

# **Multilateral trade liberalisation and the potential for preference erosion on the EU market**

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## **ABSTRACT**

Since the launch of the Doha Development Agenda (DDA) in 2001 there has been growing concern about the impact of multilateral liberalisation on vulnerable developing countries. Specifically, there is concern that those countries which currently benefit from preferential access to large industrialised markets will lose out as most favoured nation (MFN) tariffs are reduced. This reduction will naturally erode the margin of preferences which is accorded to developing countries in these markets, making it more difficult for them to compete and potentially reducing their exports or profit margins or both.

This paper looks at the potential for preference erosion on the EU market. It uses a new Eurostat database based on actual utilisation of preferences, data which has previously been unavailable in usable form, which should be the most reliable way to estimate the real value of preferences. The analysis shows that, although certain countries are vulnerable to the reduction of the EU's MFN tariffs, they are not as numerous as might be expected and the vulnerability is overwhelmingly concentrated in a few key products. Relatively few LDCs are vulnerable. The positive aspects of multilateral liberalisation, which will certainly be significant, are not taken into account and therefore the results overstate vulnerability. The potential problem should be manageable within a broad DDA outcome, which ensures wider and deeper market access for affected countries.

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## **1. Introduction**

It is in the nature of multilateral trade liberalisation that as most favoured nation (MFN) tariffs are reduced, preferential access will be eroded. This is an on-going and continuous phenomenon. Preferences are also affected by other policy changes - unilateral EU decisions to change its agricultural policy, the signing of new free trade agreements or the deepening of its preferences under existing arrangements.

Still, trade preferences are a key issue in the on-going negotiations for further multilateral trade liberalization within the framework of the Doha Development Agenda (DDA). Many least developed countries (LDCs) and developing countries feel that the liberalization of trade and removal of trade-distorting policies in agriculture will not be in their interests as this would reduce the benefits they reap from their preferential access to developed countries' markets (preference erosion). At the same time, and for the same reasons, advanced developing countries with less preferential market access feel discriminated against by the current system and are lobbying hard for liberalisation.

It is important to remember that not all developing country exports are dependent on preferences. Much trade is already liberalised and so a large share of developing country exports (55 percent in 2003) enter the EU at MFN zero. Thus there is a lot of existing trade with developing countries that is not subject to any preference erosion. Of the remaining trade, the extent to which preference erosion can be defined as a real problem varies depending on several factors.

The EU is the most important preferential market for developing countries in general and for the poorest developing countries in particular. It is therefore unsurprising that the OECD (2005) has concluded that MFN liberalisation by the EU is associated with relatively more sizeable erosion of preferences than liberalisation by Australia, Canada, Japan and the US. This paper seeks to study the potential impact of preference erosion on countries and sectors subject to non-reciprocal trade preferences on the EU market. We focus only on the potential negative effects of trade liberalisation in terms of the impacts on preference margins of beneficiaries' exports. We therefore ignore the often considerable gains which multilateral liberalisation will stimulate through increased access to new markets, including those of other developing countries. The main contribution of the paper is the identification of countries and products most likely to be affected by preference erosion on the EU market, while taking into account the actual use of preferences (utilisation rates).

The study is organised as follows. Section 2 briefly reviews the literature on preference erosion. Section 3 identifies potentially vulnerable countries and sectors and section 4 estimates preference margins. Section 5 considers the characteristics of the vulnerable countries identified and section 6 summarises and concludes.

## **2. Literature review**

Numerous studies have analysed the effects of preference erosion. Most use either general equilibrium (CGE) models or work in partial equilibrium. So called CGE models estimate the welfare and production effects of trade liberalisation.<sup>2</sup> Such models contain a network of linkages between industries and countries and take into account that a change in one part of

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<sup>2</sup> Welfare is a summary of the change in utility for a particular household and is expressed as the difference between nominal household income and an expenditure price index for the household.

the (world) economic system will affect other parts. Losses in a country's export sector may thus be compensated by gains in other sectors of the domestic economy or in other countries/regions under study. Partial equilibrium studies are easier to undertake, but they ignore such links. Consequently, the former studies generally show both the impact of preference erosion and the overall positive effects of trade liberalisation, while the latter focus on the negative effects of trade liberalisation related to preference erosion.

Table A1 in annex summarises the potential effects of preference erosion from a number of relatively recent and thorough studies on the issue. The first three columns display the result of CGE models. Francois et al (2005) assume that preferences are fully eroded which leads to a loss for African and Asian LDCs which amounts to about \$200 million, while the group 'Other Low Income countries' gains about ten times as much. The IMF (2005) assume various cuts by both developed and developing countries (but not by LDCs) in the agricultural and non-agricultural sectors and find that developing countries as a group would gain \$16 billion or 0.16 percent of their real income. The only region/sub-region to lose is 'Rest of SSA', whose loss is estimated at \$100 million or 0.02 percent of real income. Finally, the OECD (2005) concludes that if only the EU undertakes MFN liberalisation, quite a few developing countries would lose. These losses are in most cases cancelled out and indeed transformed into gains when (i) liberalisation by other industrialised countries are brought into the picture, and (ii) liberalisation by developing countries themselves are included in the scenarios. A simultaneous 50 percent cut in ad-valorem equivalent measures of protection by the QUAD and Australia would lead to losses for only six developing countries plus the region/sub-region of 'Rest of SSA', while everybody else gains.

The partial equilibrium studies find that only a handful of countries, mainly in the Caribbean and Africa, risk losing more than 5 percent of their exports due to preference erosion. WTO (2005) is the only study which takes into account the fact that competitors of the main preference beneficiaries normally do not export under MFN duties but rather under another preference schemes or free trade agreements. Their study concludes that the loss for LDCs would amount to 0.8 percent of the preference value in NAMA, while the corresponding effect on developing countries as a whole would be a gain of 0.2 percent.<sup>3</sup>

WTO (2006)<sup>4</sup> studies agricultural products using the same methodology and find that both LDCs and developing countries experience a net gain in preference value of \$10.4 million and \$258 million respectively, although net gains conceal some losses. The smaller numbers than those found in non-agricultural market access (NAMA) reflect the relative importance of the two sectors, with agricultural imports in the QUAD representing only \$57 billion compared to \$892 billion imports in non-agriculture.<sup>5</sup>

Perhaps the most illuminating figures from the WTO studies are the sectoral breakdowns. This shows that in agriculture 90 percent of the value of preferences is made up of sugar and bananas, whereas in NAMA 90 percent is clothing and textiles. The highly specific nature of the problem was one of the main messages to emerge from a recent seminar in WTO where these papers were discussed (Low, 2006).

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<sup>3</sup> Based on tariff reductions using the Swiss formula with a coefficient equal to ten in non-agricultural sectors.

<sup>4</sup> Not displayed in Annex Table A1.

<sup>5</sup> This latter figure includes Australia, but the small size of this market means the figures are fairly comparable.

