MILLENNIUM DEVELOPMENT GOAL 8
INDICATORS 8-6 AND 8-7

RECENT TRENDS AND INDICATORS AFFECTING MARKET ACCESS FOR EXPORTS OF DEVELOPING AND LEAST-DEVELOPED COUNTRIES, 2008

MDG target of developing further an open, rule-based, predictable, non-discriminatory trading and financial system and providing tariff and quota free access for the least developed countries' exports.

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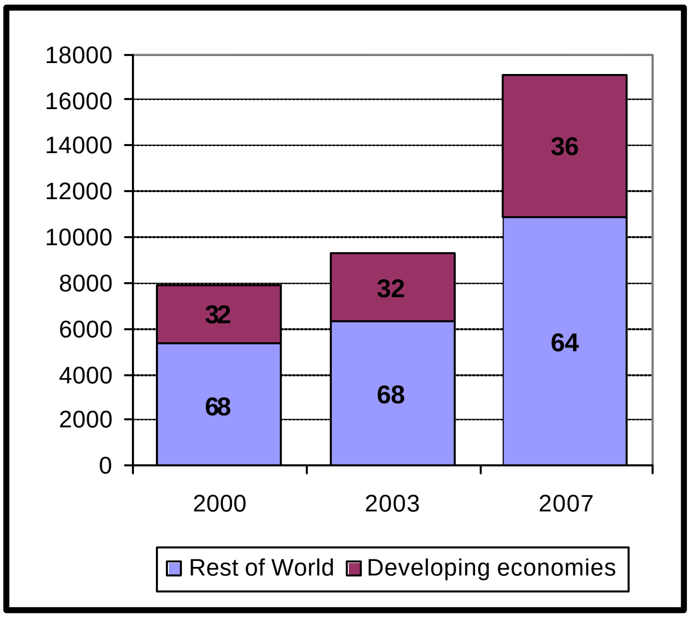
I. TRENDS IN EXPORTS OF GOODS AND COMMERCIAL SERVICES

A. THE DEVELOPING COUNTRIES

Chart 1 Exports of goods and commercial services
(Billion dollars and percentage)



In recent years, developing economies have considerably increased their exports of both goods and services. As a result, their share in total world trade increased from 32 per cent in 2000 to 36 per cent in 2007.

Note: Percentage of world total is shown in the respective bars.

Source: WTO

Between 2003 and 2007, exports of goods by developing economies as a group (measured on a balance of payments basis) more than doubled, rising from $2521 billion in 2003 to $5366 billion in 2007 (Table 1) During this four year period, developing countries' exports of goods grew at an average annual rate of 21 percent, significantly faster than the 14 percent growth registered by the developed economies and higher than the World average rate of 17 percent. As a result of this above average growth, developing economies saw their share in world goods exports rise from 34 percent in 2003 to 39 percent in 2007.

Part of the increase in the value of exports in goods is linked to recent surge in world prices of primary commodities, especially fuels and minerals, while food prices rised more recently (the price of most agricultural commodities increased sharply during 2007).

Table 1 Exports of goods and commercial services, 2000-2007

	Value (Billion dollars)	**Shares in World** (Percent)			**Growth rates** (Annual percentage change)				
	2007	2000	2003	2007	2006	2007	2000-07	2000-03	2003-07
Exports of Goods									
World	13829	100	100	100	16	15	12	5	17
Developing economies	5366	33	34	39	19	16	14	6	21
Rest of World	8463	67	66	61	13	15	10	5	14
of which:									
Developed economies	7944	64	64	57	13	15	10	5	14
Commonwealth of Independent States (CIS)	519	2	3	4	25	21	20	10	28
Exports of Services									
World	3292	100	100	100	12	18	12	7	16
Developing economies	878	24	24	27	16	19	13	7	19
Rest of World	2414	76	76	73	11	18	12	8	15
of which:									
Developed economies	2348	74	75	71	11	18	11	7	15
Commonwealth of Independent States (CIS)	66	1	1	2	24	27	21	15	25

Source: WTO

The impact of higher prices differs from one country to another. Exporters of primary products have benefited from growing export receipts, while others have seen the cost of their imports soar. As Table 2 demonstrates, the share of fuels and mining products (most of which is fuels) in the total merchandise exports of developing economies increased from 22 percent in 2003 to almost 30 percent in 2007.

This would appear to be a positive development for the developing economies taken as a group, but while many of the leading oil exporters are classified as developing, many more developing economies are net importers of fuels. In particular, high fuel prices create serious problems for sub-Saharan African countries that are net fuel importers. In 2006, for example, nearly 100 per cent of Ethiopia's foreign exchange earnings from merchandise exports were spent on fuel imports. The corresponding figures for Senegal and Tanzania were above 80 per cent.

Table 2 Exports of developing economies by product

	Value (Billion dollars)			Shares in total merchandise (percentage)		
	2000	2003	2007 a	2000	2003	2007 a
Total merchandise	1916.4	2293.1	5011.7	100.0	100.0	100.0
Agricultural products	165.2	207.7	373.1	8.6	9.1	7.4
Food	134.7	172.8	309.9	7.0	7.5	6.2
Fuels and mining products	466.0	498.1	1492.8	24.3	21.7	29.8
Fuels	407.7	432.2	1263.5	21.3	18.8	25.2
Manufactures	1265.4	1550.0	3034.2	66.0	67.6	60.5

