



KEY STATISTICS AND TRENDS

in Trade Policy 2020



THE REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP





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CONTENTS

NOTE	iv
OVERVIEW	v
DATA SOURCES	vi
GLOSSARY	vii
IN FOCUS: THE REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP	1
1. TARIFFS	7
Average import and export restrictiveness, by region	7
Multilateral and preferential tariff liberalization	8
Free trade and remaining tariffs, by broad category	9
Trade weighted average tariffs, by region, broad category and sector	10
Tariff peaks, by region, broad category and sector (2019)	11
Tariff escalation by region, broad category and sector (2019)	12
Tariff restrictiveness, matrix by region (percentage), 2019	13
Relative preferential margins, matrix by region (percentage), 2019	14
Import restrictiveness	15
2. TRADE AGREEMENTS	16
Trade agreements	16
Importance of preferential trade agreements	17
Policy space: Multilateral constraints	18
3. NON-TARIFF MEASURES	19
Prevalence of non-tariff measures, by type and broad category (2019)	19
Non-tariff measures, by sector (2019)	20
Technical non-tariff measures, by country	21
Border measures: coverage and ad-valorem equivalents	22
4. TRADE DEFENCE MEASURES	23
Trade defence measures (2015–2019)	23
Trade defence measures in effect, by country	24

NOTE

Key Statistics and Trends in Trade Policy is a yearly publication of the Trade Analysis Branch, Division on International Trade and Commodities, UNCTAD secretariat. The main purpose of this publication is to inform on the use and effects of a wide range of trade policies influencing international trade.

The series is part of a larger effort by UNCTAD to analyse trade-related issues of particular importance to developing countries in terms of their participation in the international trading system, as requested by the mandate of the fourteenth session of the United Nations Conference on Trade and Development. This study was prepared by Alessandro Nicita.

OVERVIEW

With the notable exception of the increase in bilateral tariffs between the United States and China, tariffs have remained substantially stable during the last few years with tariff protection remaining a critical factor only in certain sectors in a limited number of markets. On the other hand, the use of regulatory measures and other non-tariff measures remains widespread.

As of 2019, trade costs directly related to tariffs were at about 2 per cent for developed countries and at about 4 per cent for developing countries. Tariff restrictiveness remains substantial in many developing countries, especially in South Asia and sub-Saharan African countries. Moreover, tariffs remain relatively high in some sectors where tariff peaks are present. Those sectors include some of key interest to low income countries such as agriculture, apparel, textiles and leather products. Tariffs also remain substantial for most South–South trade.

International trade is subject to and influenced by a wide array of policies and instruments reaching beyond tariffs. Technical measures and requirements regulate about two thirds of world trade, while various forms of sanitary and phytosanitary measures (SPS) are applied to almost all agricultural trade. Border measures contribute substantially to trade costs. On average the compliance costs of such measures are generally higher than tariffs. The World Trade Organization (WTO) remains an important arbiter of trade disputes, however the past few years have seen a general decrease in the number of trade defence investigations brought to the WTO.

The process of deeper economic integration has remained strong at the regional and bilateral levels, with an increasing number of preferential trade agreements (PTAs) being negotiated and implemented. Most of the recent PTAs address not only goods but also services and increasingly deal with rules beyond reciprocal tariff concessions to cover a wide range of behind the border issues. As of 2019, about half of world trade has occurred under some form of PTA.

This report is structured in two parts. The first part provides a discussion and statistics on the Regional Comprehensive Economic Partnership. The second part presents and discusses trends in selected trade policy instruments including illustrative statistics. The second part is divided into four chapters: tariffs, trade agreements, non-tariff measures, and trade defence measures. Trade trends and statistics are provided at various levels of aggregation illustrating the use of the trade policy measures across economic sectors and geographic regions.

DATA SOURCES

All statistics in this publication have been produced by the UNCTAD secretariat by using data from various sources. Data on tariffs and non-tariff measures originate from the UNCTAD Trade Analysis and Information System (TRAINS) database (<http://trains.unctad.org/>), while data on bound tariffs derive from the WTO's Consolidated Tariff Schedules database (tdf.wto.org). Trade data are from the United Nations Commodity Trade Statistics Database (COMTRADE; comtrade.un.org). Data on trade defence measures are sourced from the WTO I-TIP (i-tip.wto.org). Tariff and trade data are at the Harmonized System 6-digit level and have been standardized to ensure comparability across countries. Data related to preferential trade agreements are derived from various databases, including the WTO regional trade agreement gateway (rtais.wto.org) and the World Bank global preferential agreements database (wits.worldbank.org/gptad/trade_database.html). Other macro level data used in the figures originate from UNCTADstat (unctadstat.unctad.org). Unless otherwise specified, aggregated data cover more than 160 countries representing over 95 per cent of world trade. Data on non-tariff measures covers around 80 countries, covering about 90 per cent of world trade.

Countries are categorized by geographic region as defined by the United Nations classification (UNSD M49). Developed countries comprise those commonly categorized as such in United Nations statistics. For the purpose of this report, transition economies, when not treated as a single group, are included in the broad aggregate of developing countries. Product sectors are categorized according to the Broad Economic Categories (BEC) and the International Standard Industrial Classification (ISIC). Preferential trade agreements that relate to both goods and services are counted as one. Non-tariff measures are classified according to UNCTAD classification 2019 (https://unctad.org/en/PublicationsLibrary/ditctab2019d5_en.pdf).

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

GLOSSARY

- Antidumping:** A trade policy instrument within the WTO framework to rectify the situation arising out of the dumping of goods and its trade distortive effect
- Ad-valorem equivalent:** the conversion in percentage terms of the cost of a trade policy measure not expressed in percentage terms
- Applied tariff:** The actual tariff rate in effect at a country's border
- Binding overhang:** The extent to which a country's WTO bound tariff rate exceeds its applied rate
- Bound tariff line:** See tariff binding
- Countervailing duty:** A tariff designed to counteract the effect of export subsidies
- Coverage ratio:** The percentage of trade affected by a measure or set of measures
- Deep trade agreements:** Agreements that include provisions that go beyond reciprocal reductions of tariffs
- Duty-free:** Not subject to import tariffs
- Export restrictiveness:** The average level of tariff restrictions imposed on a country's exports as measured by the MA-TTRI
- Frequency index:** The percentage of tariff lines covered by a measure or set of measures
- GDP:** Gross domestic product
- HS:** Harmonized System – An international system for classifying goods in international trade
- Import restrictiveness:** The average level of tariff restrictions on imports as measured by the TTRI
- LDC:** Least developed country
- MA-TTRI:** An index measuring the average level of tariff restrictions imposed on exports
- MFN (most favoured nation) tariff:** The tariff level that a member of the General Agreement on Tariffs and Trade / WTO charges on a good to other members
- NAFTA:** North American Free Trade Agreement
- Nominal exchange rate:** The actual rate at which currencies are exchanged on the exchange market
- NTM:** non-tariff measure – Any policy, other than tariffs, that alters the conditions of international trade
- Preferential scheme:** An arrangement under which countries levy lower (or zero) tariffs against imports from members than outsiders
- PTA:** preferential trade agreement. This includes what WTO refers to as regional trade agreements and also free trade areas, custom unions and common markets.
- RPM:** relative preferential margin – A measure of the preferential margin for a given country relative to foreign competitors
- Safeguard:** A WTO-compliant import protection policy that permits restricting imports if they cause injury to domestic industry
- Shallow trade agreement:** Preferential agreements including only a reduction of tariffs
- SPS:** Sanitary and phytosanitary measures
- Tariff binding:** A commitment, under the General Agreement on Tariffs and Trade, by a country not to raise the tariff on an item above the specified bound

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

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

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

Tariff water: See binding overhang

TBT: Technical barriers to trade

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

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

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

TTRI: Tariff trade restrictiveness index – An index measuring the average level of tariff restrictions imposed on imports

Unbound tariff line: See tariff binding

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

WTO: World Trade Organization

IN FOCUS:

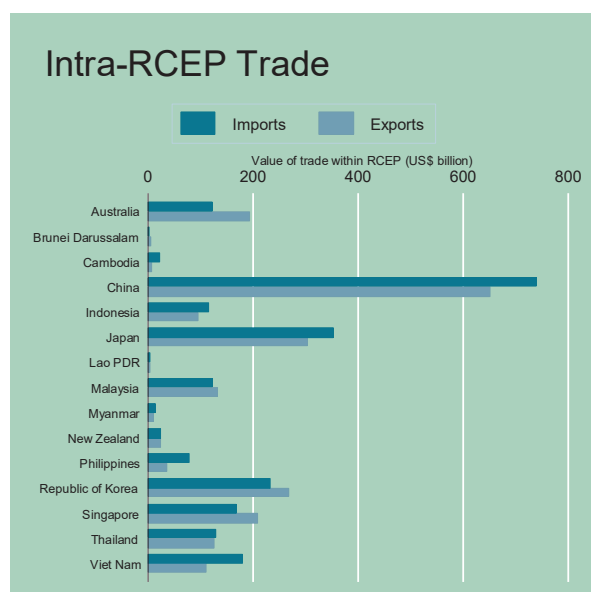
THE REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP

The Regional Comprehensive Economic Partnership (RCEP) is a plurilateral trade agreement between fifteen countries: Australia, Brunei Darussalam, Cambodia, China, Japan, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, the Republic of Korea, Thailand, and Viet Nam. The RCEP is a comprehensive agreement that promotes economic integration among its members. While comprehensive, the RCEP aims to facilitate trade among its members mostly through tariff concessions, rules of origins, trade facilitation mechanisms and customs procedures. From an economic perspective, the impact of RCEP could be significant, especially among the members whose bilateral trade relationships were on a WTO MFN basis and not subject to any free-trade agreement. Importantly, the RCEP will include trade relationships between the major economies in the east Asia region (China, Japan and the Republic of Korea). The RCEP took more than eight years of negotiations, it was signed in November 2020, and it is expected to enter into force in January 2022.

Trade patterns

Overall, the RCEP economies represent about 30 per cent of global GDP. The RCEP membership includes some of the largest and most advanced economies in the world alongside with several lesser-developed economies. China (comprising about 48 per cent of the RCEP GDP) and Japan (19 per cent) are the economic heavyweights of the bloc. On the other hand, countries such as Myanmar and Brunei Darussalam represent only a minimal fraction of the RCEP's economic weight. In 2019, trade among RCEP members was close to US\$ 2.5 trillion or about 13 per cent of global trade. Most of it is related to China, whose merchandise trade with the other RCEP members was in the order of about US\$ 750 billion in imports and US\$650 billion in exports. Japan was second with about US\$380 billion in imports and US\$360 billion in exports.