Finally the USITC and the USDA undertook a study of the importance of preferences to exports to the US (Dean and Wainio, 2006).<sup>6</sup> This study concluded that, once actual utilisation rates are taken into account, the value of US preferences was more than 5 percent of their exports to the US for 27 countries and more than 15 percent for eight countries – Belize, Botswana, Swaziland, Cape Verde, Lesotho, Uganda, Madagascar and Ethiopia. Almost universally the largest value of preferences comes from non-agricultural products, especially clothing. Looking only at agriculture, there were 25 countries for which the value of agricultural preferences was 5 percent or more of dutiable agricultural exports to the US.<sup>7</sup>

### **3. Identification of potentially vulnerable countries and sectors**

#### *3.1. EU preferential trade*

The first step in this exercise is to identify those countries which are most dependent on non-reciprocal preferential exports to the EU.<sup>8</sup> The EU has several preferential access schemes for developing countries. The most generous is the Everything But Arms (EBA) scheme for Least Developed Countries (LDCs) which provides duty free and quota free access to the EU market, with the exception of three products – rice, sugar and bananas – for which there are limited phase-in periods during which exports still have some quotas.

The Cotonou Agreement provides very generous levels of access to African, Caribbean and Pacific (ACP) countries. Cotonou trade provisions offer non-reciprocal duty free access to EU markets for 92 percent of ACP products. The EU's Generalised System of Preferences (GSP) offers zero duties for “non-sensitive” products and reduced duties on “sensitive” products, although some products are excluded from GSP. At the time of this research the EU also offered a special incentive arrangement for countries which were addressing the trade in illicit drugs (GSP Drug, which has been phased out),<sup>9</sup> with levels of access almost as generous as that of Cotonou countries.

Until recently, it had been impossible to have an accurate overview of preference use, as each scheme was assessed separately, although some countries are eligible for, and use, several different schemes. However a new database now exists from Eurostat, the European Union's statistical office, which covers all preferential trade flows into the EU. It enables us to identify the extent to which trade from a given country in a given sector was subject to MFN (zero or positive) or preferential (zero or positive) rates. In this way all preferential schemes are looked at together.

#### *3.2. Potentially vulnerable countries*

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<sup>6</sup> Not displayed in Annex Table A1.

<sup>7</sup> The most important sectors were melons, fresh cut flowers, frozen orange juice, raw cane sugar and asparagus.

<sup>8</sup> Non-states (e.g. Mayotte), the EFTA countries and candidate countries (Bulgaria, Croatia, the former Yugoslav Republic of Macedonia, Romania and Turkey) or potential candidate countries (Albania, Bosnia and Herzegovina and Serbia and Montenegro) for EU membership are excluded.

<sup>9</sup> In the new GSP, the EU offers special incentives to countries which demonstrate their commitment to sustainable development through the adoption and implementation of a series of international conventions on labour standards, environmental protection and drugs control.

Using this database, we gathered data on the percentage of exports entering the EU under non-reciprocal preferences in 2003 for all countries subject to such preferences.<sup>10</sup> We then corrected for some inconsistencies in the database in order to ensure that data reflected the true flows of preferential goods.<sup>11</sup> The results are shown in the first two columns of table A2 in annex.

For quite a few countries (frequently small islands) the majority of exports to the EU take place under preferences. For Fiji, St Lucia, Jamaica, Swaziland, St Kitts-Nevis and Belize preferential exports account for 90 percent or more of their exports to the EU. In total, 36 countries export more than 50 percent of their goods to the EU under preferences, while another 20 countries export more than 25 percent of their goods to the EU under preferences and 89 countries send more than 10 percent of their exports to the EU under preferences.

The overall importance of the EU as an export market for the countries in question and the importance of exports to the countries' GDP are other key factors to consider when analysing vulnerability. If a country is very dependent on preferences for their exports to the EU, but these exports are either a small percentage of their total exports, or exports make up a small percentage of their economy, they can not be considered to be particularly 'vulnerable' to preference erosion on the EU market. These results are also presented in Table A2.<sup>12</sup> Here we see that some countries that send large shares of their exports to the EU under preferences, in fact send a small share of their total exports to the EU (e.g. Fiji, Swaziland and Guinea Bissau), while for others exports are not a major contributor to their economy (for example St Lucia and Jamaica).

In order to isolate those countries which may be considered to be 'vulnerable' to preference erosion, we apply a 'rule of thumb' threshold of ten percent to these three characteristics– (i) the share of preferential exports to the EU in total exports to the EU, (ii) the share of preferential exports to the EU in the country's total exports and (iii) the export over gross domestic product (GDP) ratio (three year average).<sup>13</sup> This approach results in 35 countries which we initially consider to be potentially vulnerable to preference erosion on the EU

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<sup>10</sup> This single year approach risks including exceptional flows, but at the time that the research was undertaken only one year of data was available. Since then 2004 has become available.

<sup>11</sup> The database does not record flows that come in under the several quotas that provide duty free access to the EU as preferential, irrespective of whether a quota is filled. The rationale behind this approach is not to overstate the extent to which EU preferences are used. Another reason is that it is complex to measure EU preferential imports in quota lines. However it is clear that in most cases, trade in these lines is overwhelmingly under such duty free quotas. We correct for this by considering all exports of sugar by the beneficiaries of the Cotonou Agreement's Sugar Protocol and by the beneficiaries of the Everything but Arms (EBA) duty free sugar quota to be preferential. The same approach is adopted for the African, Caribbean and Pacific (ACP) beneficiaries of the Beef Protocol, for bananas exported from the ACP countries (and one EBA country - Madagascar) and for rice from the EBA countries. In addition, we have corrected for EU imports of aluminium from Mozambique which had erroneously been recorded as coming in under an MFN positive tariff. This enables us to have a realistic picture of actual preferential trade flows, including important flows under quota.

<sup>12</sup> In the latter case we secured a three year average figure. This was not possible for the first two figures due to the unavailability of historical data.

<sup>13</sup> Another way to do this would be to combine the three factors into one indicator – importance of preferential trade with the EU. We looked at this approach, but the results are substantially the same.

market, see Table 1 below.<sup>14</sup> Again we should underline that this approach does not take account of whether these countries stand to gain from multilateral liberalisation at the same time.

**Table 1: Export, export/GDP ratio and preference utilisation rate of potentially vulnerable countries (€ million and % (2003))**