Note: a/ Preliminary estimate.
Source: WTO

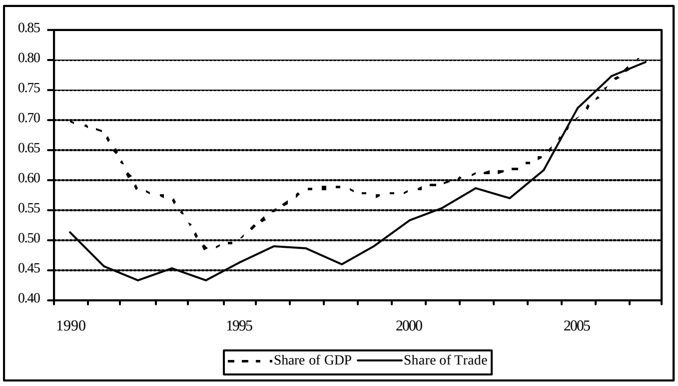
The trade performance of developing economies in commercial services was nearly as impressive, with exports rising 19 percent per year on average between 2003 and 2007, from $439 billion to $878 billion. This growth again outpaced the world average rate of 16 percent, and was also faster than the developed economies, whose exports of commercial services grew 15 percent per year on average during this period. Due to their above average growth, the developing economies' share in world commercial services exports also rose, from 24 percent in 2003 to 27 percent 2007.

B. THE LEAST DEVELOPED COUNTRIES

1. Trends in exports

The sub-group of Least Developed Countries (LDCs) followed similar trends than other developing countries. Thanks to a succession of double-digit trade performances since 2002, total LDC exports in 2007 tripled their 2002 value. In 2007, after increasing at an average annual rate of 29 per cent for three successive years, the value of total goods and services exported by the LDCs Group slowed to 17 per cent. The deceleration observed in 2007 was due to a relative slowdown in exports of fuels and mining products (19 per cent in 2007, compared to an average of 48 per cent over 2004-2006). Sales of other goods (agricultural and manufactured products) in 2007 were in line with their medium term average, growing about 11 per cent, while receipts from commercial services remained on a sustained level. These service grew 17 percent during 2007, more than the 2000-2007 year-on-year average of 13%.

Chart 2 LDC weight measured as share of world GDP and trade in goods and services, 1995-2007



Due to their trade growth above world average during the 2000-07 period, (18 per cent against 12 per cent for world total), LDCs share in world trade rose to 0.8 per cent. Their participation in world trade has only recently (2004) been in line with their contribution to world GDP valued at current market exchange rates. [1] This overall performance was mainly due to rapid increases in commodity prices during this period, which resulted in higher export earnings especially for fuels and mining products. These products now represent almost 59% of the LDCs' portfolio of total exports, more than 20 percentage points above their share in 2000 (Table 1).

[1] LDCs share in total trade is nevertheless still far lower than their weight in total world population (about 12 per cent).

Table 3 Evolution of LDCs exports of goods and services, 2000-2007 (billions US$ and percent)

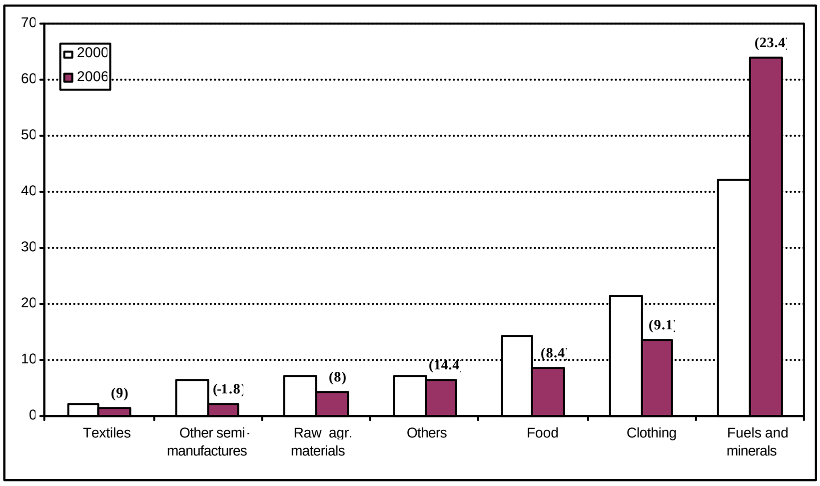
	Values		Annual rate of growth							
	2000	*2007*	2001	2002	2003	2004	2005	2006e	2007e	2001-2007
Total goods and commercial services	*42.4*	*134.3*	0.4	11.4	13.2	31.1	32.7	23.5	16.8	17.9
Total goods	*36.1*	*120.3*	0.0	12.1	13.9	32.8	35.9	24.3	16.3	18.7
Commercial services	*6.2*	*14.0*	2.7	7.1	9.0	20.4	10.7	16.3	21.2	12.3
Other goods	*20.7*	*41.1*	1.4	8.5	11.5	18.0	11.3	10.8	11.4	10.3
Fuels and Mining	*15.5*	*79.2*	-1.9	17.1	16.8	50.9	59.4	33.4	19.0	26.3

Source: WTO

2. Export Structure of Least Developed Countries

The recent trends of international commodity prices tend to reinforce the already high profile of fuels and minerals in LDC exports. Since 2000, these products have grown at an annual rate of 23 per cent, representing now 60 per cent of total LDC exports. All other components saw their relative shares decline due to this increase. Exports of clothing and food products, which are highly labour intensive in the case of LDCs, came second and third, respectively. Their combined relative weight is now 22 per cent, down from 35 per cent in 2000.

