# II. Preferential market access issues

*Mia Mikic*

## 1. Introduction

To fully utilize trade as a key driver of economic growth, access to markets should be free and under predictable terms. As discussed briefly in Chapter I, the link between trade and development is not only channelled through imports supplying necessary resources including knowledge and technology as well as final goods at prices and varieties not possible in autarky, but also through exports in terms of allowing exploitation of economies of scale, learning by doing as well as economic diversification.[13] Thus, export markets also need to be accessed without obstacles, also for the simple reason of allowing exporters to capture higher prices as they would not need to shoulder the burden of tariffs for the local consumers.[14] To assist exporters from developing countries, the international community agreed to introduce trade preference arrangements in order to improve their development prospects.

The Generalized System of Preferences (GSP), offering trading advantages to developing countries, conflicts (in principle) with the Most-favoured Nation (MFN) obligation of the Article 1 of the multilateral trading rules known as GATT. However, the system was adopted through UNCTAD and firstly made operational by a waiver (given in 1971 for 10 years) and then permanently by the Enabling Clause (in 1979, as one of the results of the GATT's Tokyo Round). Along with GATT, the Enabling Clause was incorporated into the WTO law at the end of the Uruguay Round.[15] While multilateral trading rules have not been envisaging different categories of developing countries, for the purposes of non-reciprocal and non-discriminatory preferences under the GSP, the Enabling Clause now provides the legal ground for differentiation among developing countries as well as for a special preferential treatment to a category of countries called LDCs.[16] Thus, any country wishing to provide a trading advantage in its own market to developing countries or LDCs over their competitors, is able to use the Enabling Clause as a blanket exception to the MFN principle.

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[13]Traditionally, infant industry arguments have been used to connect increased production for exports (or import substitution) and economic diversification. More recently, heterogeneous firm trade theory would argue that lower trade costs, such as lower tariffs, will increase the extensive margin of trade, and this is typically linked with a process of export diversification.

[14]Price elasticity of demand will determine who will pay the tariff: domestic consumers, importers or the exporters. In most cases it is share in some sense and removal of such a tariff would allow exporters to recapture that amount increasing their profitability (see more in Chapter IV).

[15]In 1999, the General Council in the WTO adopted the Decision on Waiver for Preferential Tariff Treatment of Least-Developed Countries which allows developing country Members to offer preferential tariff treatment for products from LDCs.

[16] Except for separating out the LDCs, the Enabling Clause initially did not provide for a differential treatment among developing countries, until 2004 when the Appellate Body ruled that non-discriminatory preferences do not necessarily mean "identical treatment" and thus led to the current situation where developing countries do not have equal and identical access to all trade preferences. For legal and economic analysis of this differentiation see Grossman and Sykes (2004).

The last four decades have witnessed the most developed countries and several emerging economies putting in place individual GSP schemes for the LDCs and developing countries. Appendix table provides details of these schemes for the majority of developed countries (European Union, United States, Canada, members of EFTA such as Norway and Switzerland, and three developed economies in Asia: Australia, Japan and New Zealand).[17] Furthermore, the features of the GSP schemes of the three major trading nations among Asian developing countries, China, India and the Republic of Korea are also added.

Not all of the developed economies started giving preferences when the waiver made it possible in 1971; the European Economic Community, Japan, Norway and New Zealand led the way and were followed by the United States and other developed countries.[18] By the beginning of Doha Development Agenda in 2001 most of the developed countries had the generalized schemes in place with special systems for LDCs. For example, the European Union has the Everything but Arms (EBA); the United States the African Growth and Opportunity Act (AGOA), and other countries have allocated portion of the GSP schemes specifically for LDCs. Table 1 provides the summary of major features of these schemes reflecting their heterogeneity, especially if both GSP and special LDCs schemes are explored. The preferences differ in terms of country and product coverage, margin of preference, quantitative restrictions (quotas), rules of origin, safeguard provisions, graduation, etc. Despite this obvious lack of uniformity, the common feature of all schemes is their objective of providing market access to countries that are deemed in need of expanding trade to enhance growth prospects and reduce overall poverty.