Country	Exports to the EU (€ million)	Pref. exports to the EU (€ million)	Total Exports (€ million)	Pref. exports to EU, share of Total (%)	Exports /GDP (2002-04)	Pref. utilisation (%)
Bahamas	500.5	54.1	375.7	14.4	24.2	100.0
Bangladesh	3541.5	2047.0	6179.5	33.1	11.8	60.2
Belize	78.6	71.5	181.2	39.4	24.0	98.8
Cambodia	491.5	289.0	1872.7	15.4	48.0	61.6
Cameroon	1709.5	335.1	1985.6	16.9	18.0	100.0
Comoros	19.5	13.4	17.7	75.8	10.3	82.2
Côte d'Ivoire	2507.3	870.0	5166.4	16.8	40.4	99.1
Cuba	256.9	146.4	1462.2	10.0	n.a	94.8
Dominica	18.3	16.4	56.7	28.9	25.1	100.0
Fiji	103.6	99.9	601.2	16.6	33.6	100.0
Ghana	1024.5	375.0	2095.2	17.9	26.0	99.2
Guyana	181.3	106.4	460.6	23.1	78.5	100.0
India	12802.2	5825.0	50465.9	11.5	10.6	87.9
Jamaica	414.6	386.0	1038.8	37.2	16.7	99.7
Kenya	785.1	508.7	2131.4	23.9	18.0	94.2
Lao Dem Rep	117.8	65.5	317.4	20.7	21.0	62.0
Madagascar	480.4	405.5	756.7	53.6	17.3	97.0
Malawi	184.2	130.4	405.8	32.1	24.6	89.7
Maldives	20.6	13.5	134.4	10.1	15.2	97.1
Mauritania	304.2	102.5	296.2	34.6	48.3	98.5
Mauritius	1008.2	882.2	1678.0	52.6	36.5	94.5
Mozambique	595.4	301.3	923.8	32.6	21.0	99.9
Namibia	468.4	305.4	1115.7	27.4	n.a	97.7
Pakistan	2894.5	1609.3	10546.7	15.3	12.9	89.6
Papua N. G.	350.0	208.6	1955.5	10.7	101.6	93.6
Samoa	2.5	2.2	13.3	16.5	n.a	96.6
Senegal	334.1	261.6	1176.7	22.2	17.8	94.6
Seychelles	225.9	190.9	245.8	77.7	34.7	97.5
St Kitts-Nevis	9.7	8.9	42.4	21.0	18.4	98.0
St Lucia	23.3	22.4	54.8	41.0	14.7	100.0
St Vincent	52.8	13.8	33.7	41.0	n.a	100.0
Suriname	177.6	67.3	564.0	11.9	61.0	84.8
Tanzania	604.9	160.3	1076.8	14.9	10.1	80.4
Vietnam	4391.2	2441.5	17836.6	13.7	50.0	85.1
Zimbabwe	483.3	356.7	1237.7	28.8	14.1	95.6

*Source:* COMEXT, WTO and own calculations. *Note:* In some cases there are error in the statistics as exports to the EU exceeds world exports. WTO figures on total trade in \$USD have been converted to € using an average of the daily rates for 2003 from the ECB.

<sup>14</sup> Countries for whom figures for one or more thresholds were missing, were included if they passed the threshold(s) for which figures were available. Egypt, Morocco, South Africa and Tunisia are excluded as they have reciprocal trading arrangements with the EU. This research focuses on non-reciprocal preferences. Tuvalu was also excluded as we had no figures on trade over GDP and the figures for total exports to the world are clearly erroneous, as they are ten times less than recorded imports to the EU. In any case, Tuvalu has no HS2 sectors where preferential trade represents more than 5 percent of their EU trade, so it would not have made any difference to the overall analysis.

India is by far the largest exporter, accounting for more than a third of all exports to the EU among the countries in the table. Exports from Vietnam, Bangladesh, Pakistan and Côte d'Ivoire are also important reaching above 5 percent of total exports of the sample. There is a difference between dependence on preferences for exports to the EU and absolute dependence on preferences. The share of preferential exports in exports to the EU is above 90 percent for Fiji, St Lucia, Jamaica, St Kitts-Nevis and Belize. However, the countries most dependent on preferential exports to the EU in relation to their total exports are the Seychelles, Comoros, Madagascar and Mauritius.

The preference utilisation rates for the potentially vulnerable countries identified are also presented in Table 1.<sup>15</sup> Overall, the countries make very good use of the preferences which the EU offers. Out of the 35 countries, 25 have preference utilisation rates of over 90 percent. This indicates that the general criticisms of the EU's preferences due to its 'restrictive' rules of origin are misplaced.<sup>16</sup> Under-utilisation is mainly an issue in Bangladesh, Cambodia and Lao – the three countries whose exports are most heavily concentrated in non-knitted clothing (see below).

### *3.3. Potentially vulnerable sectors*

In order to identify potentially vulnerable sectors, we firstly needed to isolate those sectors which are of importance to the vulnerable countries. We thus extracted data on the preferential exports of these countries to the EU at the two digit level of the Harmonised System (HS). Attempting to be as inclusive as practically possible, we retained all sectors from which preferential exports to the EU were above five percent of those countries' total exports to the EU. 21 HS2 sectors are identified when using this threshold (see Table 2 below). In terms of absolute volume of preferential exports, the textiles sector (knitwear (HS61) and non-knitted clothing (HS62)), footwear (HS64) and the fish sector (HS03) emerge as key to vulnerability, followed by bananas (HS08) and sugar (HS17).

In order to look more closely at the importance of the second factor, we calculated the overall preference utilisation in the lines potentially vulnerable to preference erosion.<sup>17</sup> These figures are presented in Table 2 below. Reflecting the utilisation rates at country level in Table 1, we see that utilisation rates are high – above 90 percent in all but four categories and above 80 percent in all but one – HS62. The utilisation rate is lower in clothing in non-knitted clothing (HS62). It is likely that the double transformation origin rule (requiring clothing to be made up from yarn) may be an issue in this underutilisation in HS62 since knitted clothing (HS61) and other made up textiles (HS63) have relatively high rates of utilisation. The double transformation rule aims to encourage the development of domestic textile industries, but clearly some manufacturers find it more profitable to import third country fabric and pay MFN duties.

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<sup>15</sup> We calculated the preference utilisation rates in the lines potentially vulnerable to preference erosion (approach explained in Section 3.3) looking only at tariff lines within the HS2 sector which are subject to MFN duties.

<sup>16</sup> C.f. for example Brenton and Manchin (2002).

<sup>17</sup> C.f. footnote 15.

**Table 2: Exports, preferential exports and preference utilisation rates in HS2 sectors potentially vulnerable to preference erosion, 2003 (€ million and %)**

HS2	Product	Exports to the EU (€ million)	Preferential exports to the EU (€ million)	Rate of preference utilisation (%)
2	meat and edible meat offal	41.3	41.3	100.0
3	fish, crustaceans & aquatic invert.	898.4	849.4	94.5
6	live trees, plants, bulbs, cut flowers etc	285.9	274.7	96.1
7	edible vegetables & certain roots & tubers	121.9	120.0	98.4
8	edible fruit & nuts; citrus or melon peel	578.9	578.1	99.8
9	coffee, tea, mate & spices	77.8	73.4	94.4
15	animal or vegetable fats, oils etc. & waxes	219.0	204.5	93.4
16	edible prep. of meat, fish, crustaceans etc	374.8	360.8	96.3
17	sugars and sugar confectionary	587.3	587.3	100.0
18	cocoa and cocoa preparations	414.6	408.8	98.6
20	prep vegetabl., fruit, nuts, oth. plant parts	87.5	72.2	82.5
22	beverages, spirits and vinegar	21.6	21.3	98.7
24	tobacco and tobacco products	326.6	302.7	92.7
28	inorganic chemicals	247.5	247.5	100.0
61	knitted clothing	3537.0	2982.7	84.3
62	non-knitted clothing	2765.0	1764.3	63.8
63	other made up textiles	585.6	532.2	90.9
64	footwear	1847.7	1570.8	85.0
72	iron and steel	50.0	46.3	92.7
76	aluminum and articles thereof	555.9	554.5	99.7
85	telecom, tv and sound equip	9.0	8.8	98.0

Source: COMEXT, TARIC and own calculations.