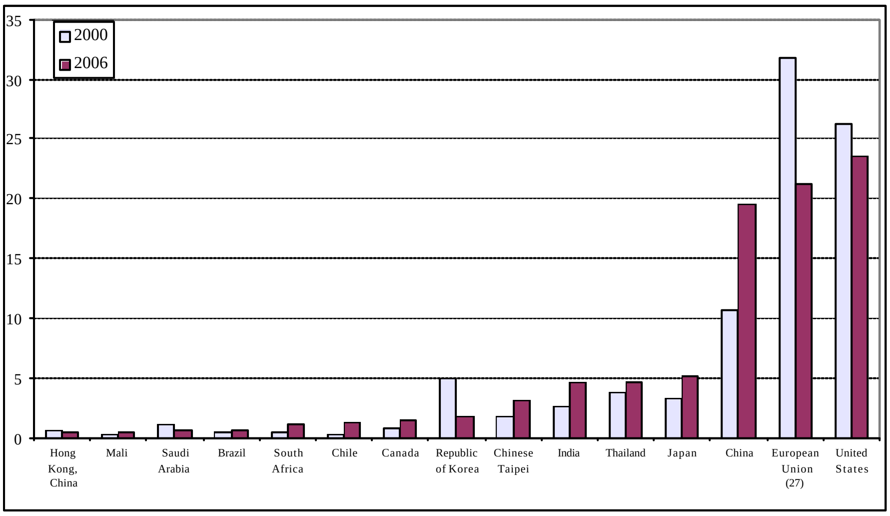
Chart 3 Composition of LDCs exports by major product and annual growth, 2000-2006 *(percentage)*



Notes: Fuels and minerals include ores and concentrates. The numbers in parenthesis on the 2006 bar indicate the average annual growth from 2000 to 2006.
Source: WTO

LDCs exports are extremely concentrated on few products, making them vulnerable to fluctuations in international markets. As an average, 73 per cent of their total merchandise exports are concentrated on only three products. The most diversified LDC exporters are those specializing in agriculture and manufactures. If product concentration has been worsening, geographical distribution, on the opposite, increased with South-South trade emerging as a major driver of LDC exports (Chart 4)

Chart 4 Top 15 markets for LDC exports of goods, 2000-2006 (percentage)



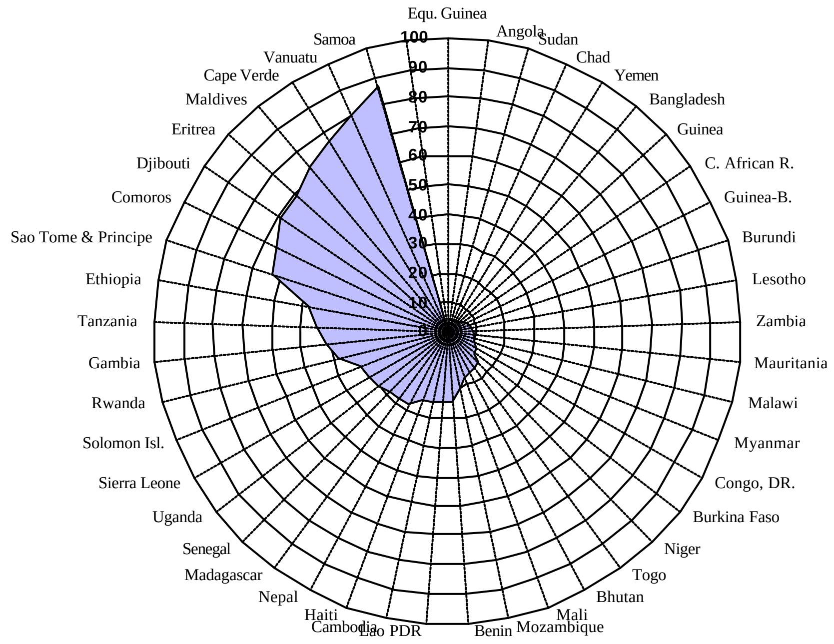
Source: WTO

LDCs exports to other developing economies is now 45 per cent of the total and shows lower dependence on developed markets. Developing economies have become the major destination for LDCs exports of mineral fuels (55.3 per cent), copper (82 per cent), wood products (80 per cent), cotton (88 per cent) or some food products like vegetables and oil seeds (85 and 75 per cent). Developed economies remain largely a dominant export destination for manufactured articles such as clothing (97 per cent for HS 61 and 62), precious stones (81 per cent) or some agricultural products (beverages and tobacco, with 75 and 55 per cent respectively).

The participation of least-developed countries in international trade of commercial services is much more limited than in the case of merchandise (0.5 against 0.9 per cent, respectively). Between 2000 and 2007, the exports of commercial services grew at an average annual rate of 12 percent. This progress has been accelerating over the period with a first peak in 2004 (20 per cent) and a second of 21 per cent in 2007. Nevertheless, this low share of the group's trade in services hides a deep heterogeneity among individual countries. As shown in Chart 5, services – especially tourism – dominate the export structure of a number of countries, in particular, smaller ones. [2] Services are also an important source of exports for some larger LDC economics such as Ethiopia, Tanzania and Uganda.

[2] The average GDP of the 8 LDC countries where services exports are higher than goods import is 652 million dollars, compared to an average of 14,685 millions for the group of dominantly merchandise exporters (exports of goods greater than 90 per cent of total exports).

Chart 5 Share of commercial services in total exports by LDCs, 2000-2006 average (%)



Source: WTO

Travel, a close proxy of tourism receipts, is the dominant sector of LDC service exports, representing 49.8 per cent of total receipts in 2007. Tourism has been recognised by the Brussels Programme of Action for the LDCs to be of strategic value for the LDCs. Based on available data presented in table 7, between 2000 and 2006, receipts from international tourism in LDCs expanded by 13 per cent annually, higher than the growth rate for other developing economies (10 per cent) and the world in total (8 percent).

