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# TRADE PREFERENCES[1] FOR LDCs:

# A quantitative analysis of their utilization and suggestions to improve it

**By**

**Stefano Inama**

[1] This paper is an abridged and updated version of a former study on trade preferences."Trade preferences for Ldcs:an early assesment and possible improvements"UNCTAD, 2003

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# PART I

## THE ISSUE OF THE "UTILIZATION RATE" OF EXISTING TRADE PREFERENCES

### A. An analysis of preferential trade flows under unilateral trade preferences granted by Quad countries

As I have pointed out earlier,[2] traditional methodology utilized to calculate the value of trade preferences and the possible erosion of such preferences assumed that preferences were fully utilized.

Market access for developing countries was often analysed on the assumption that MFN rates were, on one side, not considered a real market access obstacle because of existing trade preferences. On the other side, this assumption was leading to an overestimation of the impact of erosion of trade preferences. Contrary to this conventional wisdom, the mere granting of tariff preferences or duty-free market access to exports originating in beneficiary countries does not automatically ensure that the trade preferences are effectively utilized. Preferences are conditional upon the fulfilment of an array of requirements mainly related to rules of origin, which, in many instances, beneficiary countries may not be able to comply with.

Another conceptual issue that has to be taken into account when examining the value of trade preferences in the wider context of market access is that a number of GSP preference-giving countries have started in most recent years to introduce graduation in a systemic manner.

In fact, while graduation has been applied under the US GSP scheme since 1988,[3] the EU and Japan have implemented graduation mechanisms only in the late 90s.

Graduation has drastically reduced the value of trade preferences for some developing countries. Thus, it is quite normal that an increasing number of developing countries are actually paying more attention to market access negotiations at WTO than to the issue of preference erosion.

Thus, one of the decisive elements to exit from this quandary is to assess the value of trade preferences.[4] Traditionally, there are a number of indications that can be utilized to quantify the value of trade preferences. For instance, averages of MFN tariffs with averages of preferential rates are often utilized to quantify preferential markets or impact of erosion.

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[2] See Inama, S. "Market access for LDCs, issues to be addressed", Journal of World Trade, Vol. 36, No.1, February 2002 and UNCTAD "Improving market access for least developed countries", UNCTAD/DITC/TNCD/4, 2 May 2001.

[3] South Korea, Hong Kong and Singapore were first graduated in 1988.

[4] In the preparation for those negotiations, a number of studies have been carried out on the value of existing trade preferences aiming at providing indications and options for ACP countries.

The total value of imports receiving preference and revenue foregone has also been used as indicators of the value of trade preferences. The former is simply the total dollar value of goods that have benefited from a partial or total reduction of import tariffs under the terms of the relevant GSP schemes. The latter can be utilized as a rough indication of the "order of magnitude" of each scheme since it is larger, the wider the margin of preference and the higher the total value of goods receiving preference.

In this study, I suggest that in addition to these traditional indicators other benchmarks could be used.

These indicators are common to all trade preferences and have been used for a number of years in the UNCTAD context. We will first utilize them to examine the value of trade preferences of the GSP schemes and after we will review some recent figures of the African Growth and Opportunity Act (AGOA) and ACP trade preferences.

These benchmarks could be defined as follows:

**Product coverage** defined as the ratio between imports that are covered by a preferential trade arrangement and total dutiable imports from the beneficiaries' countries. The higher the percentage, the more generous the preferences may appear depending on the structure of dutiable imports of the beneficiary countries. Coverage does not automatically mean that preferences are granted at the time of customs clearance. This ratio is shown in column F of tables 1, 2, 3 and 5.

**Utilization rate**, defined as the ratio between imports actually receiving preference and covered imports. This rate is based on the customs declaration made by the importer at the time of importation. There are strong indications that higher or lower utilization rates are mainly the result of the stringency and/or complexity of rules of origin and ancillary requirements. In some cases, exporters may have not submitted the necessary documentation (such as a certificate of origin or through bill of lading) to get preferential treatment due to lack of knowledge or incorrect information. This ratio is shown in column G of tables 1, 2, 3 and 5.

**Utility rate**, defined as the ratio of imports actually receiving preference and all dutiable imports (covered or not), refers to the percentage of total dutiable imports, which receive preferences. A low level of this ratio means that a large part of dutiable imports (either covered or not) pay MFN rate. This ratio is shown in column H of tables 1, 2, 3 and 5.

Table 1 contains total import data for QUAD countries from effective[5] beneficiaries. In 2001, dutiable imports by QUAD preference-giving countries from GSP beneficiaries amounted to 295 billion, of which 183 billion were covered under their GSP schemes.

**Table 1**
**QUAD imports and utilization of GSP schemes from all effective beneficiaries (in US thousand dollars)**

| Year | Total imports | Dutiable imports | GSP imports | | Percentages | | |
|---|---|---|---|---|---|---|---|
| | | | Covered | Receiving | | | |
| (1) | (2) | (3) | (4) | (5) | (3)/(4) | (4)/(5) | (3)/(5) |
| A | B | C | D | E | F | G | H |
| 1994 | 447'696.8 | 283'480.5 | 162'017.4 | 82'742.6 | 57.2 | 51.1 | 29.2 |
| 1995 | 538'991.4 | 331'292.5 | 195'285.0 | 107'661.4 | 58.9 | 55.1 | 32.5 |
| 1996 | 584'654.3 | 350'604.9 | 178'254.4 | 99'820.7 | 50.8 | 56.0 | 28.5 |
| 1997 | 574'748.9 | 346'025.4 | 199'547.2 | 100'059.3 | 57.7 | 50.1 | 28.9 |
| 1998 | 542'661.1 | 310'913.9 | 182'738.5 | 74'118.5 | 58.8 | 40.6 | 23.8 |
| 1999 | 547'692.8 | 289'531.8 | 166'220.6 | 67'607.1 | 57.4 | 40.7 | 23.4 |
| 2000 | 623'002.3 | 308'306.1 | 171'064.9 | 71'774.9 | 55.5 | 42.0 | 23.3 |
| 2001 | 588'439.9 | 295'452.5 | 183'895.9 | 71'477.9 | 62.2 | 38.9 | 24.2 |

However, only 71.5 billion out of the potential total of 183 billion actually received trade preferences with a utilization rate equal to 38.9.

In 1994, average utilization rate was higher at 51.1 and has shown a constant decline since then. (The dramatic decline of almost 10 per cent of utilization rate between 1997 and 1998 may be imputed to the implementation of graduation policy since a number of beneficiaries have lost beneficiary status following the implementation of the graduation policy of the EU.)

In any event, these data show that in the year 2001, on 110 billion of trade potentially covered by trade preferences, MFN rate of duty rather than the preferential rate has been levied. Thus, there is a tremendous scope for improving the utilization of currently available trade preferences.

As shown in table 2, total imports of LDCs into QUAD countries, receiving GSP treatment, have been much smaller amounting to almost 5 billion in 2001.

[5] The term "effective" means that only trade figures of beneficiaries that are actively utilizing the GSP schemes are taken into account, i.e. ACP imports into the EU market countries benefiting from more generous provisions under the Cotonou Convention arrangements are not counted.

**Table 2**
**QUAD imports and utilization of the GSP schemes from all LDCs effective beneficiaries**
**(in US thousand dollars)**

| Year | Total Imports | Dutiable Imports | GSP Imports | | Percentages | | |
|---|---|---|---|---|---|---|---|
| | | | Covered | Receiving | | | |
| (1) | (2) | (3) | (4) | (5) | (3)/(4) | (4)/(5) | (3)/(5) |
| A | B | C | D | E | F | G | H |
| 1994 | 5'347.0 | 3'917.3 | 2'071.0 | 999.0 | 52.9 | 48.2 | 25.5 |
| 1995 | 6'087.8 | 4'706.1 | 2'564.3 | 1'361.2 | 54.5 | 53.1 | 28.9 |
| 1996 | 9'956.3 | 7'451.1 | 2'985.0 | 1'517.9 | 40.1 | 50.9 | 20.4 |
| 1997 | 10'634.1 | 8'163.4 | 5'923.1 | 1'788.2 | 72.6 | 30.2 | 21.9 |
| 1998 | 9'795.7 | 7'915.1 | 5'564.2 | 2'704.5 | 70.3 | 48.6 | 34.2 |
| 1999 | 10'486.5 | 8'950.4 | 5'869.3 | 3'487.5 | 65.6 | 59.4 | 39.0 |
| 2000 | 13'359.2 | 11'715.5 | 7'836.0 | 4'990.2 | 66.9 | 63.7 | 42.6 |
| 2001 | 12'838.2 | 11'523.9 | 7'662.1 | 4'919.9 | 66.5 | 64.2 | 42.7 |

Conversely, utilization rates have been higher from as low as 20 per cent on 1997 to a high of 64 percent in 2001.

This figure of increased utilization is mainly due to the high US GSP scheme utilization rate recorded by the US GSP scheme (defined as the amount of trade receiving preferences against coverage rate) at around 95 per cent. Since an additional list of products has been made available to LDC countries in 1997 the US scheme has consistently recorded a high utilization rate. However, the overwhelming presence of minerals and in particular oils among the covered products has to be taken into account. In fact, had these products not been considered in the calculation of the GSP coverage, the coverage ratio over the remaining dutiable exports would drop from the current 53 per cent to a low of 5.4 per cent.

At the same time, one has to consider that the utilization rate for LDC countries is as low as 46 per cent and 30 per cent in 2001 under the scheme of EU and Japan respectively. Under the EU-GSP scheme, the amount of trade which received GSP treatment in 2001 was equivalent to USD 1.8 billion increasing by almost USD 347 million since the previous year.