#### 4. Preference margins in NAMA

The final step in defining the vulnerability of countries to preference erosion is to calculate the depth of the preference afforded on the EU market. We identified the tariff applicable to relevant tariff lines for both preferential suppliers and MFN countries and calculated average tariffs on this basis. For each 10 digit tariff line, we then combined tariffs with the details of trade flows (under preferences and MFN) to calculate the preference margin.<sup>18</sup> To do this we took into account two key factors which influence the depth of preference.

Firstly, we take into account the extent to which preferences matter and are actually used. Preferences vary in their importance to exports. Product lines within the same product group classification can be subject to different tariffs.<sup>19</sup> Where there are high levels of MFN zero

<sup>18</sup> In many cases exports from a country in a two digit sector are overwhelmingly focused on one ten digit tariff line. In this case, identification of the preference margin is straightforward and 100 percent of trade could easily be covered. However in several sectors, mostly in the textiles sector, there are exports in hundreds of tariff lines. In order to simplify the task of identifying the preference margin, we extracted 10-digit preferential trade data which represented at least 90 percent of exports to the EU by that country in that sector.

<sup>19</sup> For instance, in HS18 (cocoa and cocoa products) cocoa beans enter the EU at MFN zero, whereas processed products are subject to tariffs of up to 9 percent.

exports, there can be no further trade liberalisation, so these tariff lines are irrelevant to preference erosion. Furthermore, exports that are theoretically subject to preferences may not request (or qualify for) preferential treatment because the costs of complying with these requirements, including rules of origin, may be too high.<sup>20</sup> Underutilisation of preferences provides an incentive for MFN liberalisation. If a given product from a preference beneficiary is imported at the MFN rate as well as the preferential rate, a reduction of the MFN rate will benefit those exporters subject to the MFN rate, thereby counteracting the losses incurred by those exporting at the preferential rate.

Secondly, we provide a measure of the extent to which other competing suppliers are subject to preferences. Most competitors to our ‘vulnerable countries’ are not, in fact, competing against them with MFN tariff rates, but rather are subject to one or other preferential access rate, for example under GSP or a free trade agreement. In addition to the trade weighted preferential rate, we therefore also calculated the trade weighted average competitors’ rate for trade flows in each relevant tariff line in each HS2 sector vulnerable to preferences (see the second-last column).<sup>21</sup>

We assume that preferential exports from competitors enter the EU under the standard GSP scheme and thus overestimate the preferential margin since the standard GSP is the least favourable of the EU’s unilateral preference schemes. However, for Processed fish products HS16, we use the actual tariff rate facing competitors’ exports. Processed fish products are not covered by the standard GSP, but it is by the special GSP regimes that were in force in 2003, under which a majority of competitors’ exports in this sector entered the EU during that year.

We did not undertake this exercise for the agricultural products concerned. In several agricultural tariff lines ad-valorem equivalent (AVE) tariffs are still the subject of debate. Specific duties per ton, minimum entry prices and seasonally adjusted tariffs make it difficult to calculate actual applied tariffs in an objective manner. Although there is an agreement in WTO on how to calculate AVEs, there is not yet conclusive agreement on the numbers. Certainly the indications are that these preferences are probably the deepest which the EU affords.<sup>22</sup> However it is also the case that the two most affected sectors – sugar and bananas – have both been subject to erosion of preferences on the EU market recently for reasons unrelated to the current multilateral negotiations.<sup>23</sup> These two sectors have recently been the subject of an in-depth analysis by the IMF for the Caribbean which provides a useful complement to this work.<sup>24</sup>

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<sup>20</sup> The administrative requirements may be too cumbersome or too costly to meet in relation to the preference to be obtained.

<sup>21</sup> The WTO (2005 and 2006) uses the same approach.

<sup>22</sup> Others have sought to make such calculations in this context, most recently WTO (2006).

<sup>23</sup> The banana regime was reformed further to a challenge in WTO and the sugar regime was reformed as part of the EU’s internal reform process in agriculture. Both of these changes potentially reduced the value of EU preferences afforded to ACP countries. It could be argued, therefore, that it is not appropriate to consider them in this context.

<sup>24</sup> IMF (2006) The macroeconomic consequences of EU trade preference erosion for Caribbean banana and sugar producers, Overview note. Workshop for High Level officials, IMF Washington, 27 April 2006. This research looks at the impact of current reforms, rather than full liberalisation. It found that the most significant

**Table 3: Applied tariffs in HS2 NAMA sectors for countries potentially vulnerable to preference erosion and for competitors (%)**

HS2	Average rates			Trade weighted rates, accounting for use of preferences		Preference margin
	MFN	ACP/GSP+	Competitors*	Pot. vulnerable countries	Competitors	
03 – Fish	12.0	0.0	7.1	0.6	6.2	5.6
16 - Processed fish	24.0	0.0	11.9	0.9	10.8	9.9
28 – inorganic chem..	4.0	0.0	4.0	0.0	4.0	4.0
61 – knitted clothing	11.9	1.6	9.5	4.1	11.0	6.9
62 – non-knitted cloth.	11.7	1.7	9.4	7.4	11.1	3.7
63 – made up textiles	11.2	0.0	9.0	1.1	9.3	8.2
64 – footwear	12.7	4.8	8.3	8.3	7.2	-1.1
72 – iron and steel	4.0	0.0	0.0	0.3	1.8	1.6
76 – aluminium	6.0	0.0	6.0	0.0	6.0	6.0
85 – telecom etc.	2.4	0.0	0.0	0.1	0.1	0.1

*Source:* Own calculations. \* Including MFN, standard GSP preferences and in the case of HS16 actual trade weighted applied tariffs. The figures in the last column may not add-up due to rounding off.

The preference margin by potentially vulnerable HS2 sector is presented in the last column in Table 3 and is the difference between the second-last and third-last columns of the table. The largest margin is found in Processed fish HS16, the textiles sectors, particularly HS63<sup>25</sup> but also HS 61,<sup>26</sup> in Aluminium HS76 and in Fish HS03. A negative margin is evident in footwear. This is due to the fact that the country most vulnerable – Vietnam – is not subject to the most favourable preferential treatment, being eligible ‘only’ for GSP. Thus several other key exporters receive more favourable treatment on the EU market.

Based on the figures in the last column of Table 3 above, the preference margin by country is shown in the last column of Table 4 below.<sup>27</sup> The most notable thing about the figures is how relatively low the preference margins are. The (simple) average preference margin is 5.9 percent and only two countries have preference margins in NAMA vis-à-vis competitors that are higher than 10 percent, namely 14.0 percent for Maldives (Fish and Processed fish) and 10.2 percent for Samoa (Knitted clothing (HS61)). The former margin relates to a processed fish tariff line (1604141125 – other preserved fish) and the latter to a clothing tariff line (6110129090 – women’s’ or girls’ cashmere pullovers) for which the two countries are practically the sole users of preferences.

