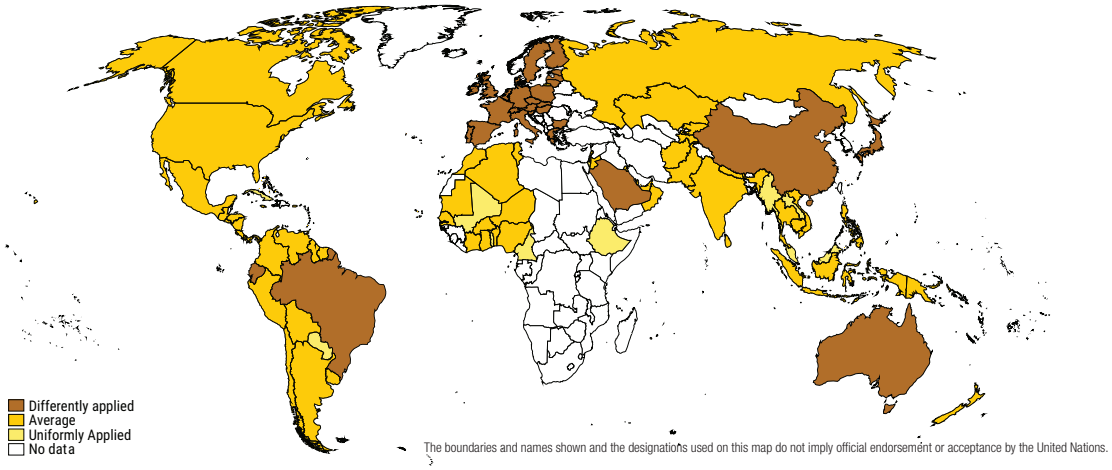
Figure 13
Technical non-tariff measures, by country

(a) Technical non-tariff measures, relative intensity across countries (2022)



Source: UNCTAD calculations based on UNCTAD TRAINS data.

(b) Technical non-tariff measures, intensity across products (2022)



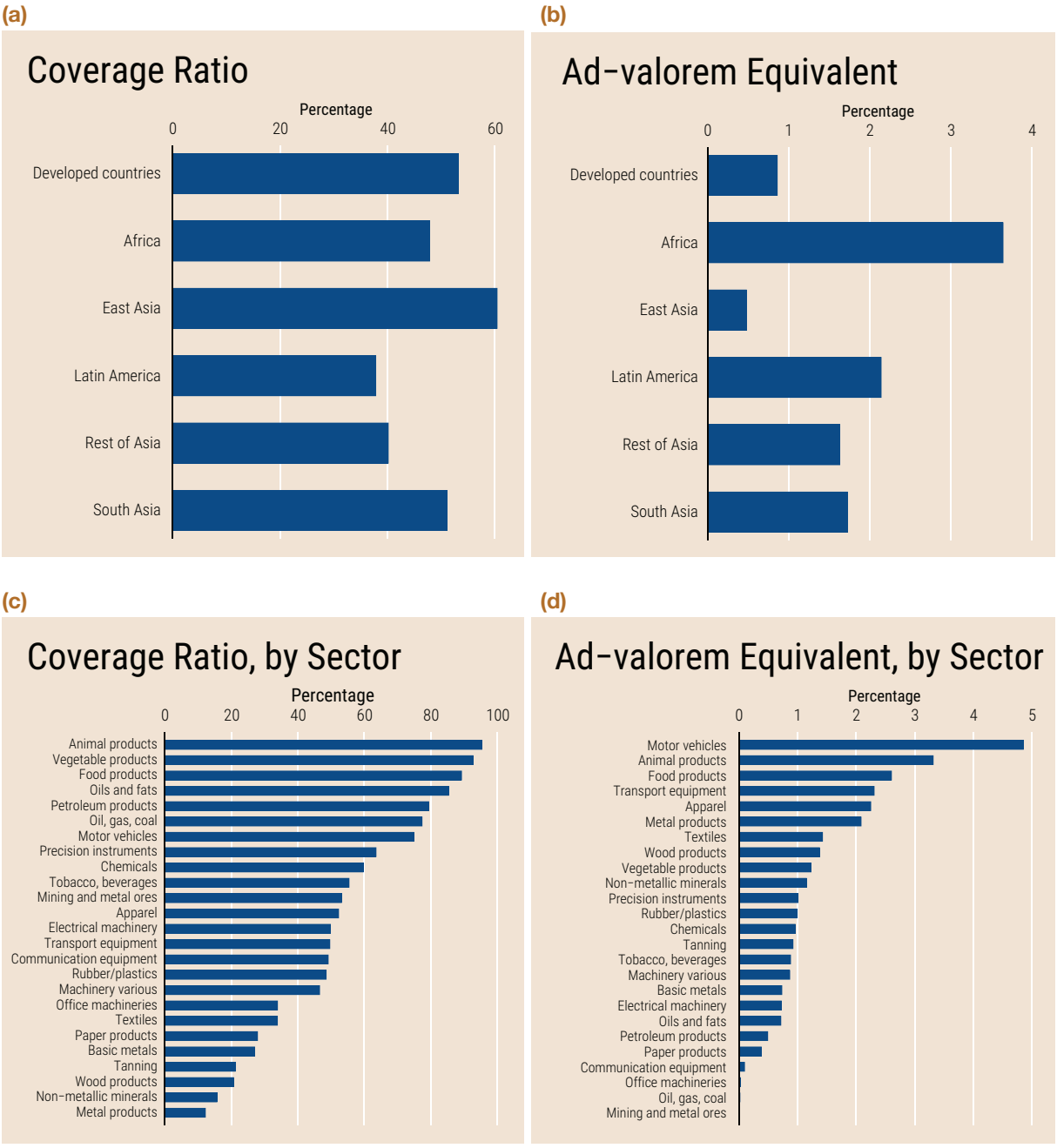
Source: UNCTAD calculations, based on UNCTAD TRAINS data.