Totals of receiving GSP treatment in Japan have been rather steady around 200 million from 1994 to 2001.

Table 3 below shows that there is a persistent trend of low utilization rate in the GSP schemes even for non-LDC beneficiaries.

**Table 3**
**QUAD imports and utilization of GSP schemes from non-LDCs effective beneficiaries**
**(in US thousand dollars)**

| Year | Total Imports | Dutiable Imports | GSP Imports | | Percentages | | |
|---|---|---|---|---|---|---|---|
| | | | Covered | Receiving | | | |
| (1) | (2) | (3) | (4) | (5) | (3)/(4) | (4)/(5) | (3)/(5) |
| A | B | C | D | E | F | G | H |
| 1994 | 442'349.8 | 279'563.2 | 159'946.4 | 81'743.6 | 57.2 | 51.1 | 29.2 |
| 1995 | 532'903.6 | 326'586.4 | 192'720.7 | 106'300.2 | 59.0 | 55.2 | 32.5 |
| 1996 | 574'698.0 | 343'153.8 | 175'269.4 | 98'302.8 | 51.1 | 56.1 | 28.6 |
| 1997 | 564'114.8 | 337'862.0 | 193'624.1 | 98'271.1 | 57.3 | 50.8 | 29.1 |
| 1998 | 532'865.4 | 302'998.8 | 177'174.3 | 71'414.0 | 58.5 | 40.3 | 23.6 |
| 1999 | 537'206.3 | 280'581.4 | 160'351.3 | 64'119.6 | 57.1 | 40.0 | 22.9 |
| 2000 | 609'643.1 | 296'590.6 | 163'228.9 | 66'784.7 | 55.0 | 40.9 | 22.5 |
| 2001 | 575'601.7 | 283'928.6 | 176'233.8 | 66'558.0 | 62.1 | 37.8 | 23.4 |

Not only utilization for non-LDC countries is half the potential since 1994, but it has been steadily declining. The biggest decline has been registered between 1997 and 1998 when graduation policy came into effect in the EU GSP scheme.

**Table 4**
**Imports of preference-giving countries from LDCs**
**effective beneficiaries of their GSP schemes, 1994-2001**
**(in US million)**

| Country | Year | Total Imports | Dutiable Imports | GSP Imports | | Percentages | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Covered | Receiving | (5)/(4) | (6)/(5) | (6)/(4) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| Canada [a] | 1995 | 175.9 | 41.3 | 6.4 | 4.1 | 15.5 | 64.1 | 9.9 |
| | 1996 | 336.9 | 34.5 | 6.3 | 2.9 | 18.3 | 46.0 | 8.4 |
| | 1997 | 205.3 | 47.3 | 8.6 | 4.7 | 18.2 | 54.7 | 9.9 |
| | 1998 | 256.0 | 92.1 | 9.8 | 5.8 | 10.6 | 59.2 | 6.3 |
| | 1999 | 154.6 | 60.7 | 8.2 | 4.9 | 13.5 | 59.8 | 8.1 |
| | 2000 | 180.1 | 75.9 | 9.9 | 7.2 | 13.0 | 72.7 | 9.5 |
| | 2001 | 243.2 | 94.6 | 11.4 | 8.0 | 12.1 | 70.2 | 8.5 |
| European Union [b] | 1994 | 2,471.2 | 1,823.4 | 1,791.7 | 748.1 | 98.3 | 41.8 | 41.0 |
| | 1995 | 2,814.6 | 2,277.8 | 2,246.3 | 1,077.6 | 98.6 | 48.0 | 47.3 |
| | 1996 | 3,219.0 | 2,580.3 | 2,520.1 | 1,196.8 | 97.7 | 47.5 | 46.4 |
| | 1997 | 3,614.8 | 2,926.3 | 2,888.8 | 770.8 | 98.7 | 26.7 | 26.3 |
| | 1998 | 3,519.4 | 2,932.1 | 2,908.0 | 761.8 | 99.2 | 26.2 | 26.0 |
| | 1999 | 3,562.2 | 3,100.9 | 3,075.2 | 1,035.0 | 99.2 | 33.7 | 33.4 |
| | 2000 | 4,247.1 | 3,671.7 | 3,633.6 | 1,499.5 | 99.0 | 41.3 | 40.8 |
| | 2001 | 4,372.4 | 3,958.1 | 3,935.7 | 1,847.4 | 99.4 | 46.9 | 46.7 |
| | 2002 | 4,408.8 | 3,982.4 | 3,982.5 | 2,271.2 | 100.0 | 57.0 | 57.0 |
| Japan [c] | 1994 | 1,120.5 | 695.5 | 211.2 | 200.5 | 30.4 | 94.9 | 28.8 |
| | 1995 | 1,309.8 | 912.7 | 241.9 | 230.1 | 26.5 | 95.1 | 25.2 |
| | 1996 | 1,504.3 | 939.8 | 388.9 | 269.9 | 41.4 | 69.4 | 28.7 |
| | 1997 | 1,204.9 | 757.3 | 306.3 | 222.1 | 40.4 | 72.5 | 29.3 |
| | 1998 | 1,045.4 | 643.8 | 260.9 | 189.9 | 40.5 | 72.8 | 29.5 |
| | 1999 | 989.0 | 679.6 | 286.4 | 231.9 | 42.1 | 81.0 | 34.1 |
| | 2000 | 1,236.5 | 881.3 | 308.7 | 236.0 | 35.0 | 76.4 | 26.8 |
| | 2001 | 1,001.3 | 754.9 | 398.1 | 228.4 | 52.7 | 57.4 | 30.3 |
| United States | 1994 | 1,755.3 | 1,398.4 | 68.1 | 50.4 | 4.9 | 74.0 | 3.6 |
| | 1995 | 1,787.5 | 1,474.3 | 69.7 | 49.4 | 4.7 | 70.9 | 3.4 |
| | 1996 | 4,896.1 | 3,896.5 | 69.7 | 48.3 | 1.8 | 69.3 | 1.2 |
| | 1997 | 5,609.1 | 4,432.5 | 2,719.4 | 790.6 | 61.4 | 29.1 | 17.8 |
| | 1998 | 4,974.9 | 4,247.1 | 2,282.4 | 1,747.0 | 53.7 | 76.5 | 41.1 |
| | 1999 | 5,780.7 | 5,109.2 | 2,419.7 | 2,215.7 | 47.4 | 91.6 | 43.4 |
| | 2000 | 7,695.5 | 7,086.6 | 3,577.2 | 3,247.5 | 50.5 | 90.8 | 45.8 |
| | 2001 | 7,221.3 | 6,716.3 | 2,960.1 | 2,836.1 | 44.1 | 95.8 | 42.2 |

Table 4 is showing a rather complete picture of the performance of the QUAD GSP schemes for LDCs. A number of observations may be made. In the case of Canada there is a rather coherent pattern showing low import values, lower dutiable imports and even lower coverage with relatively high utilization. The limited product coverage 12.1 per cent in relation to dutiable imports from LDCs is mainly due to the exclusion until 2001 of textiles and clothing from the GSP scheme of Canada.

Following the inclusion of textiles and clothing in 2002 figures should be substantially increased. Bangladesh and Cambodia are expected to be the major beneficiaries of the extension of product coverage on textiles and clothing.

In the case of the European Union the trade flows on the amount of received trade preferences show some decisive fluctuation especially in 1998 and 1999. As previously reported, the decline in those years is mainly due to a policy of strict enforcement of rules of origin requirements after the investigation launched by the EU Commission in 1993-1996.

The rise in the amount of received trade preferences between 2001 and 2002 of around 324 may not be attributed to the EBA initiative but rather to the increase of the utilization rate of Bangladesh that managed to achieve an increase of utilization from US$1.498 million in 2001 to US$1.818 million in 2002. Most likely this is due to the change in rules of origin occurring in 2000 when the requirement of rules of origin for chapter 61 have been softening allowing the utilization of imported yarn.

The utilization rate and the volume of trade flows have dramatically increased for the US since the extension of product coverage for LDCs. However such increase, as pointed out in the following page is due to one product/country pair: exports of oil from Angola.

On the other hand, one may point out the low utility rate of the scheme indicating that a significant fraction of LDC exports, mainly clothing from Bangladesh, Cambodia and Nepal is still facing high MFN tariffs.