The importance of trade was strongly recognized through the inclusion of the so-called Goal 8 in the United Nations Millennium Declaration referring to eight development goals to be reached by 2015. The MDG 8 calls for a global partnership for development and proposes a number of concrete measures for improvements of this partnership in several areas, including trade, in order to generate the resources, opportunities and skills needed for countries to achieve other MDGs (cf. Mikic and Ramjouè, 2009). In contrast to other MDGs, the targets of Goal 8 are not numerically defined but imply intent of improving the global partnership for development. Despite the lack of numerical targets, initiatives have been put in place to facilitate tracking of the progress related to the Goal 8 trade targets.[19] These have contributed to a better understanding of the conditions under LDCs trade. The next section reviews some of the available descriptive statistics in this regard.

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[17] European Union and the United States each have various schemes for different groups of developing countries as well as for the LDCs. See Appendix table for details.

[18] In fact, European Union at the time and later had a separate specials scheme dedicated to the African, Caribbean and Pacific (ACP) countries. The scheme was oriented towards former colonies of the European Union members and was known as Yaoundé, Lomé and, the most recently, Cotonou conventions.

[19] For example, a dedicated online platform www.mdg-trade.org was established with data on proportion of total developed country markets from developing and LDCs admitted free of duty and on average tariffs imposed by developed countries on agricultural and categories of industrial products such as textile and clothing. The World Trade Indicator platform of the World Bank provides data on the market access by computing a single "uniform tariff" equivalent of all tariffs facing the given country exports (called MA-OTRI). The same source provides data on utilization of preferences provided by the European Union and the United States. These sources have been also used in this chapter to gauge the overall market access for the Asia-Pacific LDCs.

**Table 1. Summary of the selected GSP schemes for the LDCs**

| **Preferential scheme - market** | **LDCs covered** | **Tariff lines coverage** | **Range of tariffs preferences** | **Quota** |
|---|---|---|---|---|
| Canada LDCT (2003-2014) | LDCs | Virtually all products / supply-managed agriculture eg. poultry | Duty free | Quotas on dairy, poultry and eggs |
| European Union EBA 2001 | LDCs | All products (7218 tariff lines) DFQF access, revised RoO since 2011 | Duty free | None |
| United States AGOA 2000-2015<br><br>[LDBDC 1976 expired 2010] | 38 designated Sub-Saharan African Countries, including 24 LDCs | 6000 products for duty free treatment | Duty free | TRQ for sugar, tobacco, peanuts, beef, and some dairy products as well as some apparel and textiles |
| Australia DFQF 2003 | LDCs | All products | Duty free | None |
| Japan GSP Enhanced DFQF market access (2007-2021) | LDCs | 8859 tariff lines or 98% - covering 99% in terms of the import value from the LDCs | Duty free | 1118 tariff lines are subject to QR, and subject to duty rates set at 0,20,40, 60 or 80% of MFN rates. Country benefit is suspended if it exceeds 50%of Japan's total imports or is over Yen 1.5 Billion |
| New Zealand, Tariff treatment for LDCs, 2001 | LDCs | 99.5% of dutiable items (3,051 tariff lines) | Duty free | None |

Source: Appendix table and WTO (2011)

## 2. Market access and benefits

Despite the recent dynamic growth of South-South trade globally, the Asia-Pacific countries are still very much dependent on export to the developed country markets. On average, around 70% of their merchandise exports are directed to developed country markets, with Bangladesh, Cambodia and Samoa leading the group with shares of 84%, 76% and 92%, respectively. It appears that the South-South linkages for the Asia-Pacific LDCs are much stronger on the import side: on average just above 20% of LDCs' total imports comes from developed countries. Nevertheless, Pacific island LDCs tend to source larger share of their merchandise imports from developed country markets relative to the LDCs on average.