II. MARKET ACCESS CONDITIONS AND THE MDG INDICATORS 8-6 AND 8-7

Traditionally, LDCs have benefited from non-reciprocal preferences for their exports of merchandises in developed country markets. The idea of non reciprocity as a way of promoting export-led growth in developing economies has been present since the Kennedy Round of multilateral trade negotiations in the early 1960s. Since then, duty-free and quota-free (DFQF) market access for their products has been a long standing aspiration of LDCs in the multilateral trading system. More recently, a number of developing countries have joined the initiative and are granting a number of preferences to LDCs. Under the Global System of Trade Preference (GSTP), some developing countries have been providing duty-free access to a limited number of products since 1989. These preferences are complemented by a series of bilateral or regional preferential market access schemes, as well as a few non-reciprocal preferential schemes.

A. TRENDS IN MARKET ACCESS FOR PRODUCTS OF EXPORT INTEREST TO LEAST-DEVELOPED COUNTRIES

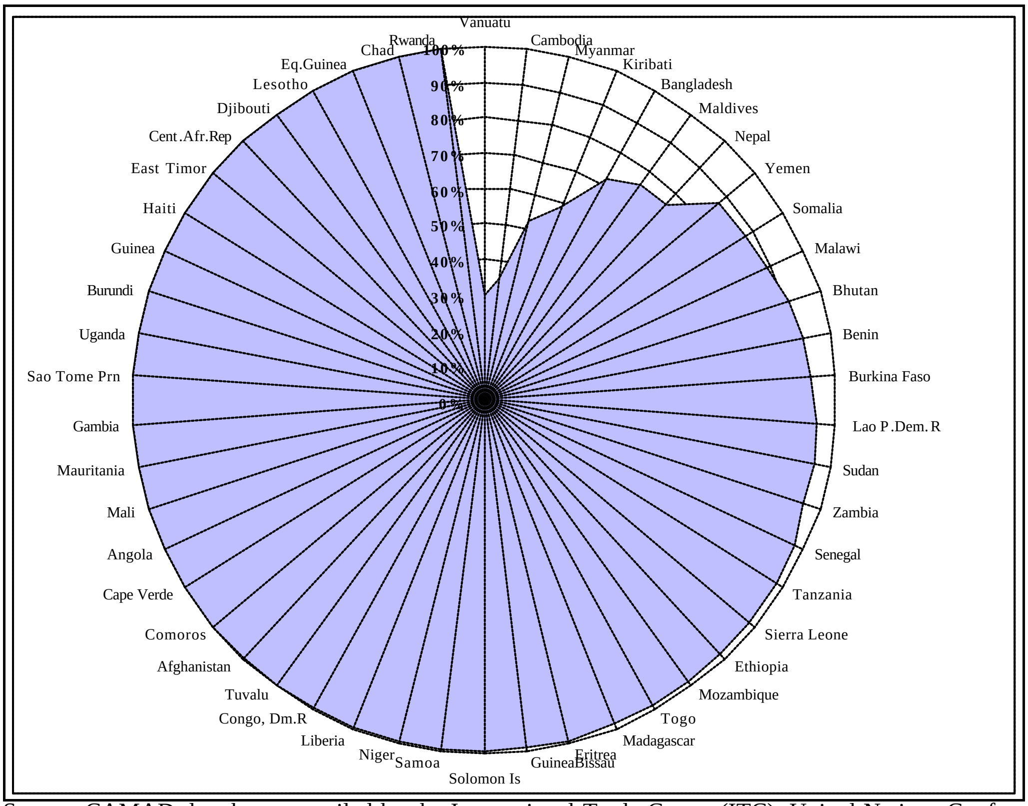
Looking at the recent trends presented in Table 4 in the following section, the overall evolution of developed market access indicators reflect the positive impact of a series of commitments for removing trade barriers for LDCs that have been made in recent years. The favourable trend accelerates in 2001, when the Doha round of multilateral trade talks was launched as a development round. Since 2004, little additional progress has been recorded.

Among the various initiatives that were launched to provide increased trading opportunities for the poorest countries, the most important ones in terms of trade volume were made by the world’s two largest markets: the European Union’s “Everything but Arms” arrangement for the LDCs and the United States African Growth and Opportunities Act. Other developed countries also expanded their programs for enhanced access to their markets for LDCs' exports, with significant impact in the case of Norway after 2002, and of Australia, and Canada after 2003. In December 2005, developed country WTO Members committed themselves to the objective of at least 97% of tariff lines being duty-free and quota-free for imports originating from LDCs, to be achieved by 2008, regardless of the outcome of the Doha Round.

Care should be taken not to compare the target of 97 per cent of tariff lines with the share of export value benefiting from duty-free treatment. Because of the high concentration of LDCs exports, 3 per cent of dutiable tariff lines may represent a much larger proportion of the export value. As shown in Chart 6, most LDCs already benefit from duty-free access under various preferential agreements. The remaining gap is concentrated in a few countries, especially Asian LDCs due to existing tariffs on textile and clothing. Because Asian LDCs such as Bangladesh and Cambodia are large producers of clothing, they weight heavily on the related average for the LDC group indicators of market access (see Table 5, next section). Therefore, statistical indicators of market access will provide a different picture when measured as a simple average of country indicators rather than calculated on the total value of exports of the LDC group (i.e., weighted average). Statistics based on simple average provide information on the "typical" country, while statistics based on group total will tend to represent the situation of the larger exporters.

It is also important to mention that these indicators are based on the assumption that existing preferences are fully utilised by LDCs. It is well known that many preferential regimes have conditions that impede their full utilization. Actual rate of utilization may be as low as 40 per cent for products such as textiles and clothing. Many preferential regimes may have prerequisites that impede their use. Numerous non tariff measures (NTMs), such as rules of origin, have a direct impact on the low utilization of preferences. Other factors, such as increased administrative burden to demonstrate exporter's eligibility, may reduce the attractiveness of preferential treatments.