**Table 5**
**Imports of preference-giving countries from non-LDCs effective beneficiaries of their GSP schemes**
**(in US million)**

| Country | Year | Total Imports | Dutiable Imports | GSP Imports | | Percentages | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Covered | Receiving | (5)/(4) | (6)/(5) | (6)/(4) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| Canada | 1995 | 17,890.8 | 6,704.7 | 3,858.4 | 2,411.6 | 57.5 | 62.5 | 36.0 |
| | 1996 | 18,577.5 | 6,684.6 | 4,185.8 | 2,636.6 | 62.6 | 63.0 | 39.4 |
| | 1997 | 20,574.9 | 7,366.0 | 4,455.7 | 2,939.0 | 60.5 | 66.0 | 39.9 |
| | 1998 | 18,534.9 | 6,851.7 | 3,579.0 | 2,387.4 | 52.2 | 66.7 | 34.8 |
| | 1999 | 24,044.6 | 7,102.6 | 4,016.5 | 2,552.0 | 56.5 | 63.5 | 35.9 |
| | 2000 | 31,014.2 | 8,472.4 | 4,803.3 | 3,080.6 | 56.7 | 64.1 | 36.4 |
| | 2001 | 27,882.3 | 8,883.4 | 5,365.0 | 3,255.1 | 60.4 | 60.7 | 36.6 |
| European Union | 1994 | 209,056.3 | 130,657.3 | 96,045.3 | 47,050.3 | 73.5 | 49.0 | 36.0 |
| | 1995 | 254,630.4 | 164,570.1 | 121,667.0 | 68,946.3 | 73.9 | 56.7 | 41.9 |
| | 1996 | 268,981.6 | 166,971.1 | 101,936.0 | 61,292.8 | 61.1 | 60.1 | 36.7 |
| | 1997 | 275,961.8 | 176,245.0 | 113,050.9 | 64,013.8 | 64.1 | 56.6 | 36.3 |
| | 1998 | 275,629.4 | 163,286.6 | 86,593.1 | 41,528.2 | 53.0 | 48.0 | 25.4 |
| | 1999 | 242,277.3 | 132,576.1 | 74,885.4 | 36,010.0 | 56.5 | 48.1 | 27.2 |
| | 2000 | 299,630.0 | 141,307.3 | 78,139.6 | 37,848.8 | 55.3 | 48.4 | 26.8 |
| | 2001 | 291,093.2 | 138,020.7 | 79,099.1 | 38,365.6 | 57.3 | 48.5 | 27.8 |
| | 2002 | 306,460.3 | 146,768.8 | 85,774.4 | 47,861.6 | 58.4 | 55.8 | 32.6 |
| Japan | 1994 | 142,081.2 | 87,165.4 | 36,933.0 | 16,733.9 | 42.4 | 45.3 | 19.2 |
| | 1995 | 162,201.5 | 92,475.8 | 40,766.5 | 16,927.1 | 44.1 | 41.5 | 18.3 |
| | 1996 | 183,270.5 | 103,866.0 | 42,102.8 | 17,664.5 | 40.5 | 42.0 | 17.0 |
| | 1997 | 171,846.2 | 92,707.5 | 39,710.9 | 16,789.6 | 42.8 | 42.3 | 18.1 |
| | 1998 | 140,244.5 | 73,583.4 | 55,462.2 | 13,105.2 | 75.4 | 23.6 | 17.8 |
| | 1999 | 164,569.2 | 85,031.7 | 63,717.7 | 14,187.4 | 74.9 | 22.3 | 16.7 |
| | 2000 | 148,004.5 | 77,027.8 | 60,842.5 | 12,872.0 | 79.0 | 21.2 | 16.7 |
| | 2001 | 140,288.3 | 51,255.7 | 19,239.9 | 11,769.8 | 37.5 | 61.2 | 23.0 |
| United States | 1994 | 91,212.3 | 61,740.5 | 26,968.1 | 17,959.4 | 43.7 | 66.6 | 29.1 |
| | 1995 | 98,180.9 | 62,835.8 | 26,428.8 | 18,015.2 | 42.1 | 68.2 | 28.7 |
| | 1996 | 103,868.4 | 65,632.1 | 27,044.8 | 16,708.9 | 41.2 | 61.8 | 25.5 |
| | 1997 | 95,731.9 | 61,543.5 | 36,406.6 | 14,528.7 | 59.2 | 39.9 | 23.6 |
| | 1998 | 98,456.6 | 59,277.1 | 31,540.0 | 14,393.2 | 53.2 | 45.6 | 24.3 |
| | 1999 | 106,315.2 | 55,871.0 | 17,731.7 | 11,370.2 | 31.7 | 64.1 | 20.4 |
| | 2000 | 130,994.4 | 69,783.1 | 19,443.5 | 12,983.3 | 27.9 | 66.8 | 18.6 |
| | 2001 | 116,337.9 | 65,385.5 | 20,130.7 | 13,167.5 | 30.8 | 65.4 | 20.1 |
| TOTAL | 1994 | 442,953.8 | 280,111.6 | 160,494.8 | 82,292.0 | 57.3 | 51.3 | 29.4 |
| | 1995 | 541,974.3 | 333,482.3 | 198,397.9 | 109,394.8 | 59.5 | 55.1 | 32.8 |
| | 1996 | 584,512.5 | 350,925.5 | 181,059.3 | 101,664.7 | 51.6 | 56.1 | 29.0 |
| | 1997 | 572,296.3 | 274,017.9 | 150,857.6 | 79,282.0 | 55.1 | 52.6 | 28.9 |
| | 1998 | 536,577.3 | 304,377.1 | 177,986.3 | 72,014.0 | 58.5 | 40.5 | 23.7 |
| | 1999 | 537,206.3 | 280,581.4 | 160,351.3 | 64,119.6 | 57.1 | 40.0 | 22.9 |
| | 2000 | 609,643.1 | 296,590.6 | 163,228.9 | 66,784.7 | 55.0 | 40.9 | 22.5 |
| | 2001 | 590,968.8 | 272,293.4 | 130,510.0 | 76,054.0 | 47.9 | 58.3 | 27.9 |

Table 5 shows the preferences of non-LDCs beneficiaries in QUAD markets.

A number of qualifications have to be made in reading this table due to the different nature and evolutions of the GSP schemes for non-LDC countries in respect of the treatment provided to LDCs.

First, in general, LDCs are generally granted duty-free treatment. However, in the case of Japan, Canada, and EU non-LDC countries are offered tariff reduction over the MFN rate.

Second, LDC countries are exempted from *a priori* limitation on preferential treatment like competitive needs limits under the US GSP scheme or ceiling under the US GSP scheme of Japan.

Third, and most importantly, LDC countries are not affected by country or country-product graduation under the different GSP schemes.

Clearly, these factors have to be taken into consideration when examining the trade flows under the different schemes.

*Strictu sensu*, none of the factors mentioned above should directly affect the utilization rate of the scheme.

The utilization rate defined as a ratio between covered imports and received trade preferences has little to do with graduation and *a priori* limitations. However, these caveats have to be taken into account when reading the trade flows.

Trade volumes under the scheme of Canada do not show any particular variations in the period 1995-2001. The utilization rate is recorded at slighter more than 60% over the six years.

Conversely, the EU GSP scheme shows significant variations, especially in the years following the full implementation of a policy of graduation. Twenty-two billion of formerly duty-free imports from beneficiaries were graduated out of the scheme in 1998 with a fall in the utilization rate of 8%.

Japan recorded a substantial variation between the percentage of trade covered and received. This difference is mainly to be attributed to *a priori* limitation mechanism through a ceiling mechanism rather than to rules of origin limitations.

In the case of the US, the most striking feature in relation to other schemes is the low coverage rate. Once again this low rate is due to the exclusion of textiles and clothing as well as some steel products from the list of covered products. Obviously, these preliminary observations will be subject to further analysis.

## B. The case of the US GSP: Utilization by whom and benefits to whom?

Table 6 below show the utilization rate and the utility rate of the US GSP without the inclusion of oil. Obviously, such figures show a dramatically different picture of these indicators. Once oil is excluded the trade volume of received trade shrinks to a mere 13 USD million, and utility to single digit level over the years 1994 to 2001. The minimal utility rate of the US scheme when contrasted with a higher utilization rate indicates that the major problem with the US GSP scheme is the lack of coverage of textiles and clothing products.

The bulk of benefits of the US expansion of product coverage in 1997 related to exports of petroleum oil from Angola. Angola has not yet been designated as an AGOA beneficiary. This trend was accurately indicated in the declassified version of an investigation carried out by the US International Trade Commission,[6] upon request from the USTR C. Barshefsky. Such investigation measured potential implications on the expansion of product coverage of the US domestic industry and benefits to the recipient countries. It included economic considerations and statements from interested parties such as the following testimony:

> *"Chevron Corp., a multinational U.S. energy exploration and production company with operations in Angola and Zaire, expressed support for GSP treatment for crude petroleum from the LDBCs, especially Angola and Zaire. Chevron stated that such treatment would benefit the economies of these countries and, in turn, further U.S. policy of assisting the LDBC economies. Chevron stated that GSP treatment would stimulate U.S. investment in the energy industries of Angola and Zaire. Chevron asserted that GSP treatment would have no measurable effect on U.S. crude producers or consumers."*

Obviously, further analysis should be carried out to identify what possible benefits have accrued to Angola exports of petroleum oils. The second highest volume of preferential trade and high utilization is represented by tobacco products from Malawi which recorded a 38.5 million of received GSP trade with a MFN duty of 12.75%.

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[6] See "Advice on providing additional GSP benefits for least developed countries" – Publication 2003, February 1997.

**Table 6**
**Imports of USA from LDCs effective beneficiaries of their GSP schemes, excluding oil, 1994-2001**
**(in US million)**

| Country | Year | Total Imports | Dutiable Imports | GSP Imports | | Percentages | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Covered | Receiving | (5)/(4) | (6)/(5) | (6)/(4) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| United States | 1994 | 1,583.1 | 1,226.2 | 68.1 | 50.4 | 5.6 | 74.0 | 4.1 |
| | 1995 | 1,713.7 | 1,400.5 | 69.7 | 49.4 | 5.0 | 70.9 | 3.5 |
| | 1996 | 2,495.7 | 1,496.1 | 69.7 | 48.3 | 4.7 | 69.3 | 3.2 |
| | 1997 | 2,686.4 | 1,881.9 | 168.8 | 91.5 | 9.0 | 54.2 | 4.9 |
| | 1998 | 2,725.3 | 2,078.3 | 113.6 | 89.4 | 5.5 | 78.7 | 4.3 |
| | 1999 | 3,417.8 | 2,813.9 | 124.4 | 99.3 | 4.4 | 79.8 | 3.5 |
| | 2000 | 4,191.8 | 3,644.0 | 134.6 | 98.9 | 3.7 | 73.5 | 2.7 |
| | 2001 | 4,376.8 | 3,916.1 | 161.0 | 132.2 | 4.1 | 82.1 | 3.4 |

## C. The utilization of AGOA

The African Growth and Opportunity Act (AGOA) heralded a new era in US preferences since it provided duty for access to textile and clothing products to all sub-Saharan Africa. Textiles and clothing products have been statutorily excluded from GSP preferences since the inception of the US GSP programme. Only the Caribbean Basin Initiative (CBI) and the Andean trade preferences provide for preferences for textiles and clothing subject to rules of origin requirements.