Figure 13a reports the difference between the number of non-technical measures applied by a given country in each product and the average number of measures applied to that product. Then, country averages are computed by weighing each product by its importance in world trade. Figure 13b reports the standard deviation of product level differences within each country. This illustrates whether non-technical measures tend to be uniformly applied across products or are applied with different intensity across products.

Border non-tariff measures, such as inspection and certification requirements, quarantines, quotas and other border formalities are widespread. They cover more than 50 per cent of world trade. High coverage does not imply high costs. The costs of such measures vary both across countries and across sectors. Costs tend to be higher in Africa and in Latin America. Across sectors, higher costs are estimated for the automotive industry and for agricultural sectors.

Figure 14

Border measures: coverage and ad-valorem equivalents (2022)



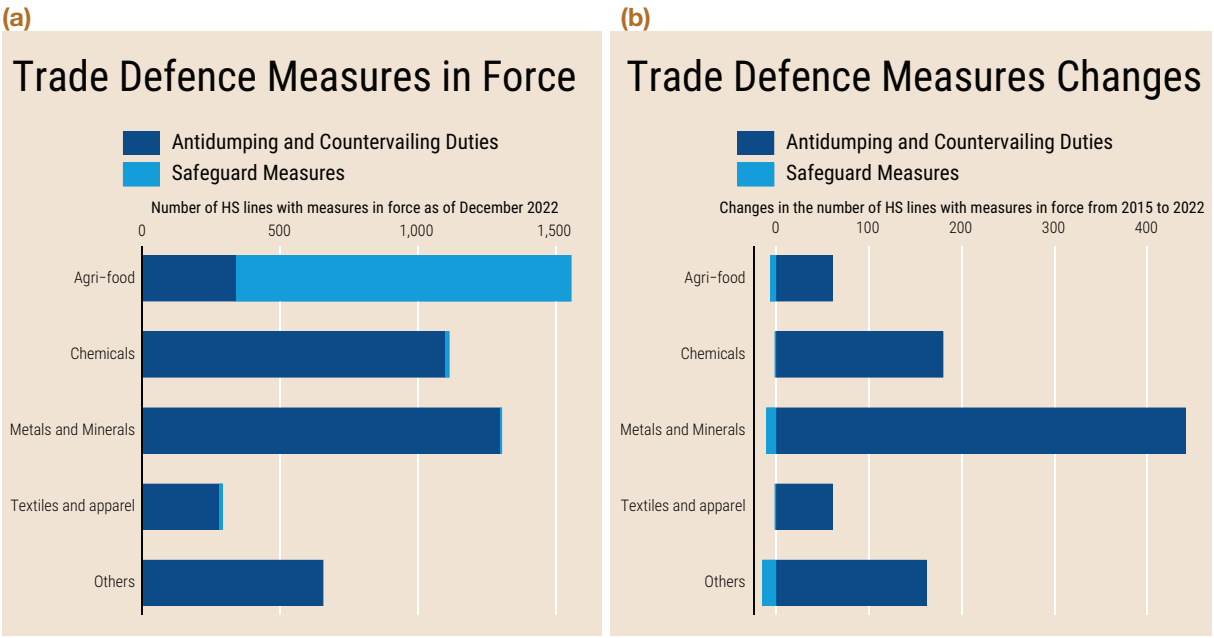
Source: UNCTAD estimates based on UNCTAD TRAINS data.

Border measures include documentation requirements such as certification, inspection, and quarantine, as well as quotas and any other measures that are expected to generate costs at entry. While the use of such measures is not very difference across regions (Figure 14a), the cost they generate is different (Figure 14b). They vary across sectors and are typically applied relatively more to agricultural products (Figure 14c). Their compliance costs (ad-valorem equivalents) vary across sectors (Figure 14d).

4. TRADE DEFENCE MEASURES

In 2022 there were more than 2200 antidumping measures and countervailing duties in force, and about 70 safeguards measures in place. Most of the antidumping measures were in base metals and chemicals. Safeguards measures are concentrated in the agri-food sectors, where they cover a large number of HS lines. Since 2015 the number of antidumping measures has increased, while the product coverage of safeguards has declined.