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impacts will be seen due to erosion of sugar preferences where Guyana risks losing 6.5 percent of GDP, Belize 1.4 percent of GDP, with others well below 1 percent. In bananas the most significant effects will be felt in St Vincent (loss of 1.8 percent of GDP), Belize and St Lucia (both 1.4 percent of GDP).

<sup>25</sup> It is notable that the high margin for HS 63 relates to household textiles exports from Pakistan, which are no longer subject to such high preference margins under the new GSP.

<sup>26</sup> HS62 margins are rather lower, reflecting relatively low utilisation rates for several vulnerable countries.

<sup>27</sup> Note that for ten countries there are no figures in the last column because they do not export significant levels of NAMA products under preferences.

**Table 4: Main economic indicators for potentially vulnerable countries at HS2 level and preference margins (€, € million and %)**

Country	GDP per capita (€)	Current GDP (€ billion)	Pref. margin vis-à-vis comp. in NAMA (% points)
Bahamas <sup>ACP, s</sup>	14.909	4.8	6.6
Bangladesh <sup>a, b</sup>	322	49	5.9
Belize <sup>ACP, s</sup>	3.204	0.9	
Cambodia <sup>a, b</sup>	298	4.3	6.2
Cameroon <sup>ACP, b</sup>	756	13.5	
Comoros <sup>ACP, a, s</sup>	484	0.3	
Côte d'Ivoire <sup>ACP, b</sup>	688	13.1	
Cuba <sup>ACP</sup>	na	na	6.3
Dominica <sup>ACP, s</sup>	3.170	0.2	2.2
Fiji <sup>ACP, s</sup>	2.577	2.2	
Ghana <sup>ACP, b</sup>	405	8.5	7.3
Guyana <sup>ACP, s</sup>	828	0.6	
India <sup>b</sup>	552	599.7	0.6
Jamaica <sup>ACP, s</sup>	2.847	7.7	5.6
Kenya <sup>ACP, b</sup>	449	15	
Lao D. Rep <sup>a, b</sup>	367	2.2	6.0
Madagascar <sup>ACP, a, b</sup>	222	4	7.4
Malawi <sup>ACP, a, b</sup>	127	1.6	
Maldives <sup>a, s</sup>	1.982	0.7	14.0
Mauritania <sup>ACP, a, b</sup>	507	1.5	4.8
Mauritius <sup>ACP, s</sup>	3.959	4.9	9.3
Mozambique <sup>ACP, a, b</sup>	292	5.7	5.9
Namibia <sup>ACP</sup>	1.873	4	6.9
Pakistan <sup>b</sup>	625	96.2	9.0
Papua N.G. <sup>ACP, b, s</sup>	471	2.8	6.8
Samoa <sup>ACP, a, s</sup>	1.464	0.3	10.2
Senegal <sup>ACP, a, b</sup>	638	6.8	6.4
Seychelles <sup>ACP, s</sup>	6.712	0.6	8.7
St Kitts-Nev <sup>ACP, s</sup>	8.245	0.3	1.0
St Lucia <sup>ACP, s</sup>	3.744	0.7	
St Vincent <sup>ACP, s</sup>	3.227	0.3	
Suriname <sup>ACP</sup>	1.931	0.9	2.8
Tanzania <sup>ACP, a</sup>	261	9.8	6.9
Vietnam <sup>b</sup>	456	38	0.4
Zimbabwe <sup>ACP, b</sup>	542	6.4	1.1

Source: Own calculations, United Nations and the World Bank. Note: Based on the assumptions and thresholds in text. <sup>ACP</sup> denotes ACP country, <sup>a</sup> denotes LDC, <sup>b</sup> denotes low-income country and <sup>s</sup> denotes small island developing state.

The high levels of preferential trade in many lines within the vulnerable sectors and the consequent low preference margins indicate that, in some NAMA sectors, preferences give relatively little absolute advantage on the EU market to the preference users, as most suppliers have access to similar treatment. If most suppliers face a preferential tariff, then the implications of reductions in that tariff are rather different to a situation where only one or two suppliers have advantages on the market over all others.

## 5. Characteristics of affected countries and their vulnerability

In order to assess the extent to which countries are vulnerable to preference erosion, it is also important to consider their level of general economic development. Clearly a very poor country with little resources will find it much more difficult to undertake the restructuring of their economy which preference erosion will engender. Table 4 shows the key economic indicators of the affected countries, together with their internationally defined characteristics (indicated with codes beside the country name) and their total preferential exports to the EU for information.

In looking at these figures it is helpful to recall the characteristics behind these classifications. Least Developed Countries are a UN classification based on income and vulnerability.<sup>28</sup> Low income countries (LIC) are a World Bank classification based solely on income (below \$825 per capita). Africa Caribbean Pacific (ACP) are those countries benefiting from preferences under the Cotonou Agreement. Small island developing states (SIDS) are largely self declared and, indeed, are not always islands. They have a certain amount of legitimacy and special treatment in the UN, although it is the vaguest of the UN categories for developing countries in having no specific criteria for membership. It is clear from the table that vulnerability to preference erosion is most prevalent amongst ACP countries, followed by LICs, SIDS and finally, LDCs.

Given that there are 50 LDCs and that they have exceptionally high levels of access to the EU market under the Everything But Arms initiative, the fact that there are ‘only’ 12 LDCs which emerge as vulnerable to preference erosion in NAMA may seem at first to be contradictory. However, these countries are those with the greatest supply side constraints, as well as a tendency for exports to be concentrated in raw materials and other commodities where MFN tariffs are very low or zero. This indicates that the poorest countries are often not the most vulnerable to preference erosion.

Looking at the table in more detail, the most important LDC exporter of preferential goods is Bangladesh. Exports from Bangladesh are overwhelmingly concentrated in clothing, where they should have significant preference margins. However they have a real preference margin of 5.9 percent, as large amounts (77 percent) of their woven clothing exports (HS62) entered the EU under MFN tariffs. That sector of their industry, which represented 37 percent of their total exports to the EU in 2003, therefore has a strong interest in MFN liberalisation.

Looking at the other LDCs in the table, most of Mozambique’s preferential exports are in aluminium where preference margins are 6.0 percent. Although they also export fish, where margins are higher, their overall preference margin remains at 5.9 percent. Madagascar exports mainly fish and clothing, both of which have relatively high preference margins compared to MFN, although as a lot of fish trade is preferential, their margins compared to competitors are only 7.4 percent. Cambodia and Lao are also vulnerable in clothing, although with the same tendency to export woven clothing MFN as Bangladesh and therefore real preference margins of about 6 percent, Senegal in fish (margin 6.4 percent), Malawi in

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<sup>28</sup> The criteria are a low-income criterion (under \$750 for inclusion, above \$900 for graduation); a human resource weakness criterion, including indicators of: (a) nutrition; (b) health; (c) education; and (d) adult literacy; and an economic vulnerability criterion, based on indicators of: (a) the instability of agricultural production; (b) the instability of exports of goods and services; (c) the economic importance of non-traditional activities (share of manufacturing and modern services in GDP); (d) merchandise export concentration; and (e) the handicap of economic smallness (as measured through the population in logarithm); and the percentage of population displaced by natural disasters. In addition, the population must not exceed 75 million.

tobacco and some sugar, Mauritania in fish (margin 4.8 percent), Maldives in fish (margin 14.0 percent), Tanzania in fish (6.9 percent) and Samoa in clothing (margin 10.2 percent) and fats and oils.