AGOA extended coverage for 1833 items over the 4650 products that were already eligible for duty-free treatment under the GSP. An early analysis of the impact of AGOA[7] shows that crude oil and petroleum products, which were already covered by the extension of product coverage for LDC countries in 1997and textile and clothing have been the most significant contributors of the programme in trade terms. The AGOA concessions are conditional to rules of origin and an overall cap with growth rate is placed on imports of textile and clothing. Additionally, the beneficiary countries must adopt measures in their domestic legislation against unlawful trade shipment.

Table 7 shows the first results in terms of magnitude of trade and utilization rates.

As earlier foreseen, the implication of tight rules of origin regime is evident from the low utilization rate recorded in this area. The utilization rate is as low as 35.8% matching on average those recorded under the GSP scheme of the European Union.

[7] See "AGOA: A Preliminary Assessment" (UNCTAD/ITCD/TSB/2003/1).

Another interesting point is the preponderant presence and relative high utilization rate (66%) recorded in oil and petroleum products.

**Table 7**
**US imports and utilization of AGOA preferences, by HS section (2001)**
**(in US thousand dollars)**

| HS SECTION DECRIPTION | IMPORTS VALUE ($ 000) | | | | AGOA PREF. SCHEME | | |
|---|---|---|---|---|---|---|---|
| | From World | From AGOA TOTAL | From AGOA MFN Free | From AGOA Dutiable | Covered | Receiving | Utiliz. Rate (%) |
| A | *B* | C | D | E | F | G | H |
| HS 01: Mineral products | 100'694'994 | 11'916'589 | 1'345'239 | 10'571'350 | 10'566'551 | 7'042'746 | 66.7 |
| HS 11: Textile & textile articles | 67'041'217 | 1'048'999 | 1'780 | 1'047'219 | 1'047'219 | 374'694 | 35.8 |
| HS 15: Base metals & products | 33'646'566 | 601'341 | 128'246 | 473'095 | 158'511 | 101'681 | 64.1 |
| HS 17: Transport equipment | 144'136'139 | 402'297 | 53'027 | 349'270 | 278'942 | 249'373 | 89.4 |
| HS 04: Prepared Foodstuffs, beverages, etc. | 14'163'333 | 489'181 | 317'038 | 172'143 | 95'587 | 33'292 | 34.8 |
| HS 06: Chemical products | 31'144'288 | 564'006 | 418'527 | 145'479 | 13'164 | 3'883 | 29.5 |
| HS 02: Vegetable products | 7'771'153 | 273'284 | 212'250 | 61'034 | 44'221 | 35'458 | 80.2 |
| HS 16: Machinery & electrical equipment | 226'240'562 | 319'282 | 275'020 | 44'262 | 1'698 | 45 | 2.7 |
| HS 14: Precious stones, etc | 25'538'865 | 2'120'717 | 2'079'822 | 40'895 | 5 | 0 | 0.0 |

**Table 8**
**Utilization of the HS chapters 61, 62 (garments) and 63 (other made-up textile articles) from AGOA lesser developed effective beneficiaries with textile certification and special rules of origin (2001)**

*Partners:*
*Botswana, Ethiopia, Lesotho, Kenya, Lesotho, Madagascar, Malawi, Namibia, Swaziland, Uganda and Zambia*

| HS | | Imports value ($000) | | | | AGOA pref. scheme | | |
|---|---|---|---|---|---|---|---|---|
| Chapter | Description | From world | From AGOA TOTAL | From AGOA MFN free | From AGOA dutiable | Covered | Receiving | Utiliz. Rate (%) |
| 61 | Art of apparel & clothing access, knitted or crocheted. | 24 912 730 | 285 265 | 0 | 285 265 | 285265 | 136 157 | 47.7 |
| 62 | Art of apparel & clothing access, not knitted/crocheted | 26 227 123 | 264 504 | 0 | 264 504 | 264 504 | 164 304 | 62.1 |
| 63 | Other made up textile articles; sets; worn clothing etc | 1 207 777 | 181 | 0 | 181 | 181 | 0 | 0.0 |
| | TOTALS | 52 347 630 | 549 950 | 0 | 549 950 | 549 950 | 300 461 | 54.6 |

*Source*: UNCTAD calculations based on ITC trade data.

Tables 8 and 9 report the utilization rate for textiles and clothing of HS chapters 61 and 62. These two chapters represent the main bulk of trade for all AGOA LDCs. [8] In fact, trade when petroleum products are excluded and trade under these two chapters account by as much as 93.9 per cent for all AGOA LDCs and by 96.7 for AGOA UN LDCs. The utilization rates were, for 2001, as low as 54.6 and 55.5 per cent for AGOA LDCs and AGOA UN LDCs respectively. As shown in table 10, in 2002 the utilization rate rose dramatically to 97.1 per cent in the case of UN LDCs and 93.6 per cent in the case of AGOA LDCs.

[8] For the purposes of the Special Rule for Apparel under AGOA, lesser developed sub-Saharan African countries are defined as those with a per capita gross national product of less than $1,500 a year in 1998, as measured by the World Bank. On the basis of the data contained in the World Bank's 1999/2000 *World Development Report*, all sub-Saharan countries except Botswana, Equatorial Guinea, Gabon, Mauritius, Namibia, Seychelles and South Africa fall below this per capita threshold and have thus been declared eligible to use third-country fabric (non-United States and not African) in their duty-free apparel exports to the United States through 30 September 2004. AGOA amendments specially grant Botswana and Namibia lesser developed AGOA status for the Special Rule.

**Table 9**
**Utilization of HS chapters 61, 62 (garments) and 63 (other made-up textile articles) from AGOA Lesser Developed Effective Beneficiaries with textile certification and special rules of origin (2002)**

*Partners:*
*Botswana, Cameroon, Cape Verde, Ethiopia, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mozambique, Namibia, Senegal, Swaziland, Tanzania, Uganda and Zambia*

| HS | | Imports value ($000) | | | | AGOA pref. scheme | | |
|---|---|---|---|---|---|---|---|---|
| Section | Description | From world | From AGOA TOTAL | From AGOA MFN free | From AGOA dutiable | Covered | Receiving | Utiliz. Rate (%) |
| 61 | Art of apparel & clothing access., knitted or crocheted | 26 902 083 | 397 691 | 0 | 397 691 | 388 856 | 358 851 | 92.3 |
| 62 | Art of apparel & clothing access., not knitted/crocheted | 27 713 308 | 302 640 | 0 | 302 640 | 302 640 | 291 673 | 96.4 |
| 63 | Other made-up textile articles; sets; worn clothing, etc. | 2 634 875 | 279 | 0 | 279 | 244 | 0 | 0.0 |

*Source*: UNCTAD calculations based on ITC trade data.

This data, showing a net increase on both volume of exports and utilization rates, seems to indicate that, after a "learning by doing period", the relative high preferential margin and the special rules of origin allowing for imports of non-US, Non-African fabrics are generating trade flows and investment in the AGOA beneficiary countries.

## D. The Cotonou/Lomé preferences

Table 10 provides a first scenario of the utilization rate of ACP countries. At a first sight, it appears that ACP-LDC countries do better as far as the utilization rate is concerned than their counterparts in the Asian context under the GSP. In fact, as can easily be noted in table 21, the utilization rate has been above 70 per cent on average for the whole period from 1998 to 2002

**Table 10**
**Imports of least developed ACP countries into the European Union under the Lomé/Cotonou Partnership Agreement (1998–2002)**

| Year | Total imports | Dutiable imports | ACP imports | | Percentages | | |
|---|---|---|---|---|---|---|---|
| | | | Covered | Receiving | Coverage | Utilization | Utility |
| (1) | (2) | (3) | (4) | (5) | (4)/(3) | (5)/(4) | (5)/(3) |
| A | B | C | D | E | F | G | H |
| 1998 | 5 619 463 | 2 154 020 | 2 153 103 | 1 467 413 | 99.9 | 68.1 | 68.1 |
| 1999 | 5 676 094 | 1 943 815 | 1 932 493 | 1 578 683 | 99.4 | 81.6 | 81.2 |
| 2000 | 7 572 540 | 1 719 521 | 1 710 243 | 1 226 470 | 99.4 | 71.7 | 71.3 |
| 2001 | 8 060 711 | 2 063 470 | 2 059 787 | 1 570 422 | 99.8 | 76.2 | 76.1 |
| 2002 | 8 440 687 | 2 237 059 | 2 162 641 | 1 768 022 | 96.6 | 81.7 | 79.0 |

*Source*: UNCTAD secretariat calculations.

Tables 11 and 12 in the annex provide trade flows and utilization rates of ACP LDCs and LDCs under EBA.