The regional orientation of the LDCs is of course greatly a reflection of the ease of access to the markets of the trading partners. This, in turn, is affected by the existence of preferences, reciprocal and non-reciprocal. When it comes to reciprocal bilateral and plurilateral trade agreements, the region's LDCs are quite active. As reported in chapter IV, all LDCs in the region except Timor-Leste were engaged in "regionalism", although not with the same results. While Pacific LDCs had each 2 or 3 agreements, shares of export to the partners in those agreements vary between 2% and 3% for Vanuatu and Solomon Islands to 64% for Samoa. While LDCs members of ASEAN were, not unexpectedly, more involved in the "regionalism", their agreements did not necessarily cover much of their total exports. For example, Cambodia exports to trading partners in its 6 agreements cover only 9% of its total exports; Lao PDR covers 82.4% of exports through its 9 agreements, and Myanmar 88.3% through its 6 agreements (ESCAP, 2011). The partners of LDCs in these trade agreements mostly are other developing countries and LDCs; only Pacific LDCs have trade agreements with developed countries (Australia and New Zealand).[20] Further discussion on the impact of reciprocal preferential trade agreements is deferred for Chapter IV.

Here we continue with an examination of the market access for the LDCs. As most of the Asian LDCs have no agreements with developed countries, the ease of access to the markets of developed countries is a combination of removal of tariff barriers through multilateral process (MFN base liberalization) and non-reciprocal preferential treatments accorded individually by developed countries to developing countries, and especially to the LDCs.

Proportion of all LDCs' exports admitted free of duty in the developed country markets has been increasing steadily since 1996, and in 2008 it reached over 91% for agricultural products and 99.5% for industrial products (based on data available at www.mdg-trade.org). Obviously there is a variation across countries and figure 1 shows how each Asia-Pacific LDCs score relative to the all LDCs average in 2008. What is immediately apparent is that more countries from the region are doing better than the average of all LDCs in agricultural products' exports: a higher proportion of Asia-Pacific LDCs' exports gets admitted without paying duties. However, there are few countries which are doing much worse than this average: Nepal, Bangladesh, Cambodia, and Bhutan. Their agricultural exports get lesser preferential treatment because a smaller share gets duty free access. In the area of industrial products exports, the advantage of the region's LDCs over the global average is much less, and six countries actually have smaller share, in particular Lao PDR and Myanmar.

There are noticeable variations in the access granted free of duty to different groups of products. Tracking the status of different export product groups for the LDCs from Asia-Pacific region over time, as shown in Mikic and Ramjouè (2009, p.13) points to a change in policies towards agricultural and industrial products. Before 2001, it was the agricultural products group the one that accounted for the largest share in the duty free access, but since 2001 the industrial products group takes a larger share, climbing from 60% in 1996 to high 90s percentage share in 2007 and 2008. Clothing exported from LDCs gets only limited duty-free treatment, as less that 60%