Thus for the poorest countries in our sample, with the sole exception of Malawi, the key sectors of vulnerability are non-agricultural products – essentially clothing and fish – where preference margins are not as high as might be expected. Considering other countries in the table and recalling the figures on trade in Table 1, the country with the largest preferential exports in potentially vulnerable sectors is India. However India benefits from standard GSP rates of preferences, which are less generous than the EBA rates or the rates applied under the Cotonou Agreement and therefore has an overall interest in MFN liberalisation. The same is true of Vietnam and, with the recent change in the GSP, for Pakistan.<sup>29</sup> For Mauritius, however, subject to zero duties in clothing and sugar, vulnerability is certainly an issue. It is also an issue for several other ACP countries dependent on sugar and/or bananas, many of whom are also SIDS with limited potential for economic diversification.

## **6. Summary and conclusion**

In this paper we define vulnerability to preference erosion as being an issue for countries having at least 10 percent of both exports to the EU and exports to the world dependent on EU preferences while exports should represent at least 10 percent of GDP. We then consider which HS2 sectors within these countries that are dependent on preferences for at least 5 percent of these countries' exports to the EU. On this basis we identify 35 countries and 21 sectors which are potentially vulnerable on the EU market. Ten of these 35 countries export significant amounts of preferential goods to the EU only in AMA products.

If we look in more detail at preference utilisation and applied tariffs for the 25 countries exporting NAMA products we find that, for many countries, preference margins are not very high in the EU market. Only two countries have preference margins in NAMA that are higher than 10 percent and the highest preference margin is for Maldives at 14.0 percent. This is primarily due to high utilisation of other preferences by competing suppliers. This latter factor means that the preference provided by Cotonou or EBA on the EU market give little absolute advantage to the potentially vulnerable countries, as most competing suppliers also have access to some kind of preferential treatment, which is often as good as, or close to, their own in the bulk of their exports.

Some initial conclusions can be drawn from the analysis that we have presented here. EU preferences are well used, in spite of claims to the contrary. As a result, beneficiaries will see an erosion of their preferences on the EU market. However, the poorest countries are often not those most affected by preference erosion. Many export goods mainly under zero MFN duties and for them, preference erosion is not an issue. SIDS is the key affected group. In spite of often relatively high GDP/capita, they are rather small and thus likely to face difficulties with diversifying their economies. For those countries that are likely to be affected, bananas, sugar, and fish and fish products are the vulnerable sectors.

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<sup>29</sup> In 2003, Pakistan was subject to significantly reduced duties under the 'GSP Drugs' special provision for countries addressing the problem of trade in illicit drugs. Further to a challenge in WTO, the EU has revised its GSP regime and Pakistan is subject to standard GSP rates under the new GSP.

Efforts are already underway to address the difficulties which are caused by preference erosion.<sup>30</sup> In the case of both sugar and bananas, the EU has already established mechanisms to support the ACP countries that are dependent on its preferences (in both cases it is ACP countries which will be primarily affected). In sugar an assistance plan worth €40 million for 2006 has been established for ACP suppliers as part of the recent sugar reform (CEC, 2005). Future years are likely to see higher allocations. In bananas, an assistance scheme was established in 1999 to run for a maximum of 10 years. By 2004 it had provided almost €200 million in aid to banana producing nations to boost their productivity and, increasingly, to encourage diversification (CEC, 2004). The allocation for 2006 is €31 million.

The sectors affected in NAMA, like clothing, may be less heavily hit as preference margins are lower, however trade volumes and thus the number of jobs dependent on the sector are higher. For these sectors other more generic efforts may be required for affected countries. For example, the EU has already pledged significant quantities of support for ‘Aid for Trade’ of at least €1 billion annually (CEC, 2005a). This will help to support to integration of developing countries into the world trading system, including those countries hit by preference erosion.

Several trade solutions have also been proposed to preference erosion. WTO (2005) indicates that increasing utilisation rates of preferences, extending them to other products or markets all have potential to mitigate potentially negative effects. In the EU’s case, the potential to extend preferences is rather low for most affected countries that are ACP or LDC or both and therefore already have very high or complete access to the EU market.

Extending preferences to other markets would help to reduce dependence on the EU, as we have seen that many countries are very dependent on the EU market. This is one of the reasons why the EU has been encouraging other developed countries to follow its lead in providing duty free and quota free access to LDCs. In this context, the recent agreement in Hong Kong by developed countries to liberalise 97 percent of their tariff lines for LDCs is welcome, but not sufficient (WTO, 2005a). In particular it leaves ample opportunity to retain protection in the sectors affected by preference erosion, such as key clothing categories.

The potential to increase utilisation rates for exports to the EU market are low in most sectors, except for in certain clothing lines. This is probably related to the current rules of origin in force in this sector. The need to take into account the development needs of beneficiaries will be one of the issues considered in the revision of the rules of origin currently being considered within the EU (CEC, 2005b).

Coping with the difficulties engendered by preference erosion will clearly be more difficult for the poorer and smaller countries amongst those affected. For them, special measures will be required in order to support economic diversification and encourage exploitation of the potential opportunities which the DDA will offer.

How to support these countries is certainly one of the thorniest issues in the DDA negotiations, in particular whether both trade and non-trade approaches are appropriate.<sup>31</sup>

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<sup>30</sup> However these efforts are linked to changes in the EU’s internal policies rather than to multilateral trade liberalisation

<sup>31</sup> Substantial differences between the recipients of preferences and others emerged at a recent seminar on preference erosion organised by WTO in Geneva (April 03, 2006).

However this research indicates that the problem is rather limited in scope, affecting only certain sectors and countries. For most countries eligible for preferences, it is not a major problem. It should therefore be manageable within a comprehensive settlement.

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**Table A1: Summary of study estimates on the potential effects of preference erosion for developing countries**

Methodology	General equilibrium			Partial equilibrium		
Study	Francois et. al (2005) <sup>a</sup>	IMF (2005) <sup>b</sup>	OECD (2005) <sup>c</sup>	WTO (2003)	Alexandraki and Lankes (2004) <sup>†</sup>	WTO (2005) <sup>††</sup>
Country	Change in real income (\$ million)	Change in real income (\$ billion / %)	Change in per capita welfare (%) *	Change in total exports of goods (%) / (\$ million)**		Change in preference value (%)
Bahrain						1.1
Bangladesh	- 138.2					
Belize					- 9.1 / 18	
Botswana	16.4					
Cape Verde				- 6.3 / 0.9		
Dominica					- 5.5 / 2	
El Salvador						- 5.2
Fiji					- 7.8 / 41	
Guatemala						- 4.2
Guyana					- 7.9 / 41	
Haiti				- 6.4 / 3.9		- 6.1
Honduras						- 4.6
India	275.8					
Lesotho						- 7.4
Madagascar	9.8					
Malawi	- 7.0		0.62	- 11.5 / 48.6		
Malaysia						
Maldives						1.1
Mauritania				- 8.8 / 40.4		
Mauritius					- 11.5 / 201	
Mongolia						3.0
Morocco			-0.09			
Mexico			-0.13			
Mozambique	- 14.3		-0.22			

Continued on next page

Nepal						1.3
Sao Tome and Principe				- 5.2 / 1.1		
Sri Lanka			0.87			1.6
St. Kitts and Nevis					- 8.9 / 3	
St. Lucia					- 9.8 / 4	
Tanzania	1.5		-0.08			
Tunisia						
Uganda	- 4.3		-0.11			
Vietnam	1774.8		0.97			
Zambia	- 21.3		-0.15			
Sub-Saharan Africa		0.4 / 0.10				
South Africa		0.4 / 0.25				
Other Southern Africa***		0.1 / 0.19				
Rest of SSA		- 0.1 / 0.02	-0.05			
African LDCs	- 110.5					
Asia/Other LDCs	- 87.4					
Other Low Income	2050.5					
Developing countries		16.1 / 0.16				0.2
LDCs						-0.8
Rest of SACU			1.65			
Rest of Oceania			0.47			

Source: See list of references.