**Table 11**
**ACP exports and utilization by HS Section**
**LDC beneficiaries of the ACP schemes, 2002**
**European Union**
**(in US million)**

| HS Section | HS Section Description | MFN Rate (%) | LDC Rate (%) | Total Imports from Benef. | Imports Dutiable | Imports ACP-Covered | Imports ACP-Received | Pot.Covr Rate (%) ( = 9 / 8 ) | Utiliz. Rate (%) ( =10 / 9 ) | Utility Rate (%) ( =10 / 8 ) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 7 | 8 | 9 | 10 | 12 | 13 | 14 |
| 01 | Live animals & prod. | 6.1 | 0.0 | 769,603 | 761,962 | 761,962 | 680,982 | 100.0 | 89.4 | 89.4 |
| 02 | Vegetable products | 3.8 | 0.1 | 633,220 | 200,164 | 198,244 | 112,450 | 99.0 | 56.7 | 56.2 |
| 03 | Fats and oils | 5.5 | 0.0 | 79,991 | 79,036 | 79,036 | 69,896 | 100.0 | 88.4 | 88.4 |
| 04 | Prepared food, etc. | 13.1 | 0.6 | 418,794 | 343,214 | 343,214 | 257,596 | 100.0 | 75.1 | 75.1 |
| 05 | Mineral products | 0.5 | 0.0 | 2,883,760 | 4,079 | 4,079 | 3,264 | 100.0 | 80.0 | 80.0 |
| 06 | Chemical & prod. | 3.8 | 0.0 | 103,000 | 64,605 | 64,291 | 36,080 | 99.5 | 56.1 | 55.8 |
| 07 | Plastics & rubber | 4.5 | 0.0 | 23,898 | 3,231 | 3,231 | 1,387 | 100.0 | 42.9 | 42.9 |
| 08 | Hides and skins | 2.6 | 0.0 | 121,492 | 78,876 | 6,761 | 10,755 | 8.6 | 101.0 | 13.6 |
| 09 | Wood and articles | 3.1 | 0.0 | 174,375 | 17,397 | 17,397 | 15,642 | 100.0 | 89.9 | 89.9 |
| 10 | Pulp, paper etc | 0.9 | 0.0 | 3,661 | 1,608 | 1,601 | 908 | 99.6 | 56.7 | 56.5 |
| 11 | Textile & articles | 7.5 | 0.0 | 337,537 | 161,844 | 161,844 | 139,712 | 100.0 | 86.3 | 86.3 |
| 12 | Footwear, headgear | 4.5 | 0.0 | 12,654 | 12,490 | 12,490 | 11,322 | 100.0 | 90.6 | 90.6 |
| 13 | Articles of stone | 4.2 | 0.0 | 3,992 | 3,757 | 3,757 | 3,269 | 100.0 | 87.0 | 87.0 |
| 14 | Precious stones, etc | 1.3 | 0.0 | 2,003,732 | 2,877 | 2,877 | 836 | 100.0 | 29.0 | 29.0 |
| 15 | Base metals & prod. | 1.5 | 0.0 | 513,165 | 446,778 | 446,778 | 399,539 | 100.0 | 89.4 | 89.4 |
| 16 | Machinery | 1.7 | 0.0 | 46,683 | 26,890 | 26,828 | 10,719 | 99.8 | 40.0 | 39.9 |
| 17 | Transport equipment | 2.4 | 0.0 | 280,853 | 8,042 | 8,042 | 4,743 | 100.0 | 59.0 | 59.0 |
| 18 | Precision instrument | 2.8 | 0.0 | 20,096 | 14,126 | 14,126 | 4,160 | 100.0 | 29.4 | 29.4 |
| 19 | Arms and ammunition | 3.0 | 0.0 | 6 | 6 | 6 | 0 | 100.0 | 0.0 | 0.0 |
| 20 | Miscellaneous manuf | 2.5 | 0.0 | 8,324 | 6,080 | 6,080 | 4,762 | 100.0 | 78.3 | 78.3 |
| 21 | Works of art, etc | 0.0 | 0.0 | 1,857 | 0 | 0 | 0 | . | . | . |
| 22 | Special uses | . | . | 0 | 0 | 0 | 0 | . | . | . |
| ** | * TOTAL: | | | 8,440,693 | 2,237,062 | 2,162,644 | 1,768,022 | 96.7 | 81.8 | 79.0 |

First, two factors have been noted: utilization rates are higher in the case of ACP countries than for EBA effective beneficiaries. This factor had further analyzed at country/product level. However, in the case of the EBA effective beneficiaries the lower utilization rate is mainly due to rules of origin on garment exports of Bangladesh and Cambodia.

The second critical factor to be noted in the case of ACP countries is that the dutiable imports in the case of ACP LDCs account for just a fourth (USD 2.1 billion) out of an overall figure of USD 8 billion.

In the case of ACP non-LDC out of 16 billion, 10 billion are entering MFN duty-free in the EU market leaving 6.6 billion of dutiable trade.

**Table 12**
**GSP exports and utilization by HS section**
**LDC beneficiaries of the EBA schemes excluding ACP members, 2002**
**European Union**
**(in US million)**

| HS Section | HS Section Description | MFN Rate (%) | LDC Rate (%) | Total Imports From World (TRAINS) | Total Imports from Benef. (TRAINS) | Total Imports from Benef. | Imports Dutiable | Imports GSP-Covered | Imports GSP-Received | Market Share (%) (= 7 / 5) | Pot.Covr Rate (%) ( = 9 / 8 ) | Utiliz. Rate (%) ( =10 / 9 ) | Utility Rate (%) ( =10 / 8 ) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| 01 | Live animals & prod. | 11.8 | 0.0 | 14,729.9 | 195.7 | 306.2 | 305.2 | 305.2 | 189.6 | 2.1 | 100.0 | 62.1 | 62.1 |
| 02 | Vegetable products | 2.3 | 0.0 | 22,982.1 | 56.2 | 55.5 | 13.8 | 13.8 | 10.3 | 0.2 | 100.0 | 74.4 | 74.5 |
| 03 | Fats and oils | 0.9 | 0.0 | 2,072.1 | 1.6 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 100.0 | 5.9 | 5.9 |
| 04 | Prepared food, etc. | 14.8 | 0.0 | 21,326.1 | 161.3 | 159.5 | 158.2 | 158.2 | 28.1 | 0.7 | 100.0 | 17.8 | 17.8 |
| 05 | Mineral products | 0.0 | 0.0 | 128,418.2 | 32.5 | 241.8 | 4.6 | 4.6 | 4.5 | 0.2 | 100.0 | 97.1 | 97.1 |
| 06 | Chemical & prod. | 5.5 | 0.0 | 60,127.7 | 5.4 | 1.5 | 0.4 | 0.4 | 0.2 | 0.0 | 99.9 | 45.0 | 45.0 |
| 07 | Plastics & rubber | 3.7 | 0.0 | 23,383.3 | 8.5 | 7.5 | 4.8 | 4.8 | 4.3 | 0.0 | 99.9 | 89.2 | 89.1 |
| 08 | Hides and skins | 0.1 | 0.0 | 9,977.0 | 139.2 | 98.7 | 75.4 | 75.4 | 64.6 | 1.0 | 100.0 | 85.8 | 85.8 |
| 09 | Wood and articles | 1.1 | 0.0 | 12,401.4 | 50.2 | 3.9 | 2.2 | 2.2 | 2.0 | 0.0 | 100.0 | 90.4 | 90.5 |
| 10 | Pulp, paper etc | 1.9 | 0.0 | 14,502.1 | 3.1 | 3.1 | 2.7 | 2.7 | 2.2 | 0.0 | 100.0 | 83.1 | 83.2 |
| 11 | Textile & articles | 11.8 | 0.0 | 64,438.3 | 3,580.0 | 3,336.7 | 3,249.9 | 3,250.1 | 1,841.1 | 5.2 | 100.0 | 56.6 | 56.6 |
| 12 | Footwear, headgear | 13.7 | 0.0 | 10,588.0 | 115.6 | 108.6 | 108.5 | 108.5 | 92.2 | 1.0 | 100.0 | 85.0 | 85.0 |
| 13 | Articles of stone | 11.2 | 0.0 | 7,436.6 | 16.7 | 13.4 | 13.4 | 13.4 | 12.5 | 0.2 | 100.0 | 93.1 | 93.1 |
| 14 | Precious stones, etc | 0.5 | 0.0 | 29,838.4 | 9.0 | 10.4 | 2.9 | 2.9 | 1.1 | 0.0 | 100.0 | 38.6 | 38.6 |
| 15 | Base metals & prod. | 2.1 | 0.0 | 49,604.7 | 4.5 | 4.8 | 3.0 | 3.0 | 0.4 | 0.0 | 100.0 | 12.2 | 12.2 |
| 16 | Machinery | 1.8 | 0.0 | 244,608.4 | 27.7 | 26.6 | 15.7 | 15.7 | 1.5 | 0.0 | 100.0 | 9.3 | 9.3 |
| 17 | Transport equipment | 13.0 | 0.0 | 73,589.3 | 18.1 | 20.4 | 17.9 | 17.9 | 15.4 | 0.0 | 100.0 | 86.2 | 86.3 |
| 18 | Precision instrument | 0.9 | 0.0 | 39,748.4 | 5.6 | 4.9 | 2.0 | 2.0 | 0.1 | 0.0 | 100.0 | 4.5 | 4.5 |
| 19 | Arms and ammunition | 2.4 | 2.4 | 217.9 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | . | 0.0 |
| 20 | Miscellaneous manuf | 1.2 | 0.0 | 24,459.3 | 11.6 | 2.7 | 1.8 | 1.8 | 1.2 | 0.0 | 100.0 | 68.4 | 68.5 |
| 21 | Works of art, etc | 0.0 | 0.0 | 2,763.2 | 2.2 | 2.2 | 0.0 | 0.0 | 0.0 | 0.1 | . | . | . |
| 22 | Special uses | . | . | . | . | 0.0 | 0.0 | 0.0 | 0.0 | . | . | . | . |
| ** | * TOTAL: | 11.4 | 0.0 | 857,212.4 | 4,444.9 | 4,408.8 | 3,982.4 | 3,982.5 | 2,271.2 | 0.5 | 100.0 | 57.0 | 57.0 |

The overall scenario has then to be examined at country/product level to identify what country/pair have been benefiting and what are the margins of preferences.