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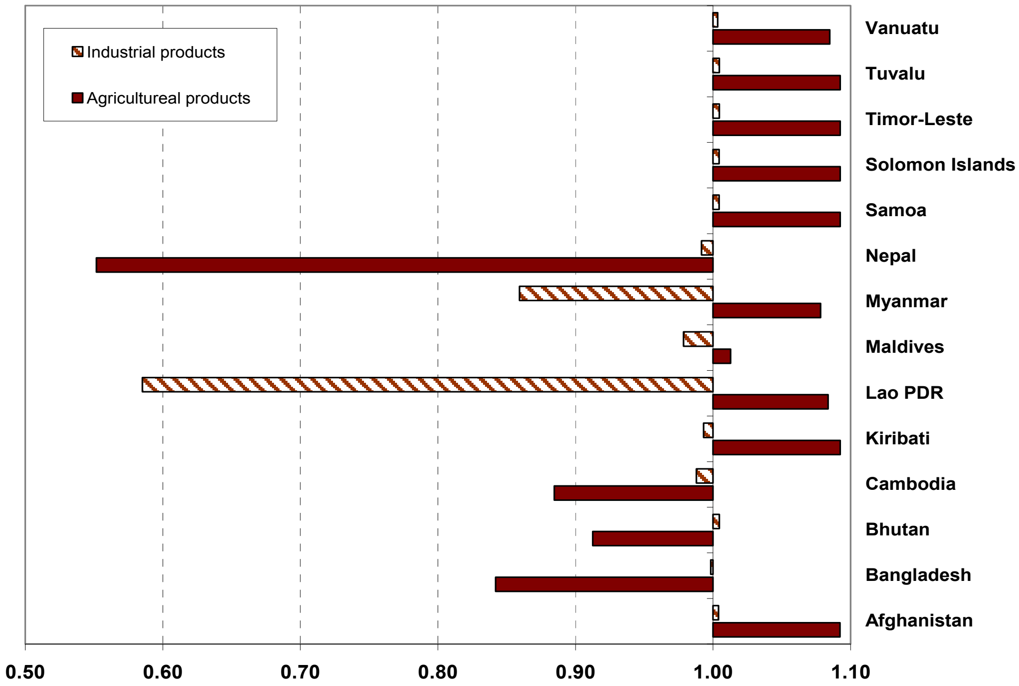
[20]As discussed in WTO (2011b) and later in the chapter IV of this study, the type of partners in trade agreements might have an important impact on the beneficial value of the agreement. Agreements between developed and a developing country have been identified with providing deeper and more enforceable liberalizing concessions and these have been associated with further reforms necessary for stability and growth.

was accepted duty free in the period 1996-2007. In contrast, the product group of textiles (intermediate products) records some increase in the share of duty-free access, especially after 2001 but does not reach more than mid-70% share.

**Figure 1. Duty free access relative to global LDCs average in 2008**




*Source*: Calculated based on data downloaded from www.mdg-trade.org
*Note:* Value of 1 means the same % share of exports admitted free of duty as given to all LDCs globally, if >1, a country has larger share of such access than all LDCs on average; if <1 a country has smaller share.

When looking at the average tariffs payable in the developed country markets for the products exported by the LDCs, the data shows variable results for different product groups as well as different countries. WTO (2011, pp. 20-21) reports about a falling trend in average tariffs despite the difference in rates over almost 15 years be very minimal (see Table 2). Except for the textile products, Asia-Pacific LDCs' exports face slightly higher average tariffs in the developed country markets than LDCs on average, which does not necessarily mean that they are discriminated against as the difference may depend more on the structure of the exports. For example, as WTO (2011, p.20) comments, countries that export relatively more of tropical products in the agricultural basket would face lower average tariff because of the favourable treatment of tropical products in developed markets. The margin of preference for agricultural products is the largest, even for the Asia-Pacific countries. However, in export of clothing this group faced higher tariffs due to the exclusion of these products in the United States GSP scheme available to these countries.

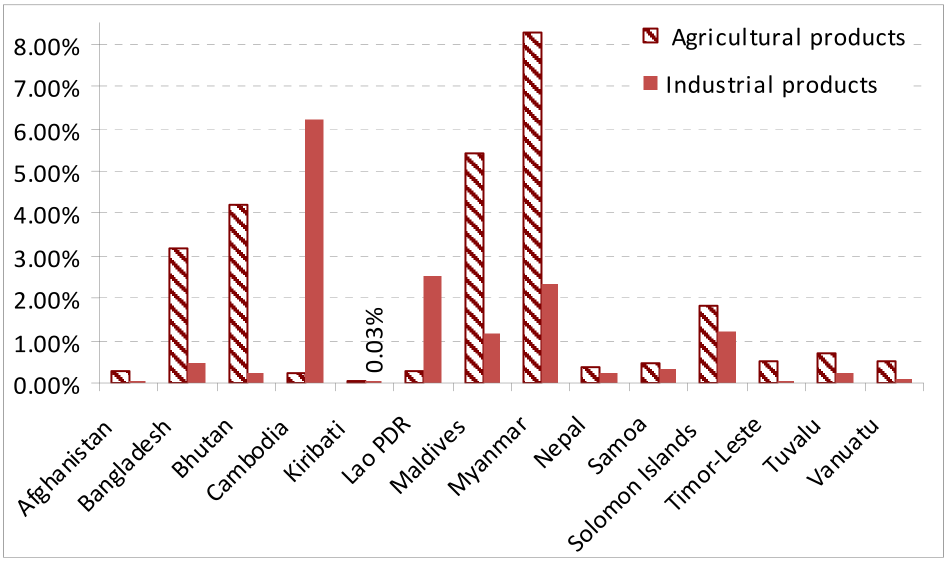
**Table 2. Change in average tariff payable by all LDC's exports, in percentage points**