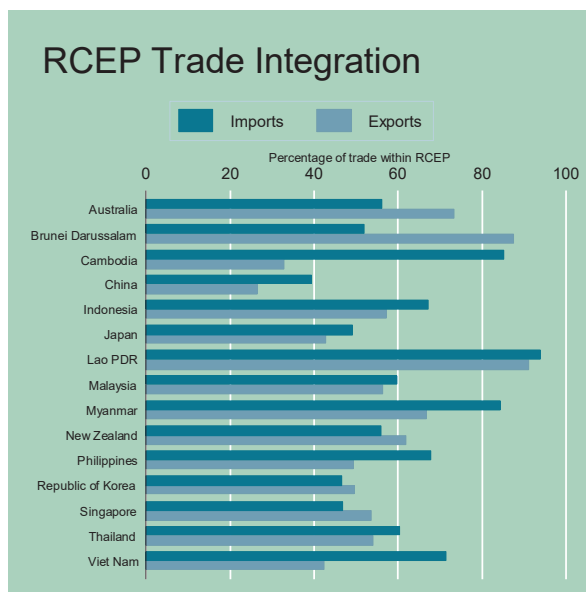
As measured by the share of intra-RCEP trade over total trade, the RCEP economies are already well integrated with each other. Overall, the share of intra-RCEP trade is about 40 per cent of the RCEP members' total trade. Although contributing less in value terms, the smaller members' trade is relatively more dependent on RCEP. In the example of Brunei Darussalam, Myanmar, and the Lao People's Democratic Republic, more than 70 per



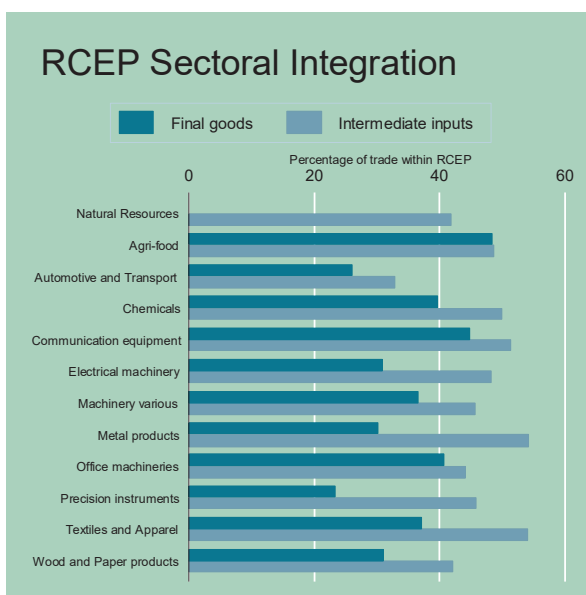
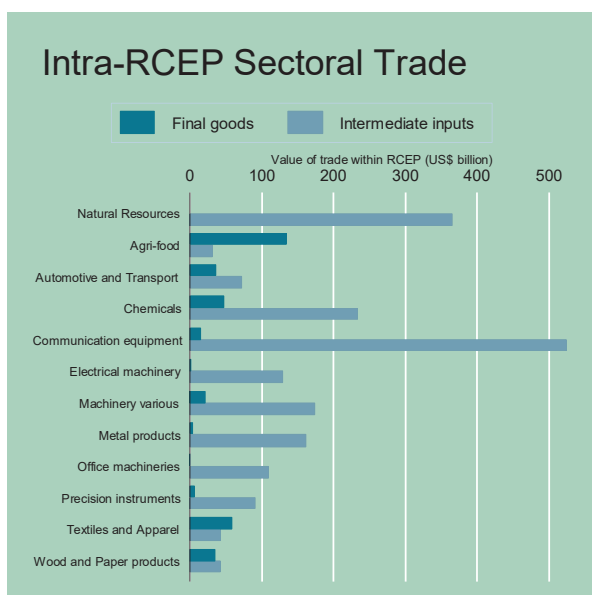
Source: UNCTAD calculations based on UNSD COMTRADE data.

cent of their trade is with other RCEP members. In contrast, China's trade with RCEP countries is much more modest (RCEP countries represent only about 25 per cent of China's exports and about 40 per cent of China's imports). Japan's and the Republic of Korea's trade integration with RCEP countries is also below average.

Manufacturing accounts for more than three quarters of intra-RCEP trade, or almost US\$ 2 trillion in 2019. Trade in natural resources is a far second with less than US\$ 350 billion, and agri-food is about US\$ 180 billion. Among the manufacturing sectors, trade in communication equipment is the largest, with a value of about US\$ 550 billion. As measured by the share of intra-RCEP trade, RCEP economies result well integrated with each other in all sectors. About 40 per cent of RCEP's natural resources trade and 50 per cent of agri-food trade originates within RCEP. The manufacturing sectors that are most integrated are communication equipment, metal products, and textiles and apparel. In contrast, the precision instruments, automotive and transport sectors are relatively more reliant on trade external of RCEP.



Source: UNCTAD calculations based on UNSD COMTRADE data.



Source: UNCTAD calculations based on UNSD COMTRADE data.

Because of regional value chains, a large part of intra-RCEP trade is composed of intermediate inputs. Trade in intermediate inputs across RCEP members is not only larger than trade in final goods but also relatively more integrated. Regional value chains greatly contribute to a high level of integration across all sectors. As measured by the per centage of trade within RCEP, interdependence varies from about 32 per cent of automotive and transport to more than 50 per cent of communication equipment, metal products and textiles and apparel. That is, more than half of the trade in intermediate inputs in those sectors originates within the RCEP members.

Trade policy

The RCEP addresses various aspects of the liberalization and harmonization of trade policies among its members. The RCEP fulfills its scope in 20 chapters. This overview is limited in scope as it illustrates only current border costs (mostly tariffs) among RCEP members to better understand the potential implications of the RCEP in reducing border costs.

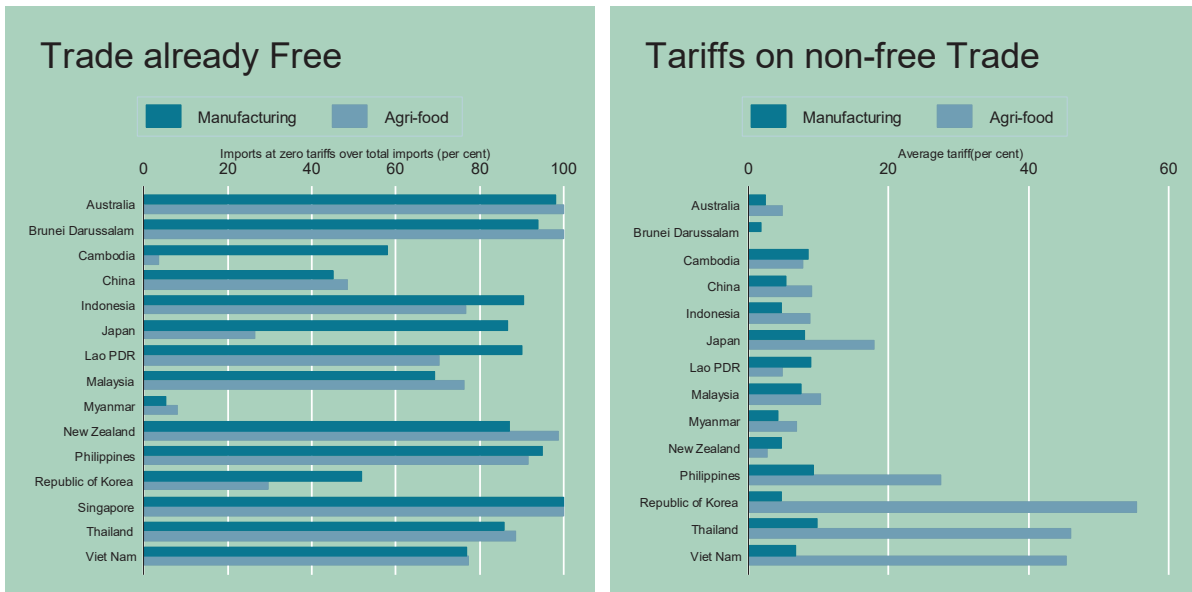
RCEP trade liberalization will be achieved with gradual tariff reductions, in some cases lasting 20+ years and allowing for significant exemptions in sensitive and strategic sectors. Tariff concessions are detailed in Annex I of the RCEP agreement for thousands of pages.

	Tariffs imposed on imports		Tariffs faced by exports	
	Manufacturing	Agri-food	Manufacturing	Agri-food
Australia	0.0%	0.0%	0.4%	11.0%
Brunei Darussalam	0.1%	0.0%	0.0%	1.4%
Cambodia	3.6%	7.9%	0.5%	7.4%
China	3.0%	4.6%	1.4%	16.4%
Indonesia	0.5%	2.0%	0.4%	2.4%
Japan	1.0%	13.6%	4.3%	11.9%
Lao People's Democratic Republic	0.9%	1.4%	0.3%	5.3%
Myanmar	4.1%	6.2%	0.9%	12.4%
Malaysia	2.3%	2.5%	0.5%	2.0%
New Zealand	0.6%	0.0%	0.7%	4.7%
Philippines	0.5%	2.4%	0.2%	5.1%
Republic of Korea	2.3%	39.5%	2.2%	11.1%
Singapore	0.0%	0.0%	0.9%	6.0%
Thailand	1.4%	5.3%	1.1%	5.8%
Viet Nam	2.2%	1.3%	0.3%	14.8%
RCEP Average	1.8%	8.7%	1.8%	8.7%

Source: UNCTAD calculations based on UNCTAD TRAINS.

While most of existing tariffs among RCEP countries are not very high on average, there is space for further reduction. For example, the tariffs on the agri-food sector are relatively high, and in many cases substantially so as in the cases of Japan and the Republic of Korea whose agri-food sectors are highly protected. Moreover, the RCEP could also reduce the trade costs related to manufacturing. For example, China current tariffs imposed on manufacturing products originating from other RCEP members are relatively high at an average of about 3 per cent.

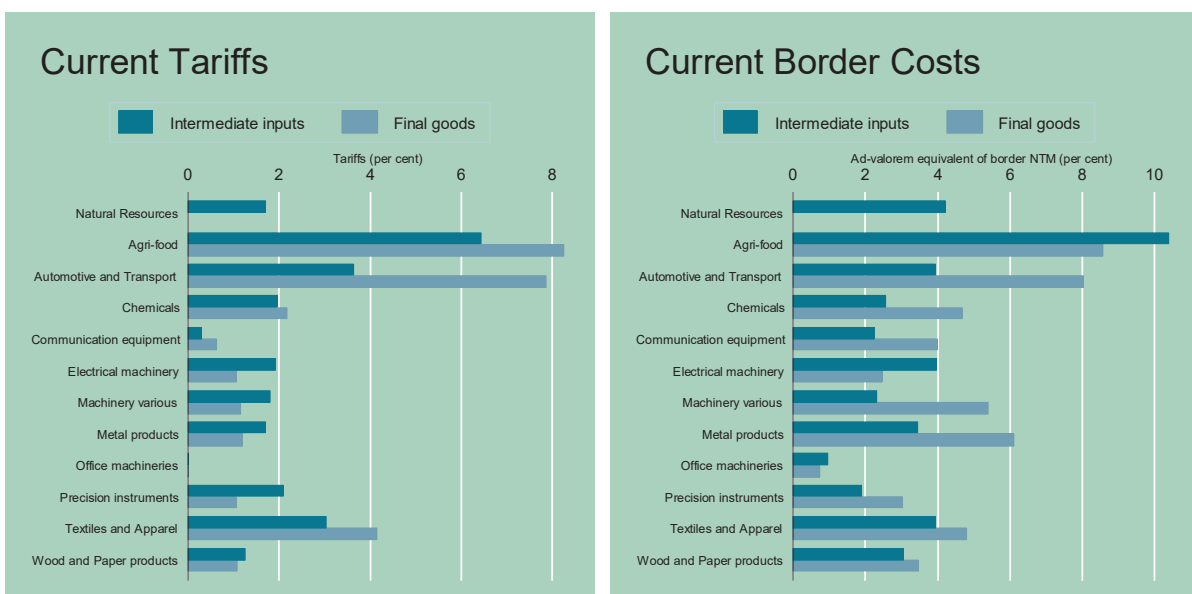
The average tariffs illustrated above include a large share of trade which is already free because of a zero WTO MFN tariff or due to free access due to other preferential agreements among RCEP members (e.g. ASEAN). Indeed, most trade among RCEP countries is tariff free (the tariff is zero for about 70 per cent for manufacturing and 55 per cent for agriculture). Still the tariffs applied to the remaining part are not marginal, on average about 6 per cent for manufacturing and 20 per cent for agri-food (with much higher tariffs in the Republic of Korea, Thailand and Viet Nam). A more detailed analysis would be required to analyze whether these tariff peaks are reduced under RCEP tariff concessions or are included among the exceptions. However, a preliminary analysis of the tariff concessions suggests that many countries have remained uncommitted in liberalizing some of their most sensitive agricultural tariff lines.



Source: UNCTAD calculations based on UNCTAD TRAINS.