# Table 13
## ACP exports and utilization: major preference-receiving products - European Union, 2002, Agricultural products

| Product | | Tariff Rates | | Pref. Margin (%) | Value of Imports from ACP countries ($ 000) | | | | Share of Pref. Rec. in Total Imp. (%) | Cumul. Share of Pref. Rec. in Total Imp. (%) | Rates ( % ) | | | Principal Suppliers ( with their respective ISO3 codes and shares in Reporter's total imports of the product ) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | 1st Supplier | | 2nd Supplier | | 3rd Supplier | | 4th Supplier | | 5th Supplier | |
| HS Code | Description | MFN (%) | ACP (%) | | Total | MFN Dutiable | Pref. Covered | Pref. Received | | | Pot.Cover. ( = 8 / 7 ) | Utiliz. ( =9 / 8 ) | Utility ( =9 / 7 ) | ISO3 Code | Share (%) | ISO3 Code | Share (%) | ISO3 Code | Share (%) | ISO3 Code | Share (%) | ISO3 Code | Share (%) |
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **11** | **12** | **13** | **14** | **15** | **16** | **17** | **18** | **19** | **20** | **21** | **22** | **23** | **24** |
| 17011110 | Raw cane sugar, in solid form -- For refining | -1.0 | -1.0 | . | 751'793 | 751'793 | 751'793 | 694'493 | 22.2 | 22.2 | 100.0 | 92.4 | 92.4 | MUS | 34.4 | GUY | 11.4 | FJI | 10.5 | SWZ | 9.8 | JAM | 9.1 |
| 08030019 | Bananas, including plantains, fresh or dried -- Other | -1.0 | -1.0 | . | 422'967 | 422'967 | 422'967 | 384'877 | 12.3 | 34.6 | 100.0 | 91.0 | 91.0 | CMR | 31.1 | CIV | 26.2 | DOM | 13.6 | LCA | 7.8 | JAM | 6.6 |
| 22084091 | Rum and tafia -- Of a value exceeding 2\|Ecu per litre of pure alcohol | -1.0 | 0.0 | . | 321'265 | 321'265 | 321'265 | 319'965 | 10.2 | 44.8 | 100.0 | 99.6 | 99.6 | BHS | 98.3 | JAM | 0.7 | GUY | 0.5 | BRB | 0.4 | DOM | 0.1 |
| 24012010 | Tobacco, partly or wholly stemmed/stripped -- Flue-cured Virginia type | -1.0 | 0.0 | . | 205'039 | 205'039 | 205'039 | 199'959 | 6.4 | 51.2 | 100.0 | 97.5 | 97.5 | ZWE | 79.0 | TZA | 10.0 | UGA | 4.5 | MWI | 4.4 | KEN | 1.8 |
| 08043000 | Pineapples, fresh or dried | 5.8 | 0.0 | 5.8 | 143'401 | 143'401 | 143'401 | 136'516 | 4.4 | 55.6 | 100.0 | 95.2 | 95.2 | CIV | 68.6 | GHA | 27.5 | CMR | 1.0 | BEN | 1.0 | MUS | 0.5 |
| 18040000 | Cocoa butter, fat and oil | 7.7 | 0.0 | 7.7 | 168'708 | 168'708 | 168'708 | 117'808 | 3.8 | 59.4 | 100.0 | 69.8 | 69.8 | CIV | 73.0 | GHA | 15.9 | NGA | 9.5 | CMR | 0.7 | GMB | 0.6 |
| 15111090 | Crude palm oil – Other | 3.8 | 0.0 | 3.8 | 125'794 | 125'794 | 125'794 | 117'420 | 3.8 | 63.1 | 100.0 | 93.3 | 93.3 | PNG | 95.9 | CIV | 2.3 | GHA | 1.0 | GAB | 0.7 | SLE | 0.1 |
| 18031000 | Cocoa paste, not defatted | 9.6 | 0.0 | 9.6 | 216'402 | 216'402 | 216'402 | 110'422 | 3.5 | 66.6 | 100.0 | 51.0 | 51.0 | CIV | 80.1 | CMR | 15.4 | GHA | 4.3 | NGA | 0.2 | DOM | 0.0 |
| 07099090 | Other vegetables, fresh or chilled, nes -- Pumpkins and courges | 12.8 | 0.0 | 12.8 | 91'875 | 91'875 | 91'875 | 87'295 | 2.8 | 69.4 | 100.0 | 95.0 | 95.0 | KEN | 58.7 | GHA | 8.8 | ZMB | 7.9 | ZWE | 6.3 | UGA | 3.5 |
| 24012020 | Tobacco, partly or wholly stemmed/stripped -- Light air-cured Burley type (including Burley hybrids) | -1.0 | 0.0 | . | 72'370 | 72'370 | 72'370 | 70'752 | 2.3 | 71.7 | 100.0 | 97.8 | 97.8 | MWI | 81.6 | UGA | 7.6 | MOZ | 7.1 | ZWE | 3.7 | ZMB | 0.0 |
| 07082000 | Beans, fresh or chilled | -1.0 | 0.0 | . | 83'513 | 83'513 | 83'513 | 69'423 | 2.2 | 73.9 | 100.0 | 83.1 | 83.1 | KEN | 67.6 | SEN | 13.2 | ZWE | 4.4 | ETH | 4.1 | BFA | 3.4 |
| 15081090 | Crude ground-nut oil -- Other | 6.4 | 0.0 | 6.4 | 74'462 | 74'462 | 74'462 | 67'254 | 2.2 | 76.1 | 100.0 | 90.3 | 90.3 | SEN | 78.9 | GMB | 13.4 | SDN | 7.6 | TGO | 0.0 | GIN | 0.0 |
| 02013000 | Fresh or chilled boneless bovine meat | -1.0 | -1.0 | . | 68'265 | 68'265 | 68'265 | 62'896 | 2.0 | 78.1 | 100.0 | 92.1 | 92.1 | NAM | 57.1 | BWA | 39.5 | SWZ | 2.5 | ERI | 0.8 | WSM | 0.1 |
| 09050000 | Vanilla | 6.0 | 0.0 | 6.0 | 75'692 | 75'692 | 75'692 | 61'320 | 2.0 | 80.1 | 100.0 | 81.0 | 81.0 | MDG | 80.5 | COM | 12.7 | PNG | 2.8 | UGA | 2.7 | TON | 1.0 |
| 17011190 | Raw cane sugar, in solid form – Other | -1.0 | -1.0 | . | 46'655 | 46'655 | 46'655 | 45'525 | 1.5 | 81.5 | 100.0 | 97.6 | 97.6 | MUS | 71.8 | MWI | 24.4 | BRB | 3.2 | CIV | 0.7 | | . |
| 18032000 | Cocoa paste, wholly or partly defatted | 9.6 | 0.0 | 9.6 | 46'902 | 46'902 | 46'902 | 44'592 | 1.4 | 82.9 | 100.0 | 95.1 | 95.1 | CIV | 85.4 | GHA | 12.9 | NGA | 1.6 | DOM | 0.1 | | . |
| 06031010 | Fresh cut flowers and buds -- Large-flowered | 9.7 | 0.0 | 9.7 | 210'501 | 210'501 | 210'501 | 39'714 | 1.3 | 84.2 | 100.0 | 18.9 | 18.9 | KEN | 62.4 | ZWE | 16.6 | ZMB | 9.7 | UGA | 7.0 | TZA | 3.1 |
| 24012080 | Tobacco, partly or wholly stemmed/stripped -- Flue-cured tobacco | -1.0 | 0.0 | . | 45'716 | 45'716 | 45'716 | 35'886 | 1.1 | 85.4 | 100.0 | 78.5 | 78.5 | ZWE | 66.8 | TZA | 10.2 | UGA | 9.8 | MWI | 9.4 | KEN | 2.4 |
| 21011111 | Extracts, essences and concentrates of coffee -- Containing by weight 1,5% or more milkfat, 2,5% or more | 9.0 | 0.0 | 9.0 | 25'962 | 25'962 | 25'962 | 25'812 | 0.8 | 86.2 | 100.0 | 99.4 | 99.4 | CIV | 98.8 | TZA | 1.2 | | . | | . | | . |
| 06031080 | Fresh cut flowers and buds -- Proteas | 9.7 | 0.0 | 9.7 | 76'909 | 76'909 | 76'909 | 24'141 | 0.8 | 87.0 | 100.0 | 31.4 | 31.4 | KEN | 55.8 | ZWE | 33.9 | CIV | 4.5 | MUS | 2.0 | CMR | 1.5 |