| Category | 1996 | 2001 | 2009 |
|---|---|---|---|
| Agricultural goods | | | |
| Developing countries | 10.6 | 9.3 | 7.9 |
| LDCs globally | 3.8 | 3.6 | 1.2 |
| Asia-Pacific LDCs | 6.3 | 3.3 | 3.1* |
| *Preference margin for Asia-Pacific LDCs* | *4.3* | *6.0* | *5.1** |
| Textiles | | | |
| Developing countries | 7.4 | 6.7 | 5.2 |
| LDCs globally | 4.6 | 3.9 | 3.2 |
| Asia-Pacific LDCs | 4.4 | 3.0 | 2.6* |
| *Preference margin for Asia-Pacific LDCs* | *3.0* | *3.7* | *2.6** |
| Clothing | | | |
| Developing countries | 11.7 | 11.0 | 8.3 |
| LDCs globally | 8.2 | 7.8 | 6.4 |
| Asia-Pacific LDCs | 8.3 | 7.7 | 6.7* |
| *Preference margin for Asia-Pacific LDCs* | *3.4* | *3.3* | *1.6** |

Source: WTO (2011, table 9) for developing countries and LDCs and www.mdg-trade.org for Asia-Pacific LDCs

Inspection of the data for individual countries among the Asia-Pacific LDCs confirms how heterogeneous this region is. Figure 2 shows the best applicable tariffs faced by agriculture and industrial products of individual countries in the developed country markets in 2008 (based on www.mdg-trade.org data). For agricultural products, the rates were very different ranging from high of over 8% in case of Myanmar, to almost zero tariff for Kiribati's exports. In the case of industrial products, the highest tariff was imposed on exports from Cambodia (over 6%).

**Figure 2. Preferential average tariff faced by Asia-Pacific LDCs' exports in developed country markets in 2008**




Source: Downloaded from www.mdg-trade.org

There are at least a couple of caveats to mention in regard to analysis based solely on tariff data. Most conclusions that one could reach by looking only at the level and changes in tariffs rates might suffer from incomplete analysis, due to the following:

a) Most of the border barriers faced by products of any country are the so-called non-tariff barriers (consisting of various standards, including SPS and TBT, but also antidumping duties, countervailing duties, or other safeguards). Thus, analysis based only on tariff does not pick up the full effective protection.

b) Furthermore, a considerable amount of trade protection lies nowadays "behind the border". Arguably, these measures apply more to services and investment, but they are also applicable in the area of goods trade, meaning that, again, tariffs will not reflect how truly closed (or open) the markets are.