Exceptions to tariff concessions are less frequent in manufacturing and therefore it is expected that the RCEP would bring about significant reduction. Differentiating between intermediate inputs and final products presents more possibilities for liberalizing tariffs on finished products. Current tariffs are substantial in final products of the automotive and transport sectors (about 8 per cent) and in the textiles and apparel sectors (about 4 per cent). In contrast, final goods in relation to communication equipment and office machineries already face minimal tariffs, therefore further tariff reduction would be unlikely to have significant effects on trade.

The RCEP tariff commitments could have a significant impact on regional value chains in many of the manufacturing sectors. Barring substantial exceptions, the automotive and transport regional value chains are those expected to benefit from RCEP tariff concessions as intermediate inputs currently face a tariff of almost 4 per cent.



Source: UNCTAD calculations based on UNCTAD TRAINS. Border costs are estimates.

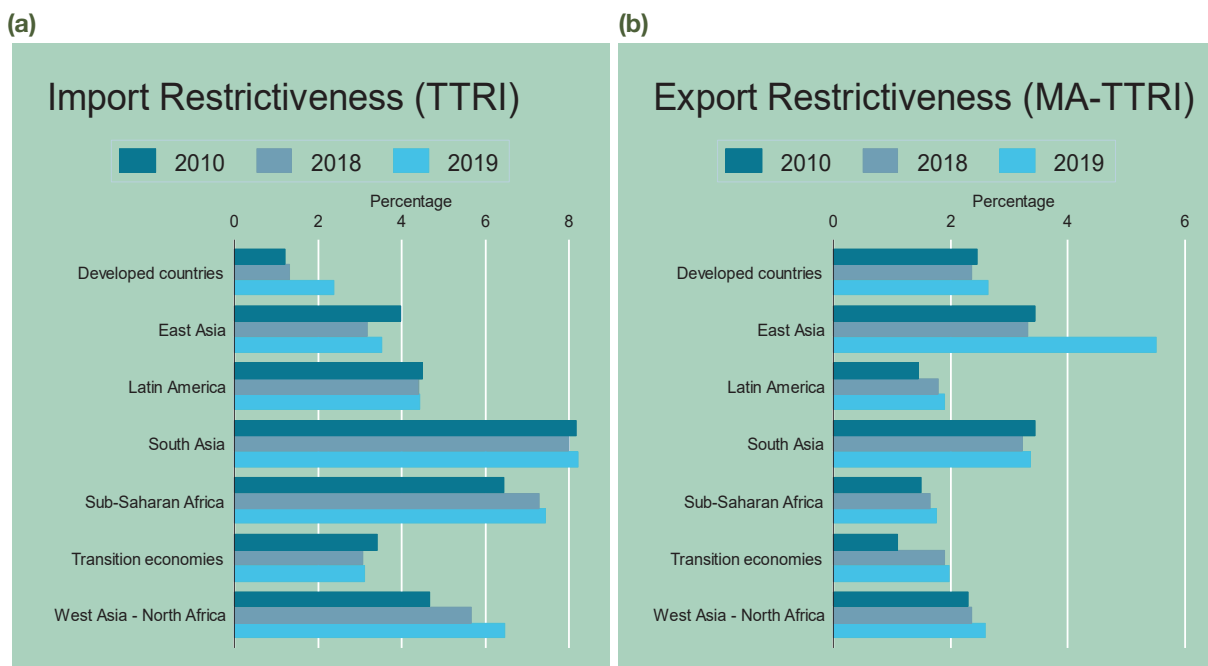
The RCEP aims to facilitate trade flows across its members also by tackling non-tariff barriers to trade. One notable aspect relates to the rules of origin that the RCEP appears to have harmonized both substantively and administratively. The RCEP also aims to reduce the costs associated with other types of non-tariff measures such as standards, technical regulations, and conformity assessment procedures as well as their implementation at the borders. The benefit of such reductions could be substantial.

The estimated non-tariff border costs currently borne by trade within RCEP members is generally higher than tariffs. UNCTAD ad-valorem equivalent estimates indicate that border measures add an average of about 9 per cent to the value of intra-RCEP trade in the agri-food sector. Other sectors where border non-tariff measures substantially increase costs are the automotive and transport sector (about 6 per cent) and textiles and apparel (about 4 per cent). While it is not expected that the RCEP trade facilitation measures and harmonization of custom procedures could completely abate those costs, even halving them could result in significant benefits for firms and consumers.

1. TARIFFS

Tariffs have remained essentially stable between 2010 and 2019. The notable exception is the rise in tariffs for 2019 mostly due to the retaliatory tariffs between the United States and China. More broadly, import restrictiveness remains relatively higher in developing countries, especially in South Asia and sub-Saharan Africa. Tariffs have been increasing for the region comprising West Asia and North Africa. Exporters in East and South Asia face the highest tariffs. The 2019 increase in tariffs faced by East Asian exports is largely due to the United States tariffs on China.

Figure 1
Average import and export restrictiveness, by region



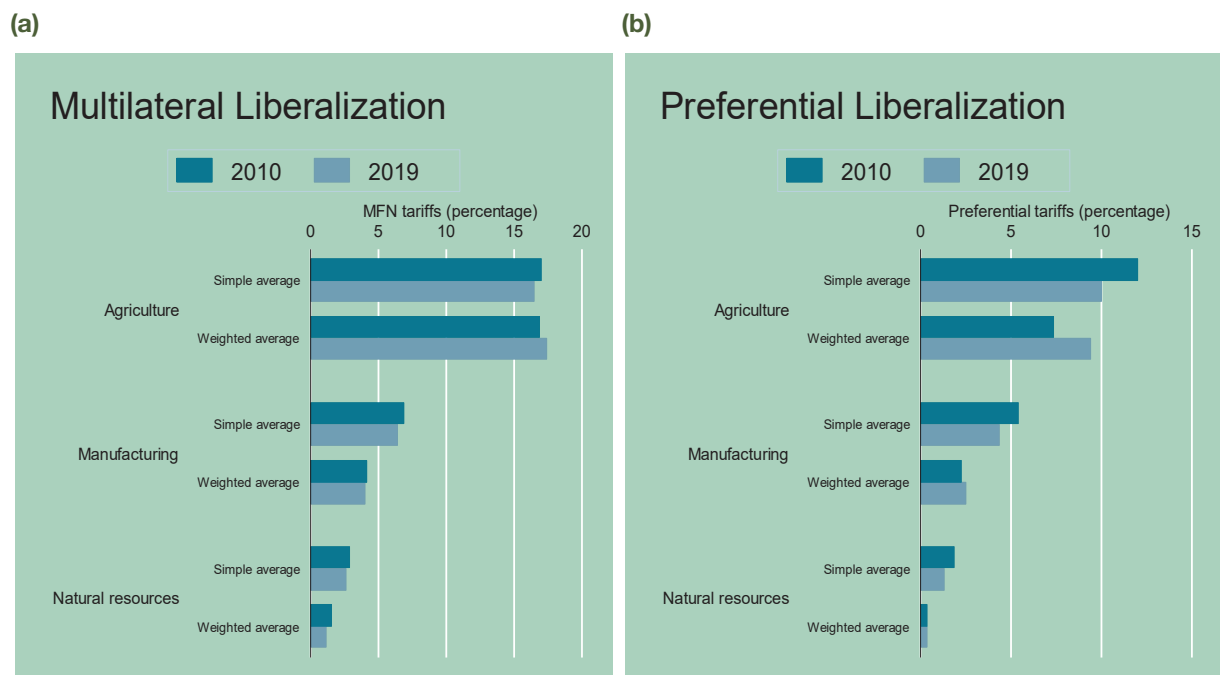
Source: UNCTAD secretariat calculations based on COMTRADE data and UNCTAD TRAINS data.

Figure 1a portrays the tariff trade restrictiveness index (TTRI), which measures the average level of tariff restrictions imposed on imports. The index is weighed so as to control for different import values and import demand elasticities. The market access counterpart (MA-TTRI) summarizes the tariff restrictiveness faced by exports (Figure 1b). Both indices are calculated on the basis of applied tariffs (ad valorem and specific tariffs), including tariff preferences. Multilateral and unilateral liberalization contributed to the decline of tariff restrictions during the last decade. Nevertheless, despite a continuing declining trend, the tariff liberalization process has largely stalled. Notably, 2019 tariffs have increased in some instances but largely because of the retaliatory tariffs between the United States and China. As 2019, tariff restrictiveness remains substantially higher in developing countries than in developed countries. Among developing countries, import restrictiveness is highest in South Asia and sub-Saharan Africa.

Although slightly increasing, transition economies, sub-Saharan African and Latin American countries face the most liberal market access conditions with an MA-TTRI of almost 2 per cent in 2019. This was largely due to unilateral preferences granted by developed countries and an export composition tilted towards natural resources that typically face low tariffs. In contrast, exports from South Asia faced a higher average level of restrictiveness, about 3.5 per cent. In 2019, export restrictiveness has been highest for East Asia exports as a consequence of the United States tariffs on China.

Since 2010, tariffs have somewhat declined, but mostly on a preferential basis. The tariffs imposed on agricultural products remain higher without significant changes in MFN rates, but have declined by about 2 points under preferential trade agreements. Similarly, preferential tariffs on manufacturing have declines at a faster pace than MFN tariff. Still, weighted averages tariffs have in some instances increased indicating an increase in tariffs between major trading nations.

Figure 2
Multilateral and preferential tariff liberalization

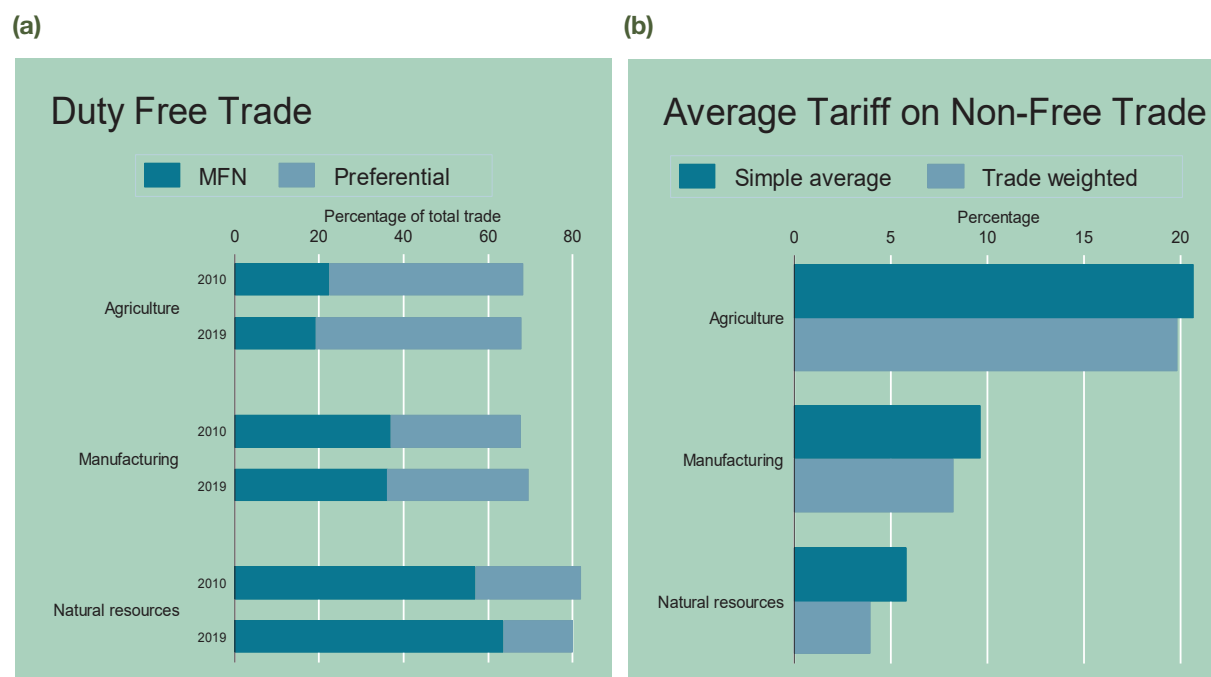


Source: UNCTAD secretariat calculations based on COMTRADE data and UNCTAD TRAINS data.