Note: <sup>a</sup> Income effects of full preference erosion.

<sup>b</sup> In agriculture, the United States cuts its actual domestic support by 28 percent, Norway by 18 percent, the EU by 16 percent, and Australia by 10 percent. The average applied agricultural tariff is cut by 44 percent for developed countries as a group and by 21 percent for developing countries. Agricultural export subsidies are eliminated completely. Non-agricultural tariff bindings are cut by 50 percent in high-income countries, 33 percent in developing countries, and zero in the least developed countries.

<sup>c</sup> Welfare implications of simultaneous 50 percent cut in ad-valorem equivalent measures of protection by the QUAD and Australia.

\* Welfare implications of simultaneous 50 percent cut in ad-valorem equivalent measures of protection by the QUAD and Australia. All developing countries experiencing negative effects are include as are the five countries gaining the most in improved welfare.

\*\* Only losses greater than 5 per cent of exports have been included.

\*\*\* Botswana, Madagascar, Malawi, Mozambique, Tanzania, Uganda, Zambia, and Zimbabwe.

† Results based of an export elasticity of 0.

†† Impact of NAMA MFN tariff reduction on preference value and scope for future preferences, 2003 (Swiss formula cut with the coefficient=10 applied on 2003 MFN applied rates). The five most negative and positively affected countries are included. Based on adjusted preference margins.

**Table A2: Developing countries' preferential exports to the EU, total exports and export/GDP ratio € million and % (2003)**

Country	Exports to the EU (€ million)	Pref. exports to the EU (%)	Total Exports (€ million)	Pref. exports to EU, share of Total (%)	Exports /GDP (2002-04)
<b>Fiji</b>	<b>103.6</b>	<b>96.4</b>	<b>601.2</b>	<b>16.6</b>	<b>33.6</b>
<b>St Lucia</b>	<b>23.3</b>	<b>96.3</b>	<b>54.8</b>	<b>41.0</b>	<b>14.7</b>
<b>Jamaica</b>	<b>414.6</b>	<b>93.1</b>	<b>1038.8</b>	<b>37.2</b>	<b>16.7</b>
Swaziland	115.6	92.6	1381.8	7.7	n.a
St Kitts-Nev	<b>9.7</b>	<b>91.7</b>	<b>42.4</b>	<b>21.0</b>	<b>18.4</b>
Belize	<b>78.6</b>	<b>91.0</b>	<b>181.2</b>	<b>39.4</b>	<b>24.0</b>
<b>Mauritius</b>	<b>1008.2</b>	<b>87.5</b>	<b>1678.0</b>	<b>52.6</b>	<b>36.5</b>
<b>Samoa</b>	<b>2.5</b>	<b>87.5</b>	<b>13.3</b>	<b>16.5</b>	<b>n.a</b>
<b>Seychelles</b>	<b>225.9</b>	<b>84.5</b>	<b>245.8</b>	<b>77.7</b>	<b>34.7</b>
<b>Madagascar</b>	<b>480.4</b>	<b>84.4</b>	<b>756.7</b>	<b>53.6</b>	<b>17.3</b>
Nepal	88.3	79.9	585.2	12.1	9.7
<b>Senegal</b>	<b>334.1</b>	<b>78.3</b>	<b>1176.7</b>	<b>22.2</b>	<b>17.8</b>
Cape Verde	10.8	77.2	11.5	72.8	3.1
<b>Zimbabwe</b>	<b>483.3</b>	<b>73.8</b>	<b>1237.7</b>	<b>28.8</b>	<b>14.1</b>
<b>Malawi</b>	<b>184.2</b>	<b>70.8</b>	<b>405.8</b>	<b>32.1</b>	<b>24.6</b>
<b>Comoros</b>	<b>19.5</b>	<b>68.7</b>	<b>17.7</b>	<b>75.8</b>	<b>10.3</b>
Guinea-Bissau	7.5	67.6	61.0	8.3	40.5
<b>Maldives</b>	<b>20.6</b>	<b>65.6</b>	<b>134.4</b>	<b>10.1</b>	<b>15.2</b>
<b>Namibia</b>	<b>468.4</b>	<b>65.2</b>	<b>1115.7</b>	<b>27.4</b>	<b>n.a</b>
<b>Kenya</b>	<b>785.1</b>	<b>64.8</b>	<b>2131.4</b>	<b>23.9</b>	<b>18.0</b>
Trinidad Tobago	380.3	62.8	4577.6	5.2	53.9
Barbados	37.9	62.0	185.7	12.7	8.0
Zambia	100.0	60.5	835.4	7.2	23.8
<b>Papua New Guinea</b>	<b>350.0</b>	<b>59.6</b>	<b>1955.5</b>	<b>10.7</b>	<b>101.6</b>
Yemen	59.6	59.1	3301.0	1.1	31.6
<b>Cambodia</b>	<b>491.5</b>	<b>58.8</b>	<b>1872.7</b>	<b>15.4</b>	<b>48.0</b>
<b>Guyana</b>	<b>181.3</b>	<b>58.7</b>	<b>460.6</b>	<b>23.1</b>	<b>78.5</b>
<b>Bangladesh</b>	<b>3541.5</b>	<b>57.8</b>	<b>6179.5</b>	<b>33.1</b>	<b>11.8</b>
<b>Cuba</b>	<b>256.9</b>	<b>57.0</b>	<b>1462.2</b>	<b>10.0</b>	<b>n.a</b>
<b>Lao Dem Rep</b>	<b>117.8</b>	<b>55.6</b>	<b>317.4</b>	<b>20.7</b>	<b>21.0</b>
<b>Pakistan</b>	<b>2894.5</b>	<b>55.6</b>	<b>10546.7</b>	<b>15.3</b>	<b>12.9</b>
<b>Vietnam</b>	<b>4391.2</b>	<b>55.6</b>	<b>17836.6</b>	<b>13.7</b>	<b>50.0</b>
Bahrain	227.5	54.5	5626.1	2.2	107.9
Vanuatu	2.6	53.1	23.9	5.8	39.2
Gambia	8.0	52.3	10.6	39.4	7.6
<b>Mozambique</b>	<b>595.4</b>	<b>50.6</b>	<b>923.8</b>	<b>32.6</b>	<b>21.0</b>
Dominican Republic	324.1	43.57	4836.6	6.7	25.4
<b>India</b>	<b>12802.2</b>	<b>45.5</b>	<b>50465.9</b>	<b>11.5</b>	<b>10.6</b>
Guatemala	261.4	44.4	2200.4	5.3	20.0
Ecuador	1089.5	42.1	5338.8	8.6	23.2
<b>Suriname</b>	<b>177.6</b>	<b>37.9</b>	<b>564.0</b>	<b>11.9</b>	<b>61.0</b>
<b>Ghana</b>	<b>1024.5</b>	<b>36.6</b>	<b>2095.2</b>	<b>17.9</b>	<b>26.0</b>
<b>Côte d'Ivoire</b>	<b>2507.3</b>	<b>34.7</b>	<b>5166.4</b>	<b>16.8</b>	<b>40.4</b>
Uganda	225.2	33.9	470.3	16.2	8.7
<b>Mauritania</b>	<b>304.2</b>	<b>33.7</b>	<b>296.2</b>	<b>34.6</b>	<b>48.3</b>