Chart 6 Share of imports from LDCs entering developed markets under duty free conditions, 2006 (except arms and oil)



Source: CAMAD data base compiled by the International Trade Centre (ITC), United Nations Conference on Trade and Development (UNCTAD) and World Trade Organization (WTO).
Note: The calculations assume a full utilization of existing preferences.

1. MDG indicator 8-6: duty free access

Table 4 shows that after a decline from 1996-2000 due to the change in the composition of its exports, the LDC Group benefited from the series of initiatives that coincided with the launch of the Doha Development Agenda in 2001.[3] After 2004, this indicator has been stagnating if oil exports are excluded. It was not the case for the other developing countries. Since 1996, the share of duty free exports for all developing countries (excluding arms and oil) moved from 54 per cent to 77 percent, reducing to only 2 percentage point the preferential gap enjoyed by LDCs. Part of this trend in duty free market access is linked to the booming exports of IT products under the ITA Agreement, which entered into effect in 1997. Because LDCs are not present in this sector of technological intensive production, they did not benefit significantly from it. Another factor explaining the rise of duty-free treatment for other developing countries has been the signature of reciprocal or non-reciprocal trade agreements between developed and developing countries.

[3] Previously, the trend declined significantly between 1998 and 2000, reflecting –inter alia– the marked increase of Asian LDCs exports on sensitive products such as clothing and textiles, that faced quotas and tariffs.

Table 4 Indicator 8.6 Proportion of total developed country imports from developing countries and least developed countries, admitted free of duty *(percentage)*

Excluding arms:	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Developing countries a/	53	54	54	62	63	67	67	71	76	76	81
Least Developed Countries	68	69	81	76	75	78	78	81	82	83	89
Excluding arms and oil:	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Developing countries a/	54	55	54	63	65	64	69	71	76	76	77
Least Developed Countries	78	77	78	72	70	71	74	78	80	80	79

Source: Calculations prepared by the International Trade Centre (ITC), United Nations Conference on Trade and Development (UNCTAD) and World Trade Organization (WTO).
Note: a/ All developing countries, including LDCs.

When disaggregating merchandises, it appears that imports originating from LDCs still enjoy a more favourable market access for a series of labour intensive products that are of special relevance. The differential of duty free treatment between LDC and all DVGs is high for agricultural products (93 percent of LDC exports of agricultural product benefited from duty free treatment in 2006, compared to only 66 percent for all developing countries). The case of textile shows a similar gap (71 percent vs. 34 per cent), while it is higher in the case for clothing (63 percent vs. 29 percent).

Table 5 Trends in Duty Free treatment for developing countries and LDCs exports of merchandises imported by developed countries, 1996-2006 *(excluding arms and oil, percentages)*

	1996	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Developing countries a/	**54**	**55**	**54**	**63**	**65**	**64**	**69**	**71**	**76**	**76**	**77**
Least Developed Countries	**78**	**77**	**78**	**72**	**70**	**71**	**74**	**78**	**80**	**80**	**79**
Agricultural goods											
Developing countries a/	**65**	**67**	**65**	**63**	**63**	**64**	**62**	**63**	**66**	**66**	**66**
Least Developed Countries	**93**	**92**	**96**	**86**	**88**	**98**	**96**	**94**	**92**	**92**	**93**
Textiles											
Developing Countries a/	**17**	**17**	**18**	**24**	**24**	**22**	**26**	**26**	**38**	**34**	**34**
Least-developed Countries	**68**	**66**	**62**	**55**	**50**	**47**	**47**	**57**	**66**	**67**	**71**
Clothing											
Developing Countries a/	**8**	**8**	**9**	**14**	**14**	**14**	**22**	**22**	**34**	**31**	**29**
Least-developed Countries	**57**	**53**	**51**	**47**	**45**	**46**	**52**	**60**	**66**	**63**	**63**

Source: Calculations prepared by the International Trade Centre (ITC), United Nations Conference on Trade and Development (UNCTAD) and World Trade Organization (WTO).
Note: a/ All developing countries, including LDCs.

Box 1 When duty free access is not preferential

Duty free access granted by importing countries are not synonym of preferential treatment. The margin of preference should always be analysed in terms of the Most Favoured Nation treatment. If a large share of products that compose the basket of LDCs exports enter the developed economies under MFN-0 tariffs, then the scope of preference that LDCs can enjoy in these markets are limited.

Table 6 Share of total imports by type of market access for selected economies, 2006 *(or latest available)*

Reporters	Total Bn. US$ or percent.	Trade Regime Breakdown (percent.) MFN Duty Free	MFN	Preferential
Developed countries	4,527			
Simple average a/	100.0	62.1	19.6	18.3
Weighted average b/	100.0	54.4	25.2	20.3
Developing countries c/	3,461			
Simple average a/	100.0	31.6	54.3	14.1
Weighted average b/	100.0	44.8	45.2	10.0
World c/	7,988			
Simple average a/	100.0	34.4	51.2	14.4
Weighted average b/	100.0	50.3	33.9	15.9

Notes: a/ simple average of country's results; b/ weighted by country trade flows; c/ when data available.