Figure 2a and 2b illustrate average MFN and preferential tariffs for 2010 and 2019 in three main sectors. The decline in tariffs that has occurred since 2010 is largely the result of preferential liberalization. MFN tariffs have remained largely constant at almost 17 percent for agriculture, 7 percent for manufacturing and 3 percent for natural resources. Preferential liberalization has contributed to about 2 percentage points to the reduction of simple agricultural tariffs. On the other hand, preferential tariffs have increased on a trade weighted basis indicating an increase of tariffs among some of the major trading nations. In regard to manufacturing, the proliferation of preferential schemes has resulted reductions in this sector amounting to about 1 percentage point on a simple average basis. Still, a shift in trade composition towards products affected by higher tariffs has tilted the average preferential tariff for manufacturing to about 2.5 per cent. Liberalization both in MFN and preferential terms has also occurred in natural resource trade, further reducing the already low levels of tariffs in this sector.

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

Figure 3
Free trade and remaining tariffs, by broad category

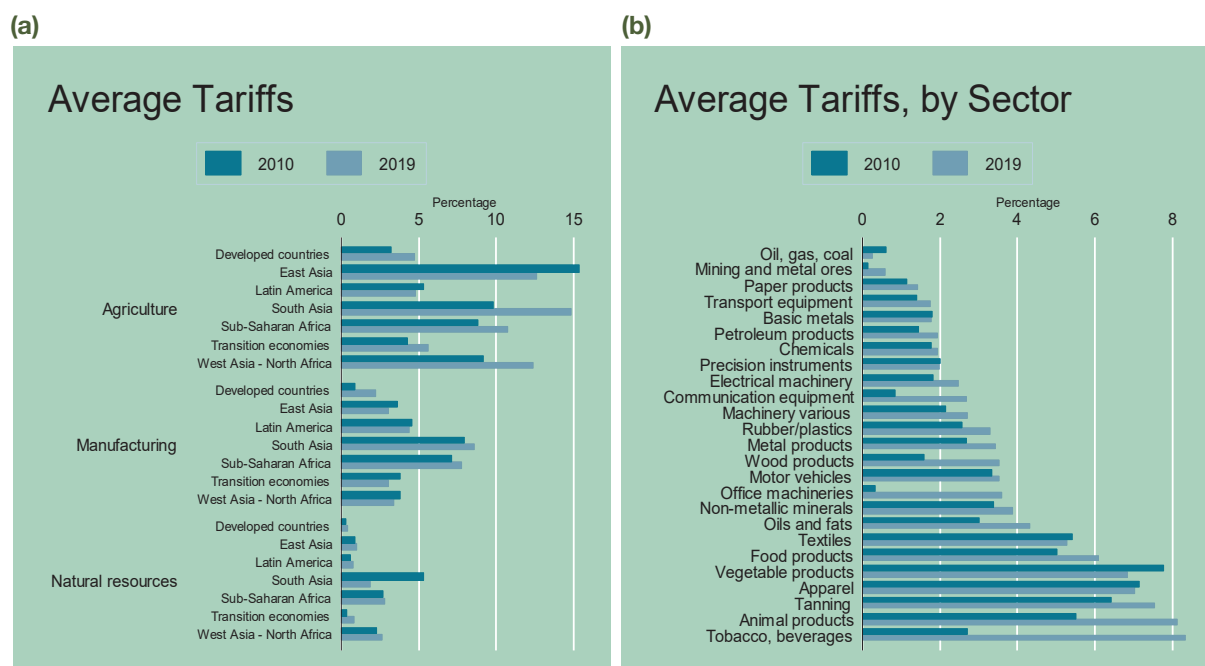


Source: UNCTAD secretariat calculations based on COMTRADE data and UNCTAD TRAINS data.

International trade has been largely liberalized owing to both zero MFN tariffs as well as preferential duty-free access. The consequence is that as 2019 about two-third of international trade is free of tariffs (Figure 3a). Still, tariffs applied to the remainder of international trade are often very high (Figure 3b). Importantly, there are differences between agriculture, manufacturing and natural resources. Agricultural trade is free from tariffs largely due to preferential access (as opposed to zero MFN tariffs). In this regard, preferential access and reciprocal concessions continue to play a key role for agricultural market access, as the remaining tariffs are fairly high (averaging almost 20 per cent). Preferential access is also important for manufacturing products, for which the simple average tariff is at almost 10 per cent. On the other hand, preferential access is of limited importance in the case of natural resources, as trade in this category is largely tariff-free under MFN rates, and remaining tariffs are generally very low (on average about 6 per cent).

Low average tariffs mask large differences across economic categories and product sectors. In general, international trade in agriculture is taxed at a much higher rate than trade in manufacturing and natural resources. Tariffs also remain relatively high for manufacturing products, such as textiles and apparel, which are important for developing countries. Moreover, trade in many sectors has recorded higher tariffs in 2019 than in 2010 largely because of retaliatory tariffs between the United States and China.

Figure 4
Trade weighted average tariffs, by region, broad category and sector

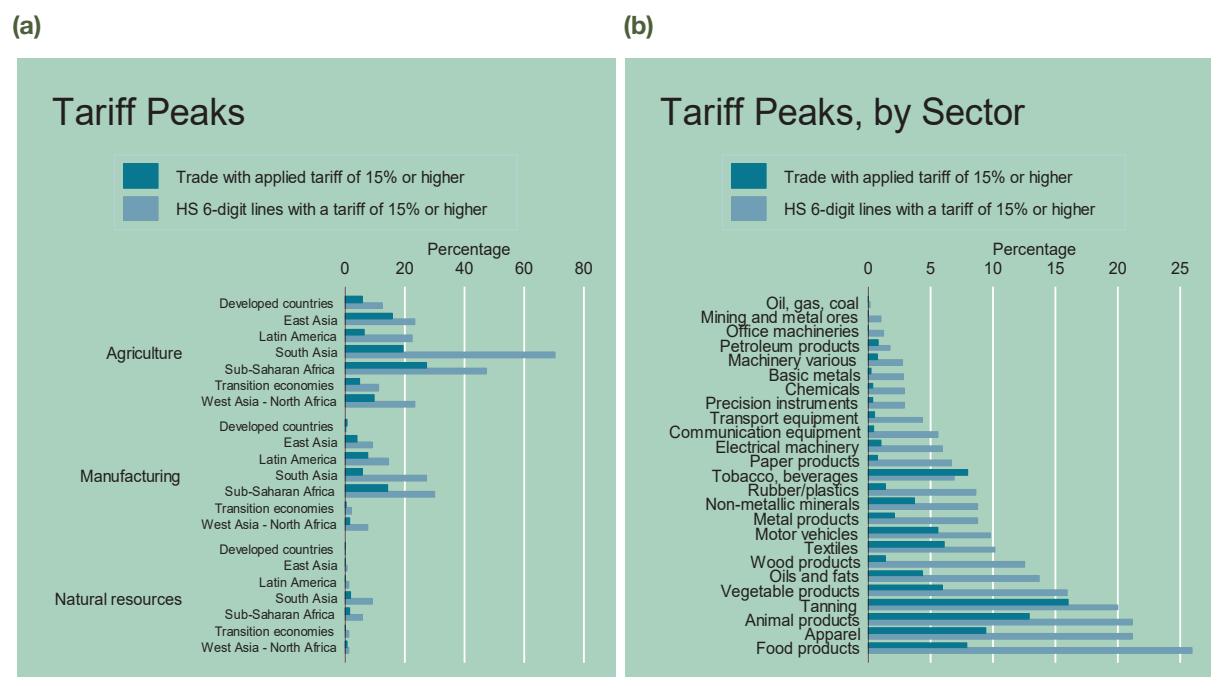


Source: UNCTAD secretariat calculations based on COMTRADE data and UNCTAD TRAINS data.

Figure 4 (a, b) depicts the trade weighted average tariff for broad as well as specific categories of products. Tariff restrictions remain quite different across geographic regions and economic sectors. In general, international trade in agriculture is taxed at a much higher rate than trade in manufacturing and natural resources. Even within agriculture, tariffs vary greatly across geographic regions. South Asian and East Asian countries tend to apply relatively high tariffs in agriculture, while such tariffs are on average much lower in Latin American and developed countries. Manufacturing tariffs remain high only in the South Asian region (about 8 per cent on average), and in sub-Saharan Africa (about 7 per cent on average). Average tariffs vary greatly across product sectors, ranging from about 8 per cent for Animal products and Tobacco, beverages to almost zero for fuels, ores. Even considering all concessions and preferential schemes, international trade is subject to high tariffs not only in relation to agricultural products but also in the case of manufacturing products of importance for developing countries such as textiles (about 4 per cent) and apparel (about 6 per cent). Finally, the increase in average tariffs in many sectors (and notably, office machinery) is largely due to the retaliatory tariffs between the United States and China.

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

Figure 5
Tariff peaks, by region, broad category and sector (2019)

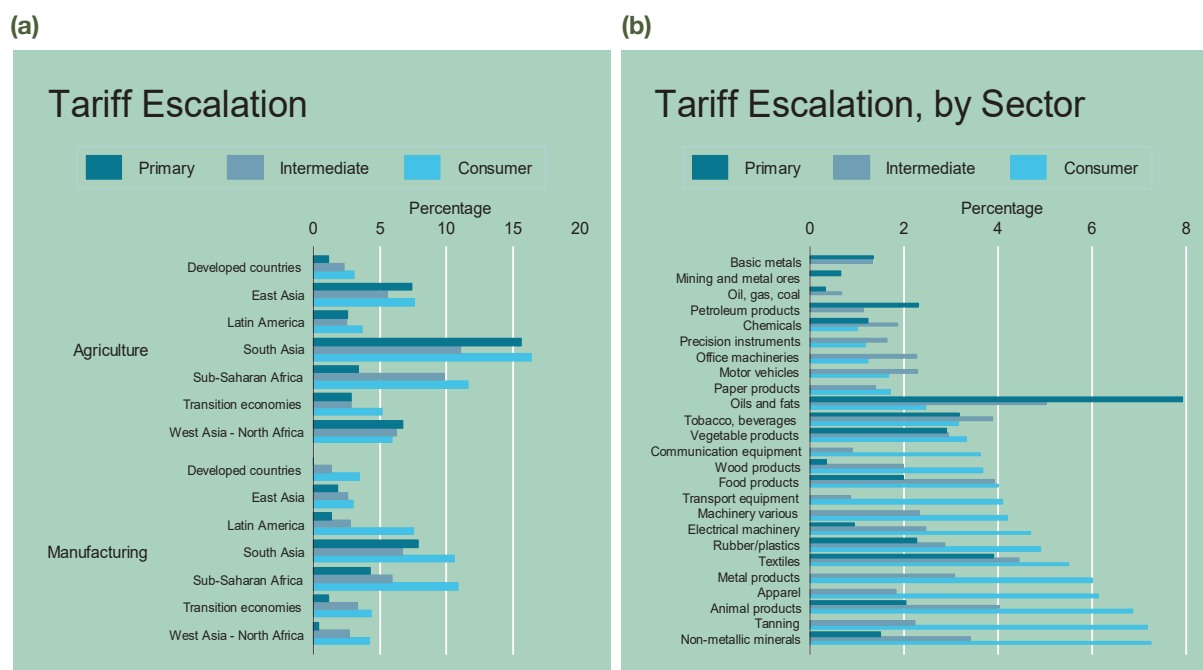


Source: UNCTAD secretariat calculations based on COMTRADE data and UNCTAD TRAINS data.

In view of generally low tariffs, and even when all concessions such as unilateral and reciprocal preferential schemes are taken into account, there remain a significant number of products for which tariffs are relatively high. These high tariffs (above 15 per cent) are generally referred to as tariff peaks and are usually levied on sensitive products. Tariff peaks appear in the tariff structure of many developing countries, but with different patterns. For example, tariff peaks are a large part of the tariff structure of agricultural products of developing countries in South Asia and sub-Saharan Africa, but this is not the case in the transition economies (Figure 5a). Tariff peaks tend to be less prevalent in manufacturing, and less so in natural resources sectors. Tariff peaks tend to be concentrated in some of the products of interest to low income countries, such as the agricultural sectors, but also apparel, textiles and tanning. For example, tariffs on about 10 per cent of international trade in food products (and 25 per cent of the products in this group) are higher than 15 per cent (Figure 5b). Similarly, about 10 per cent of international trade in apparel is subject to a tariff of 15 per cent or more.