# Table 14
## ACP exports and utilization: major preference-receiving products - European Union, 2002, Non-agricultural products

| Product | | Tariff Rates | | Pref. Margin (%) | Value of Imports from ACP countries ($ 000) | | | | Share of Pref. Rec. in Total Imp. (%) | Cumul. Share of Pref. Rec. in Total Imp. (%) | Rates ( % ) | | | Principal Suppliers ( with their respective ISO3 codes and shares in Reporter's total imports of the product ) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | 1st Supplier | | 2nd Supplier | | 3rd Supplier | | 4th Supplier | | 5th Supplier | |
| HS Code | Description | MFN (%) | ACP (%) | | Total | MFN Dutiable | Pref. Covered | Pref. Received | | | Pot.Cover. ( = 8 / 7 ) | Utiliz. ( =9 / 8 ) | Utility ( =9 / 7 ) | ISO3 Code | Share (%) | ISO3 Code | Share (%) | ISO3 Code | Share (%) | ISO3 Code | Share (%) | ISO3 Code | Share (%) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 |
| 76011000 | Aluminium unwrought, not alloyed | 6.0 | 0.0 | 6.0 | 597'945 | 597'945 | 597'945 | 487'475 | 14.0 | 14.0 | 100.0 | 81.5 | 81.5 | MOZ | 67.7 | GHA | 23.5 | CMR | 8.8 | | . | | . |
| 16041418 | Prepared or preserved tuna, skipjack and Atlantic bonito -- Preserved | 24.0 | 0.0 | 24.0 | 381'697 | 381'697 | 381'697 | 358'583 | 10.3 | 24.3 | 100.0 | 93.9 | 93.9 | SYC | 33.8 | CIV | 24.3 | MUS | 16.1 | GHA | 12.7 | MDG | 7.2 |
| 28182000 | Aluminium oxide (excl. artificial corundum) | 4.0 | 0.0 | 4.0 | 324'651 | 324'651 | 324'651 | 236'470 | 6.8 | 31.0 | 100.0 | 72.8 | 72.8 | JAM | 78.1 | SUR | 13.2 | GIN | 8.7 | ZAR | 0.0 | MDG | 0.0 |
| 03061350 | Frozen shrimps and prawns -- the species Penaeus monodon and Penaeus japonicus | 12.0 | 0.0 | 12.0 | 259'561 | 259'561 | 259'561 | 213'127 | 6.1 | 37.2 | 100.0 | 82.1 | 82.1 | MDG | 40.8 | MOZ | 18.0 | NGA | 16.3 | SEN | 5.3 | SUR | 3.8 |
| 61091000 | T-shirts, singlets and other vests, of cotton, knitted or crocheted | 12.0 | 0.0 | 12.0 | 200'123 | 200'123 | 200'123 | 187'435 | 5.4 | 42.5 | 100.0 | 93.7 | 93.7 | MUS | 92.6 | MDG | 4.1 | TZA | 1.1 | BWA | 0.9 | DOM | 0.5 |
| 03041019 | Fresh or chilled fish fillets -- Of eels (Anguilla spp) | 9.0 | 0.0 | 9.0 | 157'554 | 157'554 | 157'554 | 110'107 | 3.2 | 45.7 | 100.0 | 69.9 | 69.9 | TZA | 58.4 | UGA | 31.9 | KEN | 8.2 | ZWE | 1.0 | JAM | 0.5 |
| 03075910 | Octopus (excl. live, fresh or chilled) -- Frozen | 8.0 | 0.0 | 8.0 | 101'436 | 101'436 | 101'436 | 96'923 | 2.8 | 48.5 | 100.0 | 95.6 | 95.6 | SEN | 49.9 | MRT | 36.8 | GHA | 4.0 | TZA | 3.0 | KEN | 1.5 |
| 16041411 | Prepared or preserved tuna, skipjack and Atlantic bonito -- Preserved | 24.0 | 0.0 | 24.0 | 112'616 | 112'616 | 112'616 | 93'297 | 2.7 | 51.2 | 100.0 | 82.8 | 82.8 | CIV | 39.2 | SYC | 31.1 | GHA | 8.7 | MDG | 6.8 | PNG | 6.4 |
| 03042055 | Frozen fish fillets -- Of Cape hake (shallow-water hake) (Merluccius capensis) and of deepwater hake (de | 7.5 | 0.0 | 7.5 | 91'448 | 91'448 | 91'448 | 85'245 | 2.4 | 53.6 | 100.0 | 93.2 | 93.2 | NAM | 96.6 | MOZ | 2.9 | SEN | 0.4 | | . | | . |
| 03026999 | | 15.0 | 0.0 | 15.0 | 64'055 | 64'055 | 64'055 | 62'752 | 1.8 | 55.4 | 100.0 | 98.0 | 98.0 | SEN | 59.5 | MRT | 24.0 | GIN | 7.3 | GRD | 1.6 | MOZ | 1.6 |
| 61102099 | Jerseys, pullovers, etc, of cotton, knitted or crocheted -- Women s or girls | 12.4 | 0.0 | 12.4 | 60'718 | 60'718 | 60'718 | 50'777 | 1.5 | 56.9 | 100.0 | 83.6 | 83.6 | MUS | 52.4 | JAM | 31.2 | MDG | 15.2 | ZWE | 0.6 | DOM | 0.2 |
| 03061380 | Frozen shrimps and prawns -- Other | 12.0 | 0.0 | 12.0 | 55'683 | 55'683 | 55'683 | 49'515 | 1.4 | 58.3 | 100.0 | 88.9 | 88.9 | MOZ | 23.1 | AGO | 21.6 | SEN | 13.7 | SUR | 10.6 | NGA | 10.5 |
| 61102091 | Jerseys, pullovers, etc, of cotton, knitted or crocheted -- Men s or boys | 12.4 | 0.0 | 12.4 | 46'036 | 46'036 | 46'036 | 43'885 | 1.3 | 59.5 | 100.0 | 95.3 | 95.3 | MUS | 52.0 | JAM | 32.1 | MDG | 15.4 | BWA | 0.1 | ZWE | 0.1 |
| 44083935 | Specified tropical wood (excl. Dark Red Meranti, Light Red Meranti and Meranti Bakau) veneer sheets and | 6.0 | 0.0 | 6.0 | 44'141 | 44'141 | 44'141 | 41'952 | 1.2 | 60.7 | 100.0 | 95.0 | 95.0 | GAB | 74.1 | GNQ | 8.4 | CIV | 6.9 | CMR | 5.1 | GHA | 4.6 |
| 29051100 | Methanol (methyl alcohol) | 7.0 | 0.0 | 7.0 | 129'280 | 129'280 | 129'280 | 40'850 | 1.2 | 61.9 | 100.0 | 31.6 | 31.6 | TTO | 80.3 | GNQ | 19.7 | | . | | . | | . |
| 62052000 | Men's or boys' shirts of cotton | 12.0 | 0.0 | 12.0 | 45'412 | 45'412 | 45'412 | 40'770 | 1.2 | 63.1 | 100.0 | 89.8 | 89.8 | MUS | 83.8 | MDG | 10.4 | CPV | 2.7 | ZWE | 1.9 | SLE | 0.4 |
| 61051000 | Men's or boys' shirts of cotton, knitted or crocheted | 12.0 | 0.0 | 12.0 | 41'062 | 41'062 | 41'062 | 40'353 | 1.2 | 64.2 | 100.0 | 98.3 | 98.3 | MUS | 94.6 | MDG | 5.0 | SLE | 0.2 | JAM | 0.1 | CPV | 0.1 |
| 03074918 | Cuttle fish and squid (excl. live, fresh or chilled) -- Other | 8.0 | 0.0 | 8.0 | 38'689 | 38'689 | 38'689 | 36'296 | 1.0 | 65.3 | 100.0 | 93.8 | 93.8 | SEN | 35.5 | MRT | 29.1 | GHA | 17.6 | AGO | 5.5 | GIN | 4.6 |
| 44083995 | | 4.0 | 0.0 | 4.0 | 34'445 | 34'445 | 34'445 | 33'760 | 1.0 | 66.2 | 100.0 | 98.0 | 98.0 | CIV | 51.0 | CMR | 23.6 | GHA | 16.4 | GNQ | 6.8 | GAB | 2.2 |
| 44083985 | | 4.0 | 0.0 | 4.0 | 34'449 | 34'449 | 34'449 | 33'498 | 1.0 | 67.2 | 100.0 | 97.2 | 97.2 | CIV | 45.7 | GHA | 39.7 | GNQ | 5.6 | CMR | 4.3 | GAB | 4.0 |
| 03037811 | Frozen hake (excl. livers and roes) -- Cape hake (shallow-water hake) (Merluccius capensis) and deepwate | 15.0 | 0.0 | 15.0 | 32'761 | 32'761 | 32'761 | 32'393 | 0.9 | 68.1 | 100.0 | 98.9 | 98.9 | NAM | 99.5 | SEN | 0.5 | | . | | . | | . |
| 03042095 | Frozen fish fillets -- Of halibut (Reinhardtius Hippoglossoides, Hippoglossus hippoglossus, Hippoglossus | 15.0 | 0.0 | 15.0 | 40'538 | 40'538 | 40'538 | 32'369 | 0.9 | 69.1 | 100.0 | 79.8 | 79.8 | SEN | 58.9 | NAM | 12.4 | TZA | 9.2 | MRT | 6.7 | UGA | 4.0 |

In the case of agricultural products, in 2002 about 30 products and 14 countries reap the almost totality of received trade preferences.