Table 7 Total duty free treatment and MFN-0 access for developing and least developed countries [a]

		1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
DVGs [b]	Total DF	54%	55%	54%	63%	65%	64%	69%	71%	76%	76%	77%
	MFN-0	35%	35%	34%	46%	49%	47%	49%	52%	55%	55%	57%
agriculture	Total DF	65%	67%	65%	63%	63%	64%	62%	63%	66%	66%	66%
	MFN-0	40%	41%	37%	47%	47%	45%	46%	45%	43%	43%	42%
clothing	Total DF	8%	8%	9%	14%	14%	14%	22%	22%	34%	31%	29%
	MFN-0	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
textile	Total DF	17%	17%	18%	24%	24%	22%	26%	26%	38%	34%	34%
	MFN-0	3%	3%	3%	5%	4%	4%	4%	4%	7%	7%	7%
other industries	Total DF	62%	63%	62%	73%	74%	73%	77%	80%	83%	83%	84%
	MFN-0	42%	42%	40%	54%	57%	56%	58%	61%	64%	64%	66%
LDCs	Total DF	78%	77%	78%	72%	70%	71%	74%	78%	80%	80%	79%
	MFN-0	43%	42%	38%	39%	35%	30%	31%	29%	29%	31%	26%
agriculture	Total DF	93%	92%	96%	86%	88%	98%	96%	94%	92%	92%	93%
	MFN-0	39%	43%	43%	73%	72%	69%	68%	64%	65%	65%	62%
clothing	Total DF	57%	53%	51%	47%	45%	46%	52%	60%	66%	63%	63%
	MFN-0	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
textile	Total DF	68%	66%	62%	55%	50%	47%	47%	57%	66%	67%	71%
	MFN-0	15%	13%	11%	10%	9%	8%	10%	9%	15%	17%	15%
other industries	Total DF	82%	85%	93%	94%	95%	97%	96%	98%	99%	99%	99%
	MFN-0	66%	66%	68%	69%	66%	61%	60%	59%	60%	61%	55%

Note: a/ Weighted averages; b/ DVG: all developing countries, including LDCs.
Sources for both tables: ITC-UNCTAD-WTO

Overall, the margin between total duty-free exports and MFN-0 exports (true preferential margin) is higher for LDCs (53 percentage points in 2006) than for DVGs (20 points). Moreover, this differential of 33 points in 2006 has been increasing with time (it was only 16 in 1996). The preferential margin is higher for LDCs in the case of clothing, while smallest for agriculture. This may be influenced by the fact that most LDCs produce tropical products that tend to face low or zero MFN tariffs while some of the largest agricultural exporters from developing countries, such as Argentina or Brazil, are direct competitors of developed countries in cereals and meat production, all products subjected to quotas and/or high tariffs.

2. MDG indicator 8-7: average tariff on products of special relevance

The average tariffs charged by developed countries on imports from LDCs shows a downwards trend. LDCs benefit from preferential access in all the key products reviewed. The scope of preference is especially significant in the case of agriculture, where the share of duty free products for LDCs compared to other developing countries is higher by circa 6 percentage points. Their margin of preference on other key products of interest such as textile and clothing, has been eroded with time, specially since 2001. It is now just about 2 per cent, a level too low to create a significant competitive advantage and uncover new export opportunities.

Table 8 Trends in average tariffs imposed by developed countries on imports from developing countries and LDCs , 1996-2006 *(percentages)*

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Agricultural goods											
Developing Countries a/	10.5	10.0	10.0	9.5	9.3	9.3	9.5	9.4	9.2	8.9	8.6
Least-developed Countries	4.0	3.8	3.6	3.7	3.7	2.7	2.8	2.8	3.1	3.1	2.8
Textiles											
Developing Countries a/	7.3	7.2	7.0	6.6	6.6	6.6	6.0	5.8	5.2	5.3	5.2
Least-developed Countries	4.5	4.5	4.3	4.2	4.1	3.8	3.8	3.5	3.2	3.2	3.2
Clothing											
Developing Countries a/	11.4	11.3	11.2	10.9	10.8	11.3	10.0	9.7	8.6	8.3	8.2
Least-developed Countries	8.1	8.1	8.0	7.9	7.8	7.7	7.4	7.0	6.4	6.4	6.4

Source: Based on CAMAD compiled by ITC, UNCTAD and WTO.
Note: The preference is compared to the applied tariffs (MFN and preferential) granted to developing countries. a/ All developing countries, including LDCs.

It appears from the table that manufactures such as textile and clothing face a higher tariff than unprocessed commodities like agriculture, when considering the weighted average of LDCs exports. This is confirmed when analysing tariff escalation.