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

Figure 6
Tariff escalation by region, broad category and sector (2019)



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

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

The pattern of trade restrictiveness varies greatly among regional trade flows. Intra-regional trade is generally subject to lower TTRI than interregional trade. A large number of South–South regional trade flows are still burdened by relatively high tariffs. Tariffs have change little during the last 10 years but with some notable exceptions.

Table 1
Tariff restrictiveness, matrix by region (percentage), 2019

Importing Region	Developed Countries	East Asia	Latin America	South Asia	Sub-Saharan Africa	Transition Economies	W. Asia & N. Africa
Developed Countries	2.0	5.7	1.1	2.2	0.6	1.9	1.2
	0.3	3.4	0.4	-0.6	0.2	1.2	0.6
East Asia	5.4	1.9	5.2	3.5	2.6	3.5	1.8
	-0.6	-1.5	1.2	-0.1	0.6	0.9	-0.1
Latin America	3.6	8.2	1.2	10.2	3.8	2.3	3.2
	-0.1	-0.3	-0.2	-0.1	1.6	0.7	-0.1
South Asia	10.0	7.0	10.2	5.7	5.6	8.4	5.7
	0.8	-1.4	3.1	-1.4	-1.1	3.1	-0.8
Sub-Saharan Africa	7.3	10.4	8.7	8.5	2.5	6.4	6.3
	1.2	-0.2	1.6	0.8	0.7	1.2	1.3
Transition Economies	3.2	4.3	5.5	4.3	1.6	1.1	4.6
	-1.1	-0.7	2.6	-1.2	0.7	0.9	-1.0
W. Asia & N. Africa	6.6	7.1	7.8	4.5	3.4	13.8	4.8
	1.4	0.5	1.7	0.6	-1.2	9.2	2.0

Note: Changes between 2010 and 2019 are shown in a smaller font.

Table 1 represents a matrix of the average levels of tariffs imposed on trade flows between regions in 2019. Differences in the rates exhibited in the table arise from different patterns of both market access and trade composition. The effect of regional trade agreements is reflected in the relatively lower degree of restrictiveness on intraregional compared with interregional trade. A large number of South–South trade flows are still burdened by relatively high tariffs. For example, trade between Latin America and South Asia face an average tariff of about 10 per cent. Trade flows between many regions have been liberalized over the past five years as a result of an increasingly diverse geographic pattern of regional trade agreements. However, some interregional trade flows have also become subject to higher tariffs. However, the latter phenomenon is mainly caused by a shifting composition of trade flows (as opposed to an increase in tariffs on particular product lines).

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

Table 2
Relative preferential margins, matrix by region (percentage), 2019

Importing Region	Exporting Region						
	Developed Countries	East Asia	Latin America	South Asia	Sub-Saharan Africa	Transition Economies	W. Asia & N. Africa
Developed Countries	0.5	-3.0	2.6	1.0	0.4	-0.4	0.3
	0.3	-2.3	2.4	1.9	0.3	-0.4	0.0
East Asia	-0.5	0.8	-1.4	-0.6	-0.4	-0.4	-0.5
	0.1	0.3	-1.7	-0.6	-0.5	-0.6	-0.4
Latin America	0.5	-1.5	3.7	-3.5	-0.8	-0.5	-0.4
	0.5	0.6	-1.2	-1.6	-0.4	0.1	0.5
South Asia	-0.7	0.5	-1.3	3.9	0.2	-0.6	-0.3
	-0.6	0.4	-1.3	1.7	0.3	-0.6	-0.3
Sub-Saharan Africa	0.2	-1.8	-1.9	-1.1	4.0	-0.7	-0.1
	-0.1	-0.3	-0.8	-0.3	0.1	-0.5	0.1
Transition Economies	-0.2	-1.0	-1.4	-1.1	-0.1	2.7	-0.8
	0.2	-0.1	-0.9	-0.4	-0.9	0.0	-0.2
W. Asia & N. Africa	0.5	-1.8	-1.4	-0.6	-0.1	-1.6	1.4
	0.3	-0.3	-0.6	0.0	-0.1	-0.6	-1.2

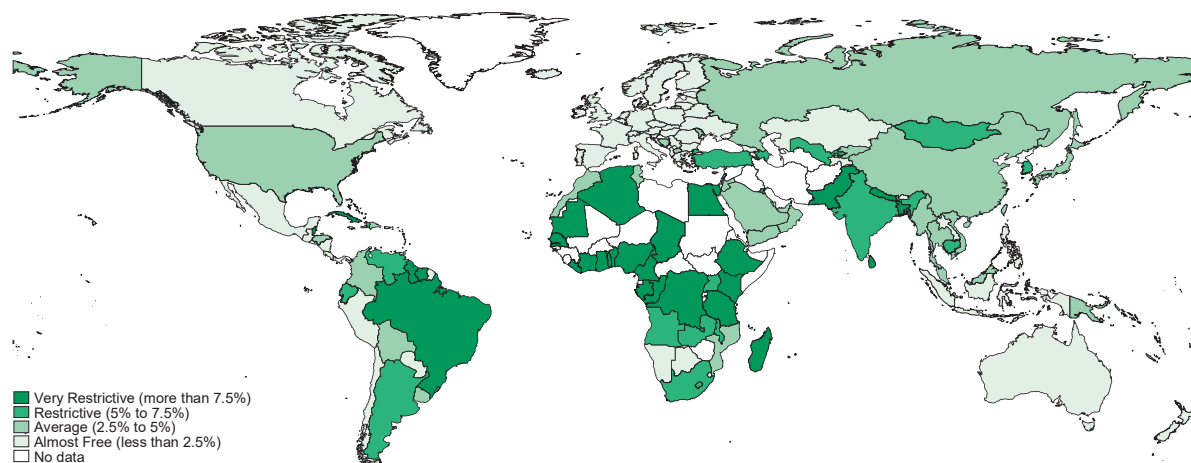
Note: Changes between 2010 and 2019 are shown in a smaller font.

Table 2 reports relative preferential margins (RPMs) calculated at the regional level for 2019 and their changes since 2010. RPMs provide a measure of the average preferential margin for a given country by taking into consideration any preference provided by its trading partners to foreign competitors. RPMs can be positive or negative, depending on the advantage or disadvantage a country has in terms of preferences with respect to other competing exporters. The RPM is exactly zero when there is no discrimination; it is largest for South Asian and Sub-Saharan countries, which enjoy about a 4.0 percentage point advantage on foreign competitors when trading within their region. The RPM is also large within Latin America, (about 3.7 percentage points). On the other hand, the preferential systems provide only about 0.8 percentage points advantage to East Asian countries trading in their own region. With very few exceptions, interregional trade faces a negative RPM, suggesting that the preferential tariff structure negatively impacts non-regional exporters' competitiveness. The least favoured are exporters of South Asia seeking to trade with Latin America. Those countries face RPM of about minus 3.5 percentage points.

Import restrictiveness differs substantially across countries, and even within the same region. Preferential schemes allow LDCs to enjoy duty free access to many developed country markets. However, developing country exports, especially some in Latin America and East Africa still face relatively high tariffs. Tariffs imposed on China exports are relatively higher due to United States retaliatory tariffs.

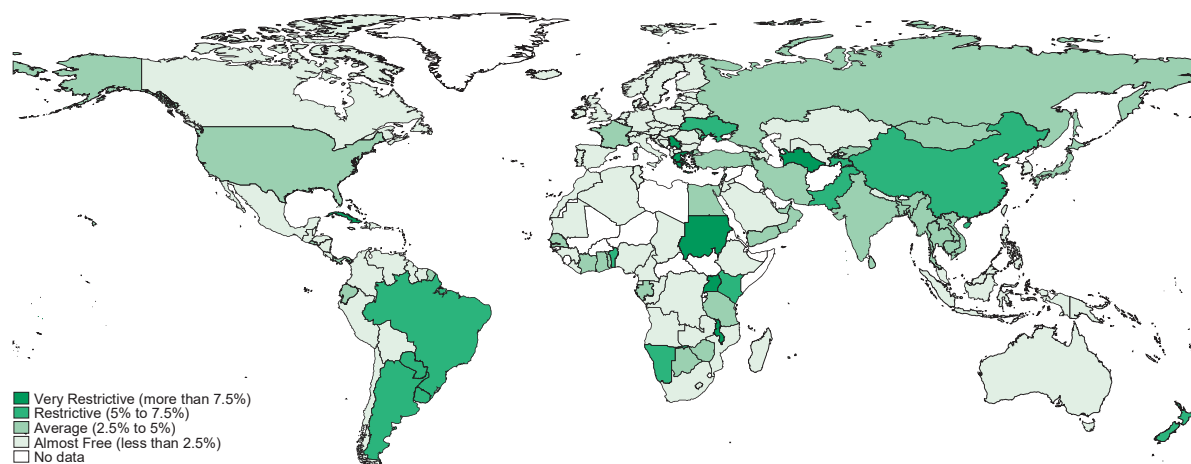
Figure 7
Import restrictiveness

(a) Import restrictiveness (2019)



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

(b) Export restrictiveness (2019)



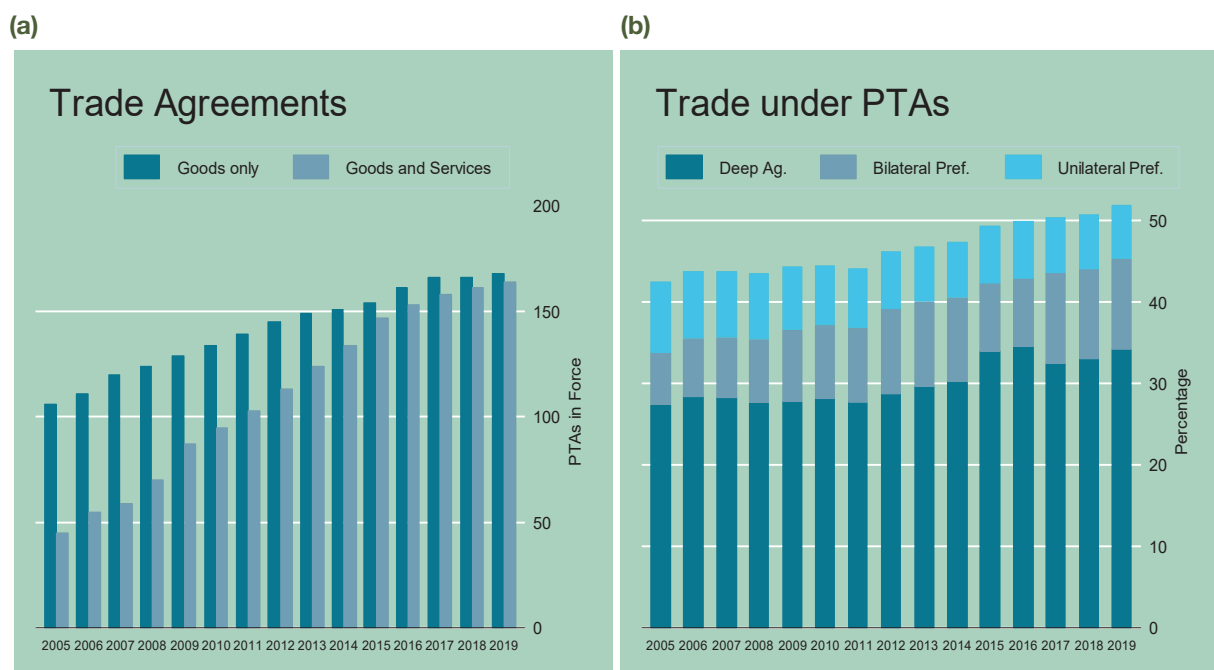
Source: UNCTAD secretariat calculations based on COMTRADE and UNCTAD TRAINS data.