It is very difficult to collect comprehensive and reliable data on non-tariff and non-border (or behind the border) barriers – actually there is still no uniform set of definitions covering this area of protectionist measures (see UNCTAD 2010 for more details), and thus a systematic temporal analysis is almost impossible. World Bank has made an attempt to calculate an indicator called market access overall trade restrictiveness index which includes both applied preferential tariffs and NTMs. Unfortunately this indicator is not available for many LDCs (Table 3 lists Bangladesh, Cambodia and Nepal). The indicator is expressed as a uniform tariff equivalent of all tariffs and non-tariff barriers facing the given country's exports. A comparison of the levels of these equivalents and average applied tariffs faced by the same exporters indicates that the most damage is done by the non-tariff barriers. The relatively successful subsequent rounds on unilateral tariff liberalization have made non-tariff measures increasingly more important. This was also confirmed during the most recent crisis and recovery, when the use of non-tariff measures increased in almost all countries (see chapter III for a detailed analysis). Unfortunately little is known about the use and impact of these barriers and more research is necessary in order to get a clearer picture on the current level and structure of protection against exports from the Asia-Pacific LDCs' exports.[21]

There are, however, other problems associated with the tariff-based preferential market access for LDCs. One is related to the effective use of lower or zero tariff market access, and another is the problem of durability of such access due to eroding margin of preference. With regard to the former, Table 3 shows the results based on the Word Bank World Trade Indicators database of the utilization rate of preferences in the European Union and the United States markets for the Asia-Pacific LDCs. The utilization rate is calculated as a ratio of the actual and potential values (with actual value being exports under the preferences in total exports). Factors affecting the utilization rate are those constraining exports other than tariffs such as burdensome customs and administrative procedures (for example, stringent rules of origin), standards and other NTBs, low margin of preference reducing the exporters' interest or benefit–to-costs ratio of using preferences and high percentage of zero MFN tariff

[21] WTO has initiated a pilot project / database with all the antidumping and technical barriers to trade notified to the Secretariat since 2008. While many countries are still missing from the database, there is a clear increase in both types of measures over 2009-2010. See more in an update of Asia-Pacific Trade and Investment Report 2011 (available at www.unescap.org/tid).

rates. In case of exporting to the European Union, the utilization rate ranges from 5.5% for Kiribati to 99.7% for Solomon Islands. Out of the continental LDCs, Nepal reaches the highest rate of 90.9% and the others are at considerably lower rates. In exporting to the United States, data exists for lesser number of countries, but for the ones for which there is available data, the rates are equally variable as those for the European market.

**Table 3. Comprehensive protection and utilization of preferences**

| Country | MA-OTRI (applied tariff incl. prefs.+NTMs) - All Goods | | Preferences (EU-only) utilization rate (%, actual/potential value) | | Preferences (US-only) utilization rate (%, actual/potential value) | |
|---|---|---|---|---|---|---|
| Year: 2006-09 Latest | Ranking | Value | Ranking | Value | Ranking | Value |
| Bangladesh | 107 | 23.59 | 113 | 69.31 | 80 | 82.93 |
| Nepal | 117 | 28.01 | 45 | 90.79 | 78 | 84.25 |
| Cambodia | 125 | 43.83 | 98 | 72.71 | 95 | 66.47 |
| Afghanistan | .. | .. | 151 | 19.65 | 99 | 59.81 |
| Bhutan | .. | .. | 147 | 31.57 | 107 | 48.56 |
| Kiribati | .. | .. | 163 | 5.46 | 123 | 0 |
| Lao PDR | .. | .. | 80 | 78.35 | .. | .. |
| Maldives | .. | .. | 15 | 98.79 | .. | .. |
| Myanmar | .. | .. | .. | .. | .. | .. |
| Samoa | .. | .. | 150 | 24.62 | 101 | 55.7 |
| Solomon Islands | .. | .. | 6 | 99.72 | 120 | 5.29 |
| Timor-Leste | .. | .. | 161 | 9.17 | .. | .. |
| Vanuatu | .. | .. | 152 | 17.02 | 1 | 100 |

Source: Downloaded from World Trade Indicators, the World Bank

The difficulties to comply with the stringent preferential rules of origin are being cited as one of the most important reasons for why exporters from countries eligible for preferences do not even try to claim them but rather export (if at all) under the MFN regime. In case of non-ACP LDCs exports in 2001 under the Everything But Arms initiative of the European Union, Inama (2003) and Brenton (2003) report that preferential treatment was requested for less than 50% of exports, even though the scheme offers duty-free access for practically all goods and is the best system on offer for these countries. They conclude that this "*...may be a strong indicator that preferences are either very hard to use in practice, or that the extra value they could transfer is not big enough to make it worthwhile*."