Figure 15
Trade defence measures, 2015-2022



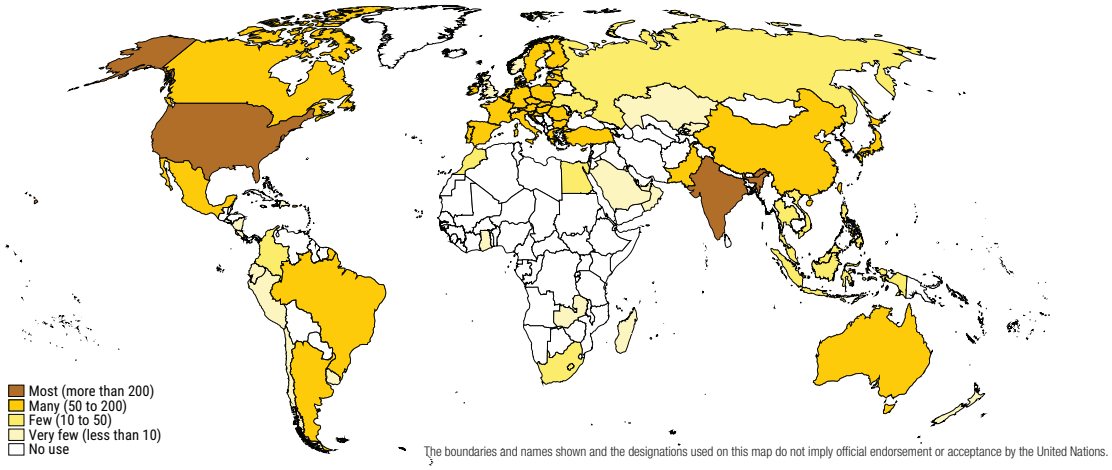
Source: UNCTAD calculations, based on WTO I-TIP data.

Trade defence measures in the form of antidumping, countervailing duties and safeguards allow countries to actively respond to import-related concerns within an established WTO mechanism. A single trade defence measure can affect different sectors. In 2022 there were about 2200 trade defence measures, mostly in the form of antidumping measures. The use of safeguards measures is much more limited (about 70 measures are in force), but they tend to cover a large number of HS lines, especially in the agri-food sector. Almost 40 per cent of the measures related to base metals (largely steel products), and another 25 per cent to chemicals and plastic products. The rest relates to other manufacturing products (Figure 15a). While measures should terminate within five years, trade defence measures often remain in effect longer. Since 2015 the number of measures in force has increased by about 600, with many more products covered. Most of the new measures were related to products in base metals. The number of products covered by trade defence measures in other sectors increased to a smaller extent (Figure 15b).

The use of trade defence mechanisms vary greatly across countries. As 2022 most of trade defence measures in force have been initiated by major economies. The countries with most measures in force were United States and India. Since 2015, the United States was the country for which the number of trade defence measures increased the most.

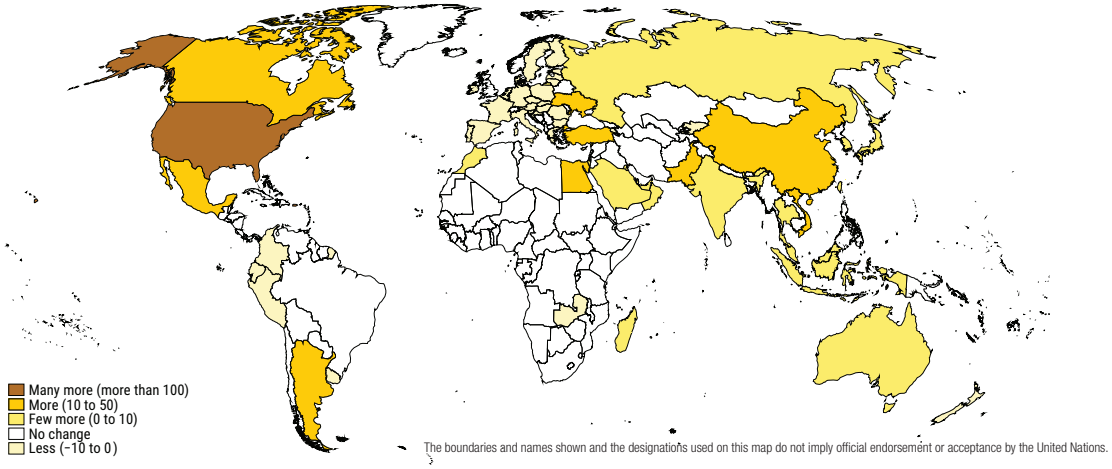
Figure 16
Trade defence measures, by country

(a) Trade defence measures in force, by initiating country (2022)



Source: UNCTAD calculations based on WTO I-TIP data.

(b) Trade defence measures in force, by initiating country (change between 2015 and 2022)



Source: UNCTAD calculations, based on WTO I-TIP data.

The users of trade defence measures are many of the major economies, but also India (Figure 16a). The use of trade defence measure is largely absent in Africa. Since 2015, the measures in force decreased only for a very few countries (Figure 16b).

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