Figure 7a illustrates the average level of tariff restrictions imposed on imports (as measured by the TTRI). The level of tariffs differs substantially across countries, and even within the same region. Figure 7b reports the overall level of tariff restrictions faced by exporters (as measured by the MA-TTRI). A few Latin American countries face high tariffs because a large share of their exports consists of agricultural products. Due to export composition, and also because of limited preferential rates, Chinese exports face tariffs higher to those of many other developing countries, a result largely driven by the tariffs imposed by the United States on China.

2. TRADE AGREEMENTS

The international trading system is regulated by an increasing number of preferential trade agreements (PTAs). Most of the recent trade agreements address not only goods but also services, and deal with rules beyond reciprocal tariff concessions. The percentage of trade within PTAs has continued to increase. Although last few years saw only marginal increases. In 2019, more than 50 per cent of world trade was taking place between countries that had signed a PTA, and one third was regulated by deep trade agreements.

Figure 8
Trade agreements



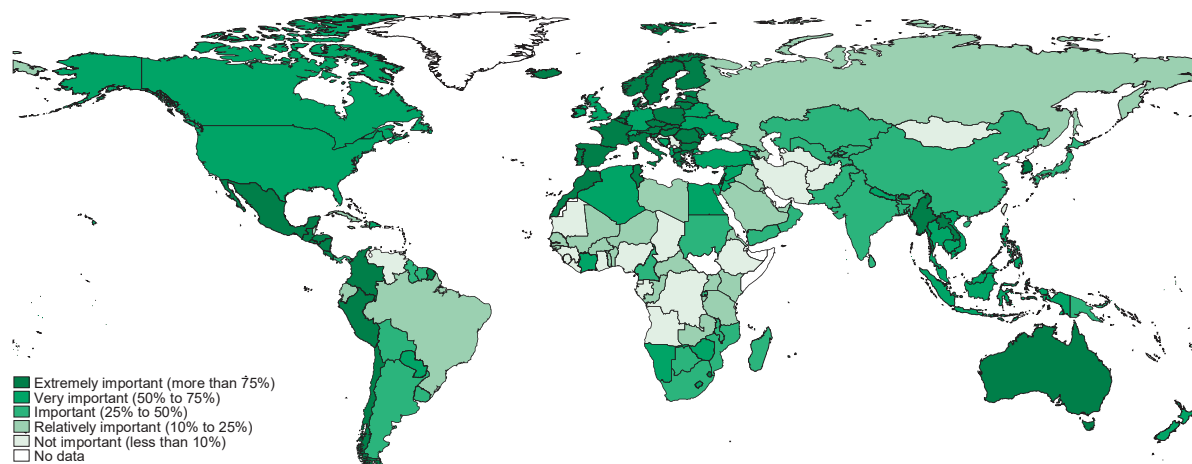
Source: UNCTAD secretariat calculations based on WTO RTAIS data and COMTRADE data.

Figure 8a illustrates the number of PTAs that have been in force in each year since 2005. The number of PTAs in force has approximately doubled from less than 150 in 2005 to more than 300 in 2019. Although still noticeable, the upward trend has been more muted after 2015. About half of all trade agreements in force go beyond tariff concessions, to cover services and behind-the-border measures. Although the number of PTAs has increased dramatically, the percentage of trade taking place under PTAs has not increased as much (Figure 8b). Still, even without considering trade within the European Union, about one third of world trade took place under deep trade agreements (i.e. those with trade rules going beyond traditional tariffs and existing WTO agreements, to cover deeper behind-the-border measures) in 2019. Almost 10 per cent of world trade was covered by trade agreements limited to preferential access, and about 7 per cent was under unilateral preferences such as the Generalized System of Preferences for developing countries and the ones provided specifically to LDCs.

The importance of trade agreements is generally high for developed countries, but not for many developing countries; notable exceptions include a number of countries in South East Asia, Southern Africa and Latin America.

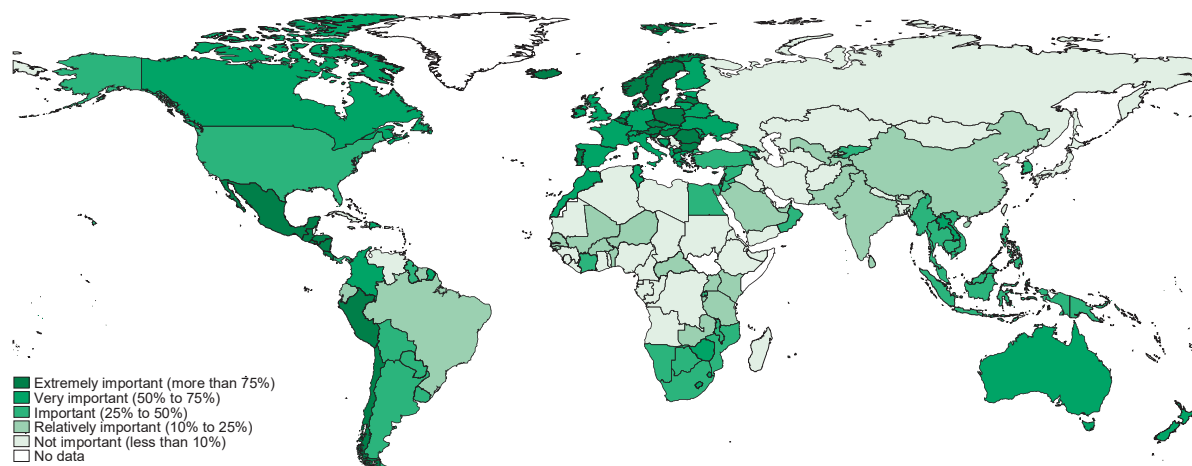
Figure 9
Importance of preferential trade agreements

(a) Importance of PTAs, as measured by percentage of trade (2019)



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

(b) Importance of deep PTAs, as measured by percentage of trade (2019)



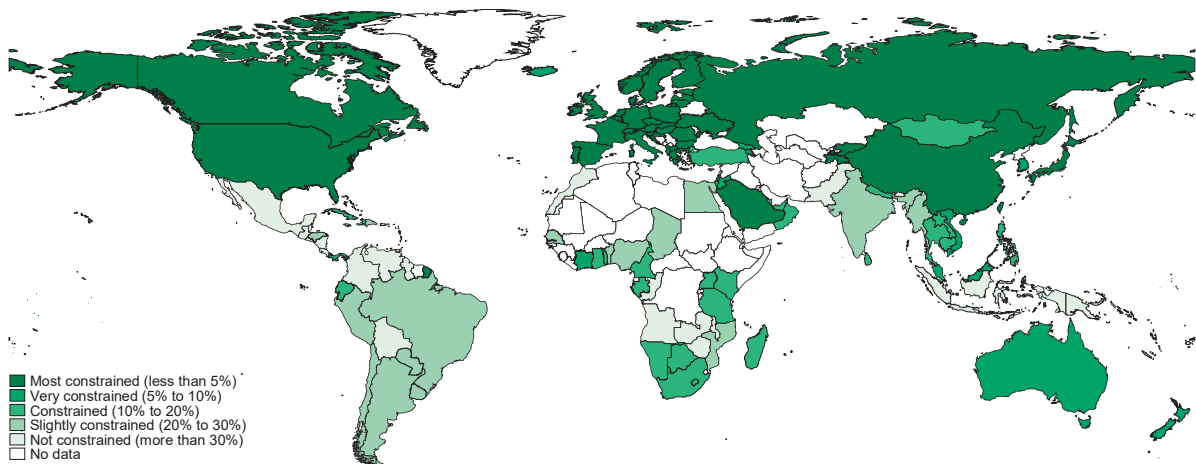
Source: UNCTAD secretariat calculations based on WTO RTAIS and COMTRADE data.

A large share of international trade of many developed countries occurs under some form of PTA, and in many cases under trade rules going beyond traditional reciprocal market access concessions. For countries of the European Union, more than 75 per cent of trade occurs under some form of PTA (Figure 9a), and more than 50 per cent under deep agreements (i.e. those with trade rules going beyond traditional tariffs and existing WTO agreements, to cover deeper behind-the-border measures) (Figure 9b). However, most developing countries' trade still occurs outside PTA rules, with notable exceptions in some countries of South-East Asia, Southern Africa and Latin America.

Trade agreements result in different degrees of policy space across countries. Developed countries and economies in transition tend to have very limited policy space, as most tariff lines are bound by WTO obligations with little tariff water.¹ Policy space within WTO is for lower-income countries in general. Once PTAs are accounted for, a substantial amount of trade is locked under preferential tariffs, which in turn means that the amount of “true” tariff water in many cases is less than half of the WTO binding overhang.

Figure 10
Policy space: Multilateral constraints

(a) Tariff water (2019)



(b) True tariff water (2019)