- Tariff escalation

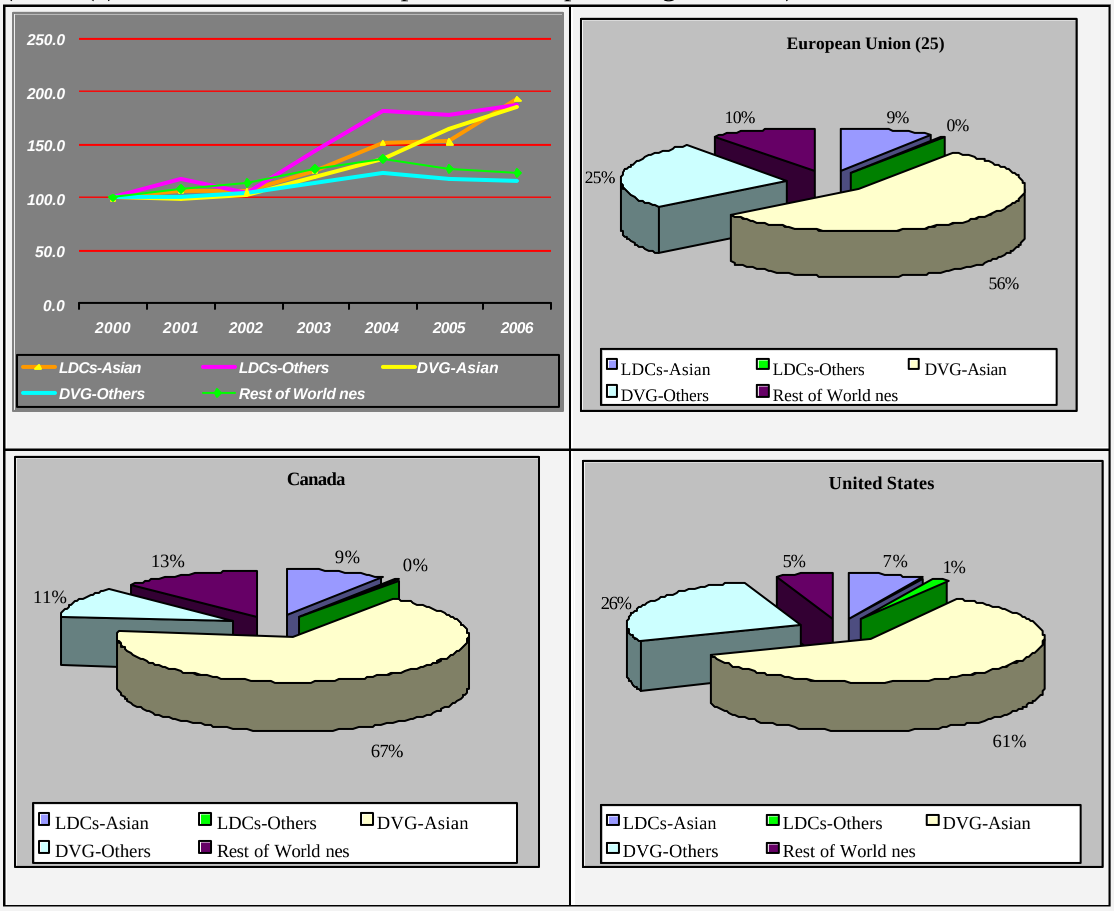
Chart 8 compares the average tariffs faced by unprocessed commodities (excluding oil), semi-processed and processed goods exported by LDCs to developed markets. While commodities benefit from duty free or very low tariff, leading to an average tariff of 0.3 per cent in 2006, it rises to 2.8 per cent for semi-processed goods and goes up to 6.4 per cent for manufactures (mainly clothing). It should be remembered that since the series of initiatives launched in the early 2000s, these tariffs are concentrated on a minority of Asian LDCs, that weight heavily in the LDCs total shipments of manufactures, especially for their exports of clothing to the USA market (see Box 1).

Box 2: Preferences, quotas and market shares in apparel and clothing.

For most LDCs, trade in manufacture means trade in apparel and clothing. The decision taken at the WTO Hong Kong Ministerial Conference in 2005 to provide duty free and quota free access (DFQF) to LDCs on 97% of the tariff lines was implemented by the USA in such a way to shield LDCs and developing countries from Africa and Latin America from the more competitive products produced by some Asian LDCs. The least competitive producers from both developed and developing countries had been concerned at the end of 2004 by the end of the WTO Agreement on Textiles and Clothing (ATC), which put an end to more than 10 years of restrictive market access practices by developed countries. The ATC had replaced in 1995 the Multi-Fibre Arrangement (MFA) concluded in 1973 to limit exports of large producers to developed economies.
With production being progressively outsourced from developed countries, the MFA, then the subsequent ATC, came to benefit mostly smaller developing economies which could attract investments motivated by the possibility of exporting under theses quotas. Symmetrically, the end of the ATC quotas was expected to benefit the larger Asian producers, in particular China and India, but also Bangladesh, Cambodia, Indonesia and Pakistan. Indeed, the panel (a) of Chart 7 indicates that exports from Asian LDCs and other Asian developing countries accelerated with the end of the agreement. But f exports from other LDCs slowed down, they continued to increase. Nevertheless, their production represented in 2006 a marginal share of imports from European and North American countries, as seen in panels (b) to (c). Competition appear to have affected more the exports from non-Asian DVGs (excluding the LDCs) and from developed countries.

Chart 7 Imports of apparel and clothing to Europe and North America by main origin, 2000-2006

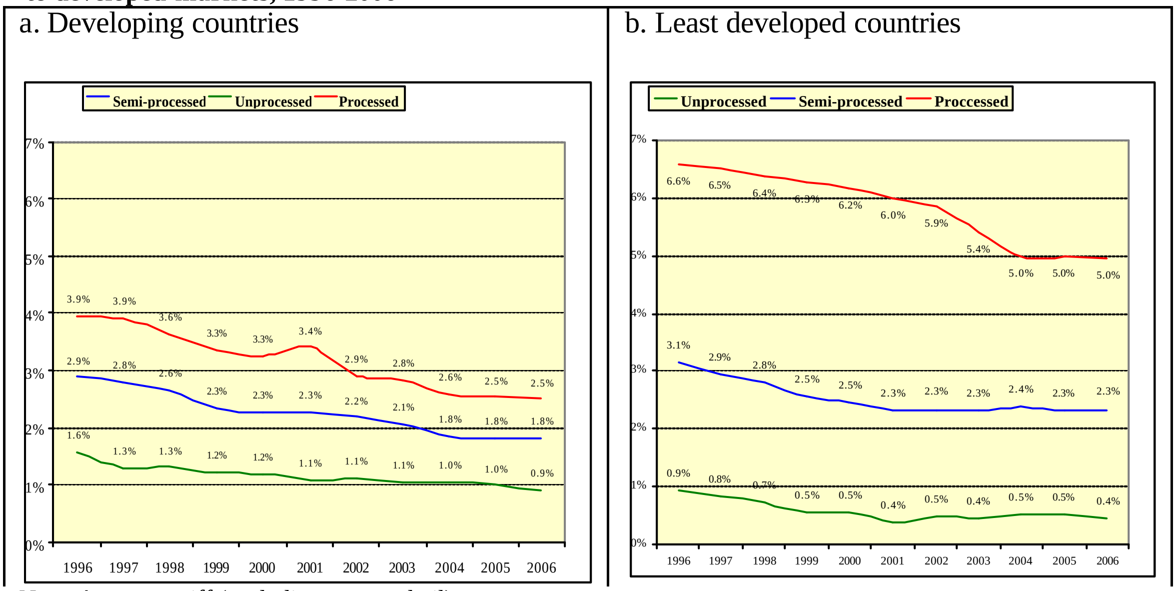
(Panel (a) value index 2000=100; panels b to c: percentage in 2006)



Source: based on COMTRADE data.