WTO (2011, pp.18-19) offers some useful data to put more light on the problem of erosion of preferences. It calculates an indicator referred to as the "true preference" margin, which is total duty-free access minus products receiving duty free treatment under the MFN regime. As more and more products are imported into the developed country's markets under the zero MFN import tariffs, the lesser benefits accrue to LDCs who were meant to be receiving market access under such conditions while their competitors would still need to face tariff. According to the WTO (2011, p.19) all LDCs globally attained just over 50% of their exports to developed country markets in 2009 (up from 35% in 1996), compared to developing countries whose only 19% of exports were awarded true preferential margins.

Erosion of preferences has been voiced as a concern for different groups of countries in the multilateral system for some time. Looking at the LDCs vis-à-vis developing countries, the simple but telling indicator of this phenomenon is the share of duty-free exports (without arms and oil): in 1996, 53% of the developing countries' exports enjoyed duty free access, compared to78% of the LDCs' exports. By 2009, the share for developing countries climbed to 77%, while the LDCs' share remained almost the same (up to 80%). Milner and others (2010, pp. 38-39) identified the LDCs that are most affected by preference erosion and a number of LDCs from the region fit the category: Bangladesh, Cambodia, Maldives, Myanmar and Solomon Islands. The authors conclude that these countries are exposed to preference erosion because they do not benefit from any "preference protection" extended through special arrangements of EPAs to the ACP countries by the European Union or AGOA to African countries by the United States. Furthermore, most of the exposed Asian countries export clothing or agriculture, both groups of products especially exposed to preference erosion.

Given all of the above, despite trade preferences' objective to improve structure and value of the LDCs' exports, there is widespread skepticism about whether they, in general terms, have succeeded in achieving this goal. The problems still prevalent in LDCs' trade capacity, led Krueger (2011) to argue that trade preferences have been far less effective in building a platform for inclusive and sustainable development. She said that even in cases where exports increased due to such preferences, it did not necessarily mean that it was sustainable over a sufficient number of years to warrant a change in business decisions and practices. The list of the major problems of the GSPs provided by Krueger includes: the temporary (time-bound) nature, the subjection to ceilings (of export values), the requirement of graduation after reaching certain amount of exports or GPD per capita, and also the fact that same or similar preferences could be multilateralized or extended to other countries causing the erosion of the value of the preferences.

The GSP or non-reciprocal preferences a la GSP, is not the only channel of providing LDCs with the preferential market access for their exports; multilateral trading system through the special and differential treatment (S&DT) also accords trade concessions which are not fully symmetric (or reciprocal). The next section comments on how the use of S&DT could complement the non-reciprocal channel.

### 3. Doha Round and development package

When the ninth multilateral round of negotiations was formally launched in Doha in 2001 (after several failed attempts), it was proclaimed as the Development Round with the objective to address (some of) the developmental concerns of the poorest countries in the word, the LDCs. As shown in Chapter I, LDCs share some very special economic features as far as trade issues are concerned, but they are also very different in terms of economic and trading capabilities. The Doha Declaration specifically addressed the concerns of the LDCs, including through the Declaration on the TRIPS Agreement and Public Health which was adopted at the Doha Ministerial Conference and was extending the LDCs' transition period in respect of pharmaceutical products until 1 January 2016.[22] Though from the start of the Doha Development Round LDCs have been targeted as the main beneficiaries, it was only at the WTO Ministerial in Hong Kong in 2005 that a concrete proposal was shaped under the Duty-Free, Quota-Free (DFQF) regime for LDCs. But of course, this did not help much given the recurrent problems in negotiating the main content of the Round by the key stakeholders.