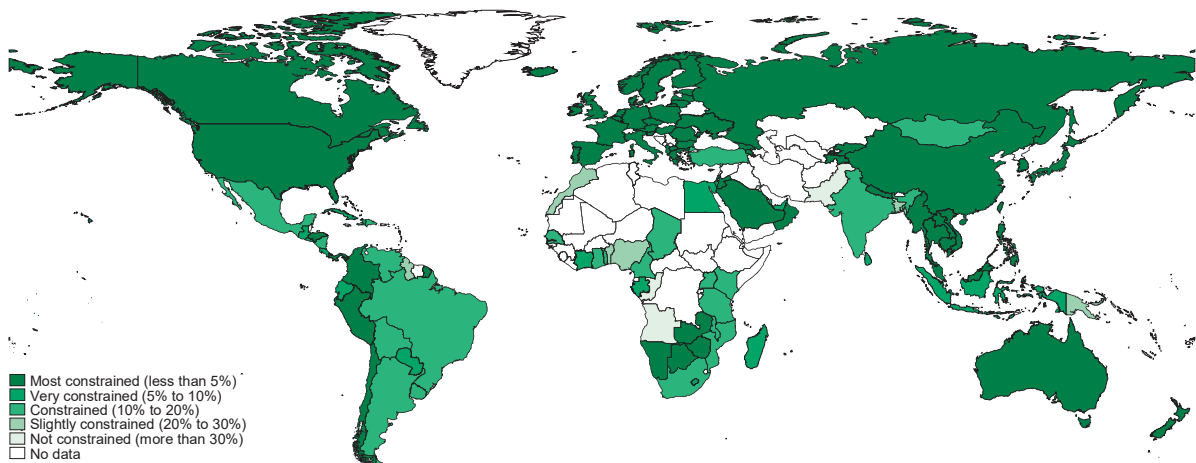


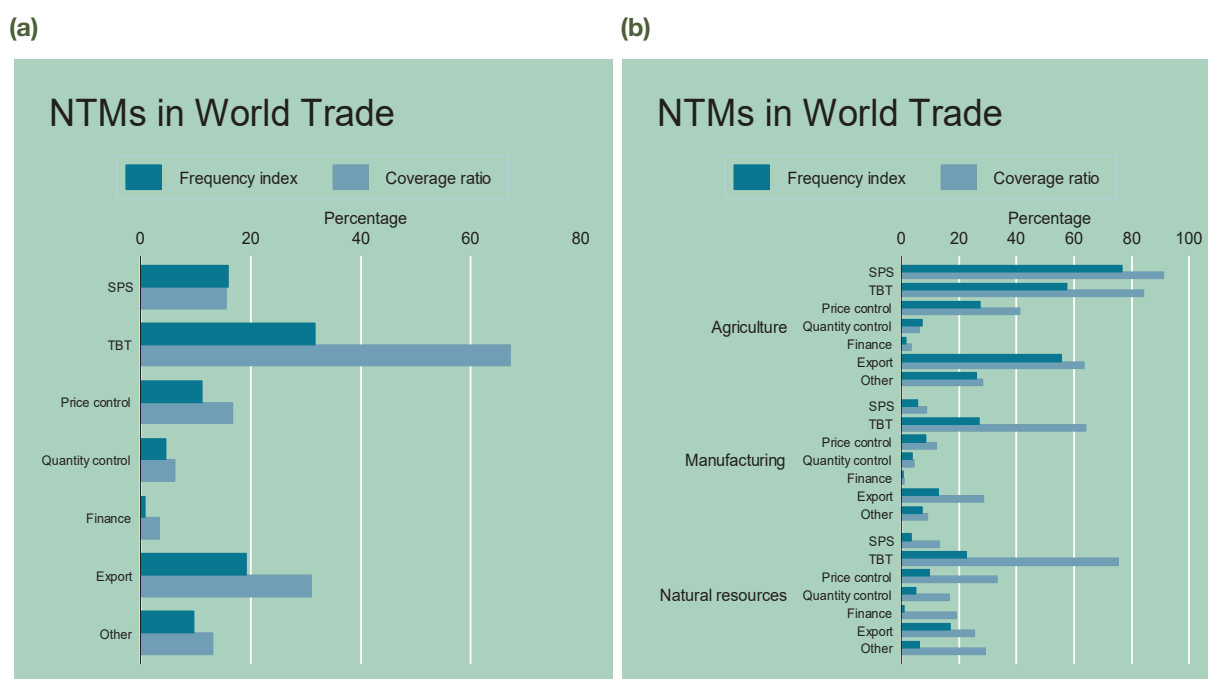
Figure 10a portrays the average tariff water (trade weighed) calculated as the difference between WTO bound tariffs and applied MFN tariffs. Policy space within WTO is greater for developing countries, especially those of lower income status. Figure 10b portrays the average tariff water calculated as the difference between bound and applied tariffs, considering the implicit bindings imposed by both WTO and PTA commitments. Countries that have a large share of trade under preferential commitments and/or have low true tariff water cannot raise their tariffs without infringing WTO or PTA commitments.

¹ The difference between the tariff that a country applies at the border and the country’s commitments to other WTO members is referred to as “tariff water”, or “binding overhang”. In principle, tariff waters provide the policy space for country to set their tariff at non-cooperative levels.

3. NON-TARIFF MEASURES

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

Figure 11
Prevalence of non-tariff measures, by type and broad category (2019)

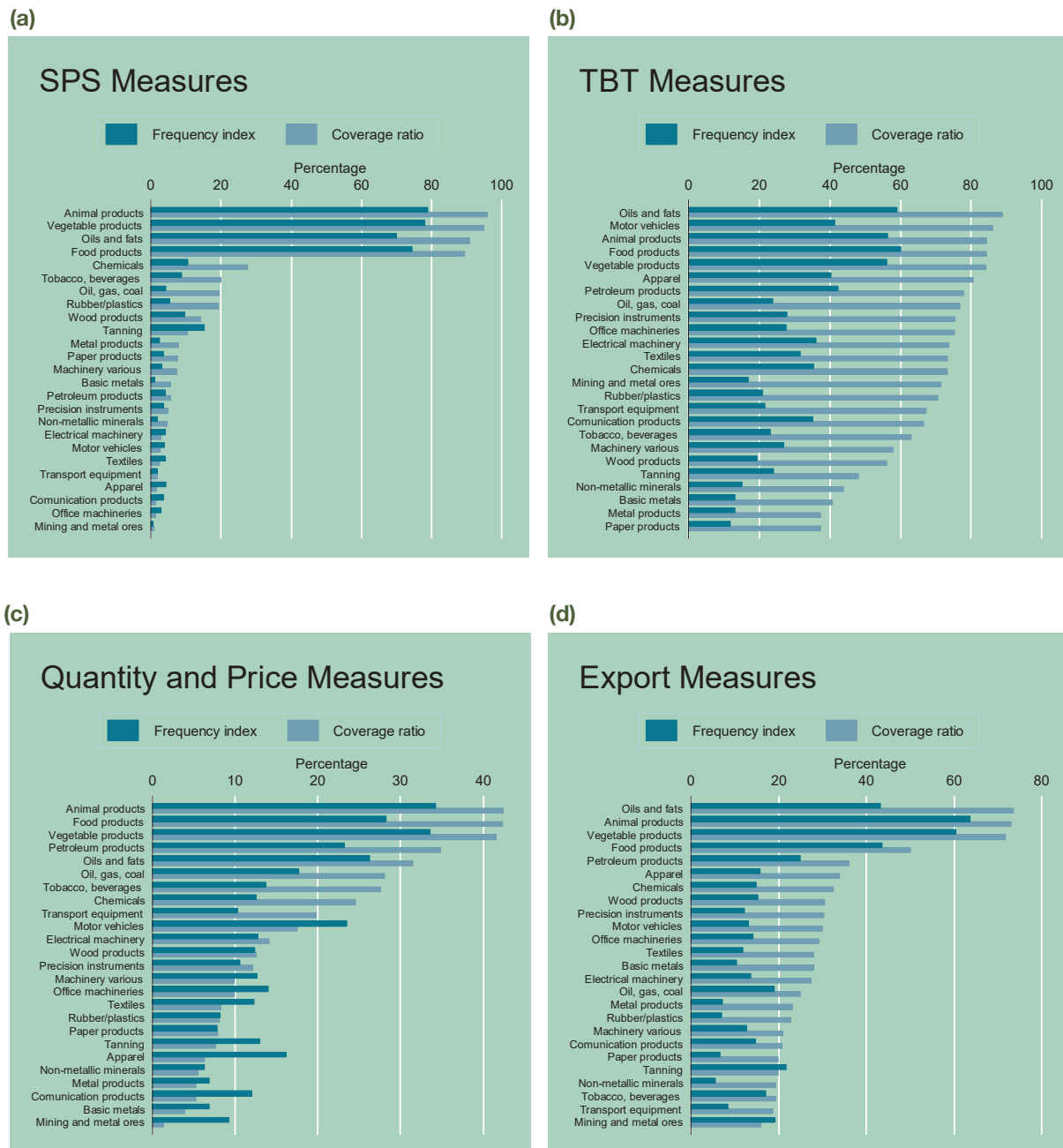


Source: UNCTAD secretariat calculations based on UNCTAD TRAINS data.

Data on non-tariff measures (NTMs) is still fragmentary and therefore does not allow computation of comparative statistics across countries. Although the data may also not be fully representative of world trade, some preliminary statistics can be derived from the available data. Figure 11a illustrates the distribution of NTMs across broad categories. For each category, both the frequency index (i.e. the percentage of HS 6 digit lines covered) and coverage ratio (i.e. the percentage of trade affected) are reported. International trade is highly regulated through the imposition of Technical barriers to Trade (TBT) with more than 30 per cent of product lines and almost 70 per cent of world trade affected. Price control measures affect about 15 per cent of world trade. SPS affect almost 20 per cent of world trade. Export measures are also frequently applied to international trade, still their use is largely related to agriculture. Coverage of NTMs by broad category (Figure 11b), shows that agriculture is the most affected, with most of world agricultural trade subject to forms of SPS and TBT.

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

Figure 12
Non-tariff measures, by sector (2019)



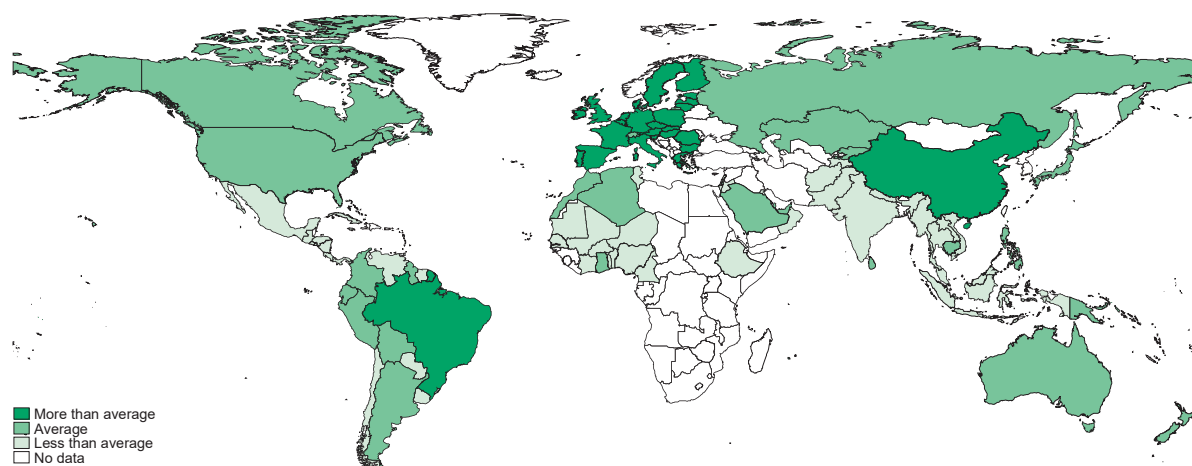
Source: UNCTAD secretariat calculations based on UNCTAD TRAINS data.

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

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

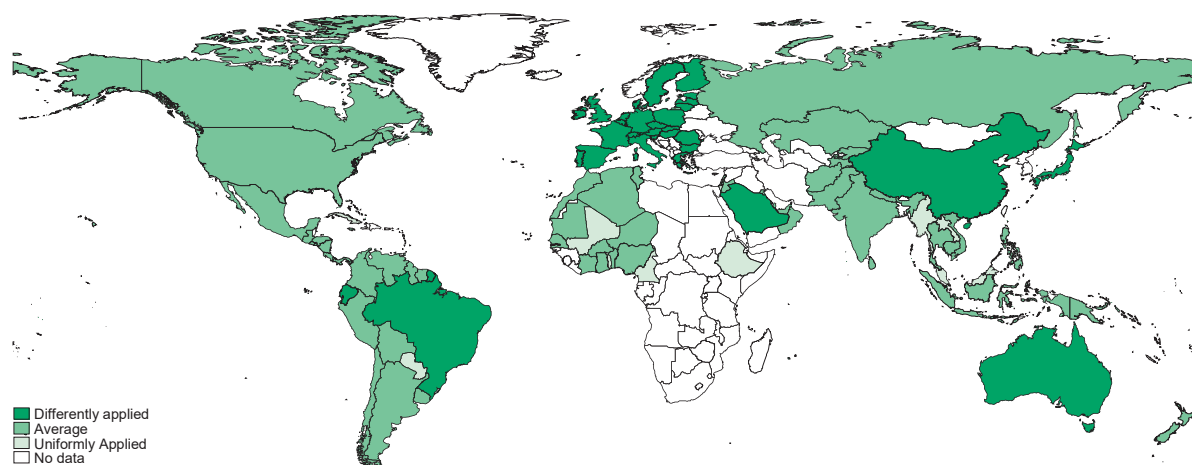
Figure 13
Technical non-tariff measures, by country

(a) Technical non-tariff measures, relative intensity across countries (2019)



Source: UNCTAD secretariat calculations based on UNCTAD TRAINS data.