Togo	60.9	31.5	544.6	3.5	22.0
Sri Lanka	1226.8	31.3	4530.7	8.5	28.6
Oman	126.0	31.2	10316.0	0.4	50.0
Mongolia	21.5	29.1	544.6	1.1	49.6
Kuwait	1688.5	27.9	18280.3	2.6	38.6
Honduras	264.4	27.7	1177.6	6.2	20.0
Indonesia	9422.8	27.1	56673.7	4.5	26.4
Nicaragua	70.5	27.1	534.8	3.6	19.7
<b>Tanzania</b>	<b>604.9</b>	<b>26.5</b>	<b>1076.8</b>	<b>14.9</b>	<b>10.1</b>
<b>St Vincent</b>	<b>52.8</b>	<b>26.2</b>	<b>33.7</b>	<b>41.0</b>	<b>n.a</b>
Eritrea	2.7	25.8	30.9	2.3	n.a
Tadjikistan	72.8	24.7	704.6	2.6	51.2
Kyrgyzstan	10.3	24.2	514.5	0.5	30.7
Ukraine	2723.7	23.7	20403.8	3.2	46.7
Burkina Faso	40.5	23.6	288.2	3.3	5.9
Nauru	0.6	22.6	n.a.	n.a.	n.a
United Arab Emir.	3431.8	22.3	59350.6	1.3	56.8
Gabon	381.1	22.2	2498.3	3.4	60.9
Thailand	10243.2	21.4	71018.2	3.1	55.0
Uruguay	556.2	20.8	1943.1	6.0	20.5
Belarus	867.5	20.0	8792.4	2.0	56.7
Argentina	5700.9	19.8	26137.8	4.3	24.3
Turkmenistan	239.5	19.8	3210.9	1.5	29.8
Bolivia	79.4	19.7	1390.6	1.1	18.6
<b>Cameroon</b>	<b>1709.5</b>	<b>19.6</b>	<b>1985.6</b>	<b>16.9</b>	<b>18.0</b>
Venezuela	1718.7	19.5	23990.0	1.4	34.5
China	93321.5	17.8	387414.6	4.3	26.1
Haiti	13.6	17.4	306.8	0.8	10.6
Peru	2207.7	17.4	7944.1	4.8	15.1
Georgia	212.8	17.0	411.1	8.8	11.5
Colombia	2234.2	16.6	11201.8	3.3	16.1
Armenia	146.2	15.6	599.4	3.8	20.8
El Salvador	88.5	14.9	2765.3	0.5	20.9
Brazil	16833.8	14.7	64609.8	3.8	14.5
Lesotho	5.5	14.6	424.3	0.2	n.a
Niger	9.3	14.3	299.7	0.4	7.4
Tuvalu	1.0	13.9	0.1	102.1	n.a
Costa Rica	2386.0	13.5	5394.5	6.0	33.2
Uzbekistan	499.3	12.4	2819.2	2.2	20.7
Grenada	13.3	12.3	33.6	4.9	10.7
Solomon Islands	1.6	12.3	65.4	0.3	55.8
Ethiopia	160.5	12.0	445.6	4.3	8.0
<b>Bahamas</b>	<b>500.5</b>	<b>10.8</b>	<b>375.7</b>	<b>14.4</b>	<b>24.2</b>
Congo	321.7	10.5	2325.0	1.4	35.2
Benin	32.5	9.9	490.6	0.7	8.2
Panama	457.3	9.8	763.8	5.9	6.1
Malaysia	13090.8	9.7	92796.7	1.4	98.3
Philippines	6095.0	9.5	32732.8	1.8	42.9
Qatar	377.1	9.3	11663.2	0.3	58.9
Guinea	364.2	9.0	538.4	6.1	19.2
Sao Tome Principe	6.7	8.2	5.9	9.4	n.a
Equatorial Guinea	890.5	7.9	2607.1	2.7	80.5
Sudan	202.3	7.9	2247.2	0.7	15.0
Kiribati	0.3	6.8	2.2	1.0	43.4

Syrian Arab Rep	2777.0	6.8	5066.5	3.7	51.7
Moldavia	175.9	6.7	698.7	1.7	38.8
Sierra Leone	109.9	5.7	81.3	7.7	14.0
Iran	6821.2	5.5	30049.7	1.2	21.7
Paraguay	287.0	4.9	1098.0	1.3	21.3
Mali	44.5	4.6	814.3	0.2	5.2
Somalia	1.3	4.6	n.a.	n.a.	n.a.
Saudi Arabia	11774.3	4.4	82543.6	0.6	38.4
Djibouti	4.3	3.8	32.7	0.5	31.6
Bhutan	0.3	3.7	117.6	0.0	n.a.
Botswana	1506.5	3.7	2673.4	2.1	n.a.
Kazakhstan	3440.2	3.0	11427.8	0.9	43.5
Nigeria	6113.1	2.9	17581.1	1.0	42.3
Rwanda	13.4	2.9	55.7	0.7	12.5
Tonga	3.2	2.9	15.6	0.6	17.6
Afghanistan	18.4	2.6	309.4	0.2	3.3
Russia	42095.8	2.5	120167.8	0.9	29.5
Burundi	21.6	2.4	33.3	1.6	6.0
Azerbaijan	1042.8	1.6	2291.5	0.7	29.3
Central Africa	90.3	0.7	107.9	0.6	12.2
Antigua Barbuda	482.0	0.6	42.4	6.6	58.7
Brunei	44.5	0.6	3663.5	0.0	82.6
Congo (Dem Rep)	702.8	0.5	1132.5	0.3	19.6
Angola	1130.9	0.2	8405.5	0.0	57.7
Liberia	918.0	0.2	238.7	0.8	n.a.
Chad	39.4	0.0	394.3	0.0	13.1

*Source:* COMEXT, WTO. *Note:* In some cases there are error in the statistics as exports to the EU exceeds world exports. WTO figures on total trade in \$USD have been converted to € using an average of the daily rates for 2003 from the ECB.