**Table 4. Decisions at the MC8 relevant directly for LDCs**

| ***Decision*** | ***LDC accession*** | ***IP-TRIPS*** | ***Service waiver*** |
|---|---|---|---|
| ***WHAT? Main objectives of the decision*** | To simplify the process for LDC accession to the WTO by making the accession process more transparent, by accommodating all the Special and Differential provisions and allowing for benchmarking of acceding LDCs liberalization commitments against those of the LDCs that are already members of the WTO | To extend the deadline for LDCs to protect intellectual property rights in accordance with TRIPS provisions | To allow WTO members to deviate from their most-favoured nation obligations, allowing members to undertake preferential market access commitments in favour of LDCs |
| ***WHO? Involved parties*** | The Sub-Committee on LDCs is instructed to develop recommendations to further strengthen the previous 2002 guidelines. | The TRIPS Council is requested to consider an extension of the LDCs' transition period under Article 66.1 of the TRIPS Agreement. | The waiver was developed by Members of the Special Session of the Council for Trade in Services and the preferential treatment can be implemented by WTO members at any time. |
| ***WHEN? Deadline for implementation*** | The recommendations by the Sub-Committee on LDCs must be sent to the General Council no later than July 2012 | The report is due at the Ninth Ministerial Conference in December 2013 | The preferential treatment can be implemented during the period the waiver is in force. The service waiver will be in force for 15 years from its adoption. |

*Source*: http://www.wto.org/english/thewto_e/minist_e/min11_e/brief_ldc_e.htm

The DFQF access for LDCs should have been granted by developed countries from 2008 or no later than the implementation period (of the Doha agreement, which has not been finalized) for at least 97% of products. Many developed countries, and developing countries such as China and India, have granted duty-free access for most tariff lines to LDCs without waiting for the conclusion of the Doha round. The

22 The Decision on Implementation-Related Issues and Concerns has a number of provisions for LDCs including provisions relating to: the Agreement on the Application of Sanitary and Phytosanitary Measures; Agreement on Technical Barriers to Trade; Agreement on Trade-Related Investment Measures; Agreement on the Implementation of Article VII of GATT 1994; Agreement on Subsidies and Countervailing Measures; and the TRIPS Agreement.

importance of moving towards the full implementation of the DFQF decision made at the Hong Kong Ministerial meeting at the earliest possible time deserves emphasis. However, the impact of the DFQF should be assessed carefully. LDC imports in developed countries only account for a very small share of the developing-country exports (less than 1.5% of the total in 2009). In addition, due to administrative restrictions and barriers such as the rules of origin, LDCs still find that some of their exports are charged at MFN tariff rates. The EBA initiative acted as precedent for other countries to follow suit. Furthermore, the GSP of the European Union excluded many agricultural products, while the EBA does not. However, market access to the EU still requires compliance with non-tariff measures, such as SPS, TBT and the rules of origin.

## 4. Conclusion

The LDCs of Asia and the Pacific have fared relatively well, especially when compared to the LDCs from other regions: in the aggregate, Asia-Pacific LDCs receive broader duty-free access than the other LDCs. Still, as tariffs in most areas have fallen overall, the preferential access that LDCs had previously enjoyed has been, to some extent, eroded.

While duty-free and quota-free access is important, attention must also be given to non-tariff and non-border measures, which frequently restrict LDCs' exports in the areas of agricultural products and industrial goods. More transparency is needed to determine the number and extent of non-tariff barriers used by developed countries to limit imports from developing countries and LDCs.

Despite the improved market access provided by developed countries, the share of LDCs' exports in world exports remains flat: LDCs have made few actual gains in world markets. This trend may be explained in part by the increasing competition that some LDCs now face for their main exports (such as ready-made garments) by countries such as China. In addition, the global economic crisis and recovery have highlighted the vulnerability of economies such as Cambodia's, which rely heavily on a limited number of export items. Aid for Trade should assist these and other countries to achieve greater stability through export diversification (see Chapter VI).

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