(b) Technical non-tariff measures, intensity across products (2019)

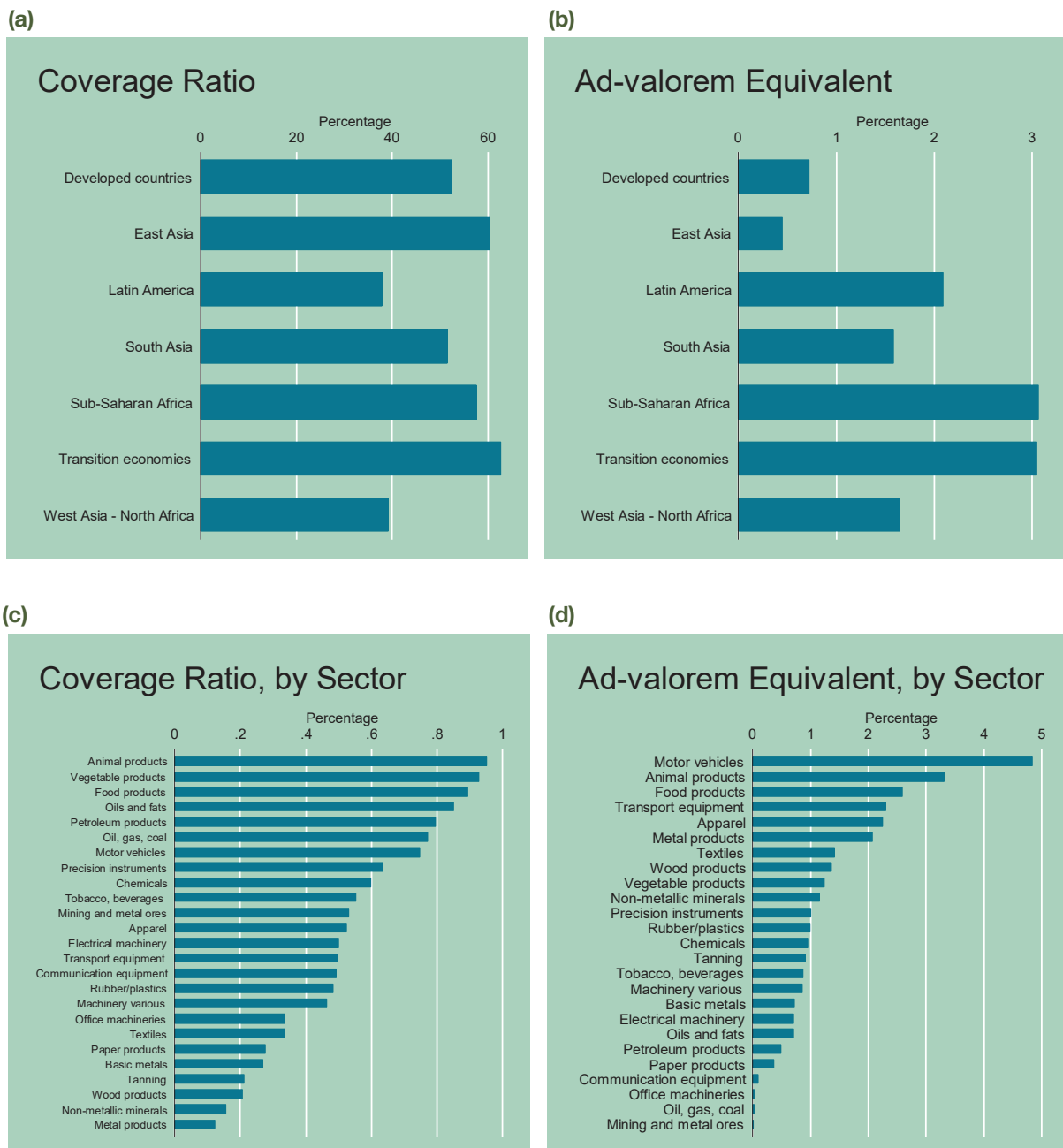


Source: UNCTAD secretariat calculations based on UNCTAD TRAINS data.

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

Border non-tariff measures, such as inspection and certification requirements, quarantines, quotas and other border formalities are widespread. They cover more than 50 per cent of world trade. However, the costs of such measures vary both across countries and across sectors. Costs tend to be higher in Sub-Saharan Africa and in transition economies. Across sectors, higher costs are estimated for the automotive industry and for agricultural sectors.

Figure 14
Border measures: coverage and ad-valorem equivalents (2019)



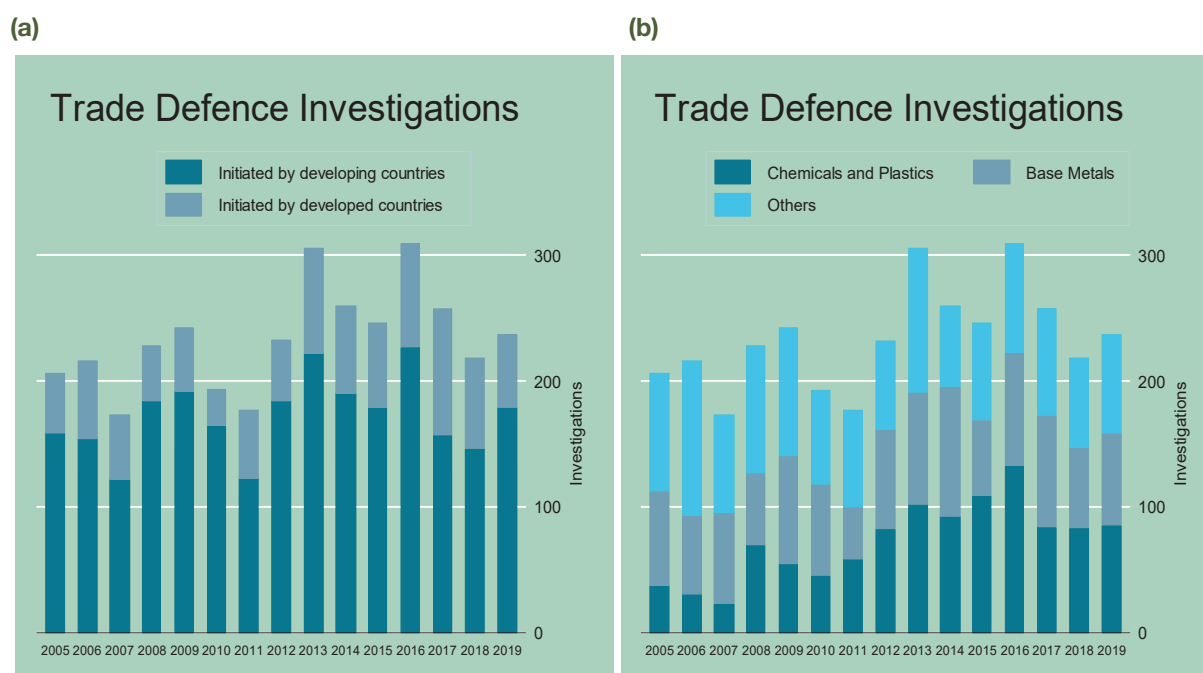
Source: UNCTAD secretariat estimates based on UNCTAD TRAINS data.

SPS Border measures include documentation requirements such as certification, inspection, and quarantine, as well as quotas and any other measures that are expected to generate costs at entry. They are typically applied relatively more to agricultural products (Figure 14c). and to other products that may have inherent health hazards due to contaminants (Figure 14a). Their compliance costs (ad-valorem equivalents) vary across sectors and depend to the type of measure and the implementation mechanisms (Figure 14b and 14c).

4. TRADE DEFENCE MEASURES

In 2019 the use of trade defence initiations brought to the WTO (antidumping and safeguards) has remained substantial with about 230 new investigations started at the WTO. Most of the new investigations have been initiated by developing countries. About one third of investigations relate to base metals (largely steel), and another third to chemicals and plastics.

Figure 15
Trade defence measures, 2005-2019



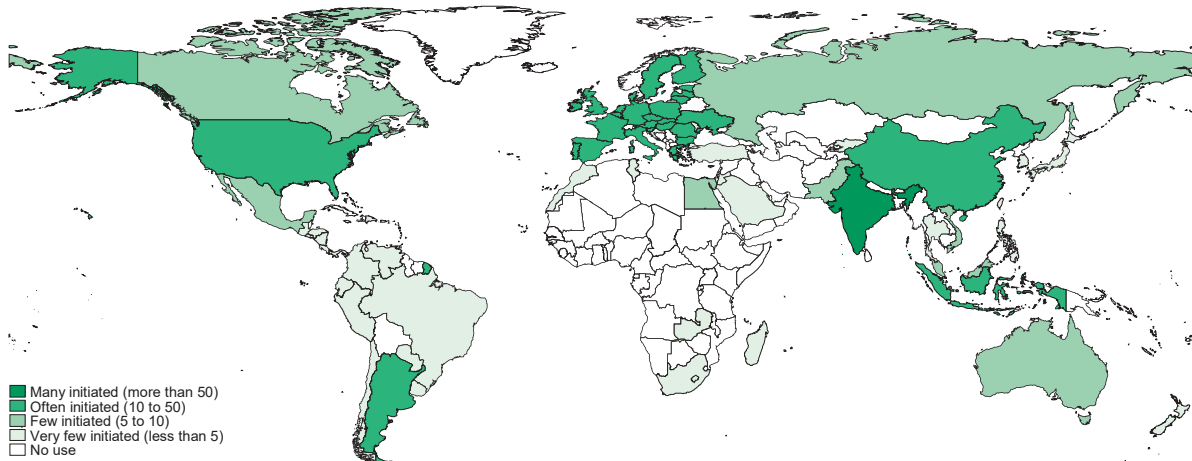
Source: UNCTAD secretariat calculations based on WTO I-TIP data.

Trade defence measures in the form of antidumping and safeguards allow countries to actively respond to import-related concerns within an established WTO mechanism. During the past decade, about 250 cases were brought annually before WTO (Figure 15a). With peaks of about 330 cases in 2013 and 2016. Generally, trade defence measures remain in effect for five years and sometimes more, and therefore the stock of measures affecting trade in any given year is significantly higher than the corresponding number of new cases each year. Both developed and developing countries make use of trade defence measures. The use of trade defence measures is largely concentrated in only a few industrial sectors: base metals, chemicals, and plastics (Figure 15b).

The use of trade defence mechanisms vary greatly across countries. As with previous years, In 2019 most of trade defence investigations were initiated major economies. The country initiating most investigation was India. In 2019, China has been the most targeted country by antidumping investigations.

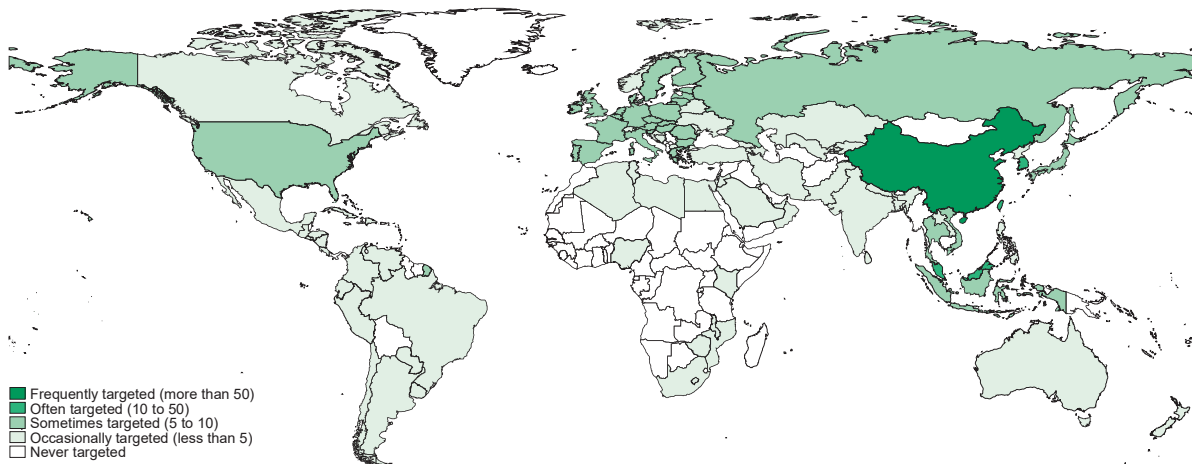
Figure 16
Trade defence investigations, by country

(a) Trade defence investigations, by initiating country (2019)



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

(b) Trade defence investigations, by targeted country (2019)



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

As in previous years, in 2019 most cases relating to trade defence mechanisms have been initiated by major economies. The main users of such measures include India, the United States, the European Union, China (Figure 16a). India has been the most active country in bringing trade complaints to the WTO with 55 cases (52 antidumping and 3 safeguards). China is by far the most targeted country, with more than 61 antidumping cases started against China in 2019. The Republic of Korea was far second being the target of 18 antidumping cases. A large number of trade defence measures are also imposed against the European Union, the United States as well as other east Asian economies (Figure 16b).

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