Tariff escalation is steeper for LDCs than for the rest of developing countries. The average tariff faced in 2006 by all developing countries for their exports of unprocessed commodities (excluding oil) to the developed market was 0.9 per cent , slightly higher than for the LDCs, while the tariffs for semi-processed and processed goods were 1.8 and 2.5 per cent respectively, lower than those faced by LDCs (Chart 8). This difference shows that LDCs exports of manufactures are still limited to a range of sensitive products, like clothing, while other developing countries were able to diversify into a range of manufactures (such as IT) or intermediate goods (such as goods for processing) that face very low tariff, or benefit from duty free treatment.

Chart 8 Grade of processing and tariffs faced by DVGs and LDCs exports to developed markets, 1996-2006



Note: Average tariff (excluding arms and oil)
Source: ITC/UNCTAD/WTO based on CAMAD

The differential is also due to the proliferation of reciprocal agreements between developed and developing countries (NAFTA between Mexico and the USA, EU and African and Mediterranean countries) or non-reciprocal agreements (such as ATPDEA between the Andean countries and the USA, or the Cotonou agreement between EU and ACP countries) that provide preferential access for these countries to important markets in developed countries. In the end, the MFN treatment has become an exception for developing countries exports to developed economies.

- **Tariff treatment of LDC exports in selected markets.**

After reviewing the trends affecting market access, this section presents the most recent available data on the tariff treatment facing LDC exports in selected developed and developing markets. Table 9 presents a synthesis of the duties faced in 2007 by LDCs for their exports to their major trading partners (developed and developing) in agricultural and non-agricultural products. At the difference of the previous sections that considered the LDCs as a group, here the indicator is based on a simple average of countries results, without weighting each country for the relative importance of its exports.

Table 9 LDC exports to major developed (DVD) and developing (DVG) trading partners, trade diversification and preference margins, 2006
(US dollars and percentages)

	Exports	Diversification 95% trade in no. of		MFN average [a]		Pref. margin [b]	Duty-free imports	
	M US$	HS 2-digit	HS 6-digit	Simple	Weighted	Weighted	TL in %	Value in %
Total Trade [c]	192.0	4.5	10.5	10.2	9.8	5.2	62.5	66.8
- DVD Importers	265.9	5.3	13.2	5.3	6.9	5.8	94.0	92.6
- DVG Importers	139.4	4.0	8.5	13.6	11.8	4.8	40.0	48.4
Agriculture	23.9	3.0	4.7	12.0	11.7	5.9	61.8	63.4
- DVD Importers	27.6	3.3	4.5	5.0	5.2	3.6	95.3	93.3
- DVG Importers	21.4	2.9	4.9	16.7	16.0	7.5	39.4	43.5
Non agricultural	360.2	6.0	16.2	8.3	7.8	4.5	63.1	70.1
- DVD Importers	486.5	7.1	21.2	5.7	8.5	7.8	92.9	91.9
- DVG Importers	264.1	5.2	12.4	10.3	7.3	2.0	40.6	53.6

Source: Based on ITC/UNCTAD/WTO World Tariff Profiles, 2008.
Note: a/ Traded tariff lines (TL) only; b/ Difference between MFN and applied tariffs; c/ Simple average of least developed country indicators, based on their top five trading partners for agricultural and for non-agricultural products. The diversification indicators exclude the 5% smallest bilateral tariff line trade flows. DVD: developed countries and European CIS; DVG: all developing countries.

The table built at tariff line level confirms the concentration of LDCs trade on few sub-headings (5 for agriculture, out of a total of 691 entries in the HS nomenclature) and 16 for non-agricultural products (out of a total of 4533). In comparison, middle income developing countries such as South Africa or Thailand exports to their major trading partners include, respectively, up to 191 and 74 subheadings in agriculture and up to 263 and 556 in non agricultural products. The preference margin calculated in reference to MFN treatment is relatively high: half of the average MFN tariff for agriculture, rising to 58 per cent for other merchandises.

It was already mentioned that MFN treatment for developing countries exports to developed markets (except MFN-0) is becoming more the exception than the norm due to the proliferation of (reciprocal or non-reciprocal) preferential treatment. In consequence, the margin of preference granted to LDCs in comparison to other developing countries is much reduced in developed markets. Indeed, for some LDCs such as Bangladesh and Cambodia, the tariffs facing their low technology manufactured products such as clothing, still face higher tariff than other manufactured products in some important markets.

The table comparing the LDCs exports to developed and developing countries shows some interesting features. Exports to developed markets are in general more diversified for manufactures and non-agricultural commodities, but not so for agricultural products where the degree of concentration of exports on a reduced number of subheadings is high in both type of importing markets. The margin of preference in relation to MFN tariff on agricultural products is also roughly similar between developed and developing importers (6 and 5 per cent, respectively), while there is a large difference of treatment in the case of manufactures and non-agricultural commodities (8 per cent against 2 per cent, respectively).

Granting duty free treatment to LDCs exports, either under MFN or as a preferential treatment, is also more widespread in developed countries than in other markets (94 per cent of tariff lines as compared with 40 per cent). This asymmetry reflects obviously the differences in national income and in trade policies. Higher tariffs are usually in place in developing economies, and the granting of preferential treatment under the GSTP is more recent (1989), while the new round that was launched at UNCTAD XI in Brazil in 2004 is still ongoing.