Not surprising at the top of the list was raw cane sugar for Mauritius (34.4%), Guyana (11.4%), Fiji (10.5), Swaziland (9.8), accounting for 694 USD million of claimed preferences, second and third, bananas (384 million) and rum (319 million). Utilization rates were equivalent to over 90% of the non-protocol goods, the top of the list was tobacco from Zimbabwe (79), Tanzania (10) and Uganda (45), also with an overall value of USD 350 million of claimed preferences.

Also recording high level of utilization beyond 90% were cigars from the Dominican Republic scoring high. Pineapple from the Ivory Coast was the fruit that claimed the most of preferences followed by pumpkins from Kenya.

Also, product/country pair like crude palm oil from Papua New Guinea with 136 USD million of claimed preferences with 3.8 of preferential margin. Rice from Guyana and cocoa butter and paste from the Ivory Coast were also among the products that figured on this list of 30 products.

Lower than average utilization rates are recorded in the case of fresh cut flowers from Kenya with a receiving preferential margin of 9.7% and lower trade volumes (210 USD million) but with only 18.9% of utilization.

Cocoa butter and paste from the Ivory Coast also showed low utilization rates (51%) and (69%) with significant preferential margins of 9.6% and 7.7% respectively.

The first 32 non-agricultural products represented in 2002 68% of received trade preferences.

Prepared tuna from Seychelles (33%), Côte d'Ivoire (27.5%) and Ghana (16.4%) was the product that most benefited from trade preferences with an amount of 240 million US dollars and an utilization rate of 94 per cent.

Aluminium products from Jamaica, Ghana and Mozambique also represented a significant share of products that most benefited from trade preferences.

Other products that benefited mostly from ACP trade preferences were fish products from Seychelles, Mauritius, Senegal, Mozambique, Namibia and Zambia. Garments from Mauritius and Madagascar were the remaining products.

This primary analysis indicates that ACP preferences are heavily concentrated in a series of country/products. Further analysis will be conducted to clearly identify where the benefits are located.

As shown in table 12, non-ACP LDCs' exports to the EU accounted for some US$ 4.3 billion in 2001. Most exported products include textiles and clothing (74.5 per cent of

total trade), minerals (5.8 per cent), prepared food (3.6 per cent), and hides and skins (3.2 per cent). As shown in figure 6, the (non-ACP) LDC country that so far has been benefiting the most from the GSP scheme is Bangladesh, followed by Cambodia (8 per cent), with Nepal and the Lao People's Democratic Republic accounting for 4 per cent each.[9] The top 10 products benefiting from the GSP scheme of the European Union come from Bangladesh and are clothing products of Chapter 61, which accounted for 13.7 per cent of total exports of effective GSP beneficiaries.

### E. Coverage and utilization of the GSP scheme of Japan

The value of LDCs imports actually receiving preferences, as a share of the covered imports, was 57 per cent in 2001. When product coverage provided is taken into account, the total value of LDC's trade-receiving preferences represents roughly half of dutiable imports.

The utility rate was as low as 30 per cent in 2001. Hopefully, the overall performance of the Japanese GSP scheme will improve following the increase of product coverage that has taken place in 2003.

At a more detailed level, one explanation of the low coverage figure recorded in 2001 is the increase in imports of oils that are not covered by the scheme. In fact, oil imports were equivalent to 12 per cent in 1998 and increased to 26 per cent in 2000 to become 36 per cent in 2001. Such an increase of a non-covered product has altered the trade performance of the scheme.

Utilization rates vary considerably across product categories. High rates have been recorded for hides and skins (99 per cent), footwear (98 per cent) and wood articles (79 per cent).

In the case of hides and skins and footwear the amount of trade is small, accounting for 25 million and 98 million respectively. However, high MFN rates (an average of 28 per cent in the case of hides and skins and 32 per cent in the case of footwear) may provide an incentive to effectively utilize the trade preferences.

The major products, at tariff line level, which benefited from the GSP scheme of Japan in 2001 are octopus from Mauritania (4.1 per cent), cathodes copper from Zambia (5.5 per cent), footwear from Cambodia (5.3 per cent), followed by Bangladesh (3.7 per cent), and leather products from Bangladesh (1.6 per cent).

[9] According to 2001 data.

**Table 15**
**Imports from effective LDC beneficiaries under the GSP scheme of Japan***
**(1994-2001)**
(*in million of US dollars*)

| Year | Total imports | Dutiable imports | GSP imports | | Percentages | | |
|---|---|---|---|---|---|---|---|
| | | | Covered | Received | Coverage | Utilization | Utility |
| (1) | (2) | (3) | (4) | (5) | (5)/(4) | (6)/(5) | (6)/(4) |
| A | B | C | D | E | F | G | H |
| 1994 | 1 120.5 | 695.5 | 211.2 | 200.5 | 30.4 | 94.9 | 28.8 |
| 1995 | 1 309.8 | 912.7 | 241.9 | 230.1 | 26.5 | 95.1 | 25.2 |
| 1996 | 1 504.3 | 939.8 | 388.9 | 269.9 | 41.4 | 69.4 | 28.7 |
| 1997 | 1 204.9 | 757.3 | 306.3 | 222.1 | 40.4 | 72.5 | 29.3 |
| 1998 | 1 045.4 | 643.8 | 260.9 | 189.9 | 40.5 | 72.8 | 29.5 |
| 1999 | 989.0 | 679.6 | 286.4 | 231.9 | 42.1 | 81.0 | 34.1 |
| 2000 | 1 236.5 | 881.3 | 308.7 | 236.0 | 35.0 | 76.4 | 26.8 |
| 2001 | 1 001.3 | 754.9 | 398.1 | 228.4 | 52.7 | 57.4 | 30.3 |

*Source*: Notifications and UNCTAD secretariat calculations. For years 1999, 2000 and 2001, UNCTAD estimates based on notification from Japan.
* Fiscal years.

Under the GSP, Japan provides LDC exports duty-free treatment for the list of covered products as well as exemption from the ceilings restriction on the importation of certain industrial products. This means that for LDCs the GSP preferential rate is not subject to quantitative limitations.[10]

When considering the time series from 1994 to 2001 shown in table 13, it can easily be seen that the amount of trade-receiving GSP preferences has been constantly slightly more than 200 million as well as the total imports from LDCs, which have been slightly over one billion.

## F. Coverage and utilization of the GSP scheme of Canada

LDCs' exports in the Canadian market accounted for US$ 243 million in 2001, up from the US$ 180 million recorded in 2000. Textile products alone represent 38 per cent of LDCs' total exports, while minerals, and more particularly fuels, account for another 47 per cent. When vegetables and live animals and products are also accounted for, these products make 90 per cent of LDCs' exports in this market in 2001.

[10] In April 2000 the scheme introduced a country graduation mechanism, which follows and completes the product graduation that had already been introduced in 1998. However, the conditions required for graduations do not seem to pose any actual risk for LDCs.

**Table 16**
**Imports from effective LDC beneficiaries under the GSP scheme of Canada***
**(1994–2001)**
(*in millions of US dollars*)

| Year | Total Imports | Dutiable imports | GSP imports | | Percentages | | |
|---|---|---|---|---|---|---|---|
| | | | Covered | Receiving | Coverage | Utilization | Utility |
| (1) | (2) | (3) | (4) | (5) | (4)/(3) | (5)/(4) | (5)/(3) |
| A | B | C | D | E | F | G | H |
| 1995 | 175.9 | 41.3 | 6.4 | 4.1 | 15.5 | 64.1 | 9.9 |
| 1996 | 336.9 | 34.5 | 6.3 | 2.9 | 18.3 | 46.0 | 8.4 |
| 1997 | 205.3 | 47.3 | 8.6 | 4.7 | 18.2 | 54.7 | 9.9 |
| 1998 | 256.0 | 92.1 | 9.8 | 5.8 | 10.6 | 59.2 | 6.3 |
| 1999 | 154.6 | 60.7 | 8.2 | 4.9 | 13.5 | 59.8 | 8.1 |
| 2000 | 180.1 | 75.9 | 9.9 | 7.2 | 13.0 | 72.7 | 9.5 |
| 2001 | 243.2 | 94.6 | 11.4 | 8.0 | 12.1 | 70.2 | 8.5 |

*Source*: UNCTAD secretariat calculations based on member States' notifications.
* Figures for 1994 not available.

Once oils from Equatorial Guinea (39 per cent of total LDCs' exports) and aluminium ores from Guinea (7.1 per cent of total LDCs' exports) are counted out, the other major exporter is Bangladesh for textiles and clothing (around 20 per cent).LDCs' exports of oil, aluminium ores, coffee and raw cotton into the Canadian market are duty-free, accounting for around 48 per cent of total exports. The remaining trade mainly concerns textile and clothing products. Since these products were not covered until the new changes were introduced in the current year, figures of product coverage as low as 12 per cent of product coverage rate are not surprising.

Apart from the textile and clothing sector, which was excluded by the scheme (2.9 per cent coverage only), the majority of all other LDC exports are either MFN-free or appear to be covered by the scheme. In fact, out of total imports from LDCs in 2001 of 243 million, less than half were dutiable at 94 million.

As far as the utilization rate is concerned, that is, the value of LDCs' trade actually receiving preferences this was 70.1 per cent in 2001. The figure has improved from the previous years: it was around 59 per cent in 1998 and 1999. However, when translated into absolute value, the value of export-receiving preferences is limited to US$ 8 million (2001), equal to 11 per cent of all the LDCs' dutiable exports. Hats from Bangladesh (1.3 million of GSP received trade), carpets from Nepal (928 million of GSP received trade) and lobster from Haiti (898 million) are the three top products that received GSP benefits in 2001.

# PART II

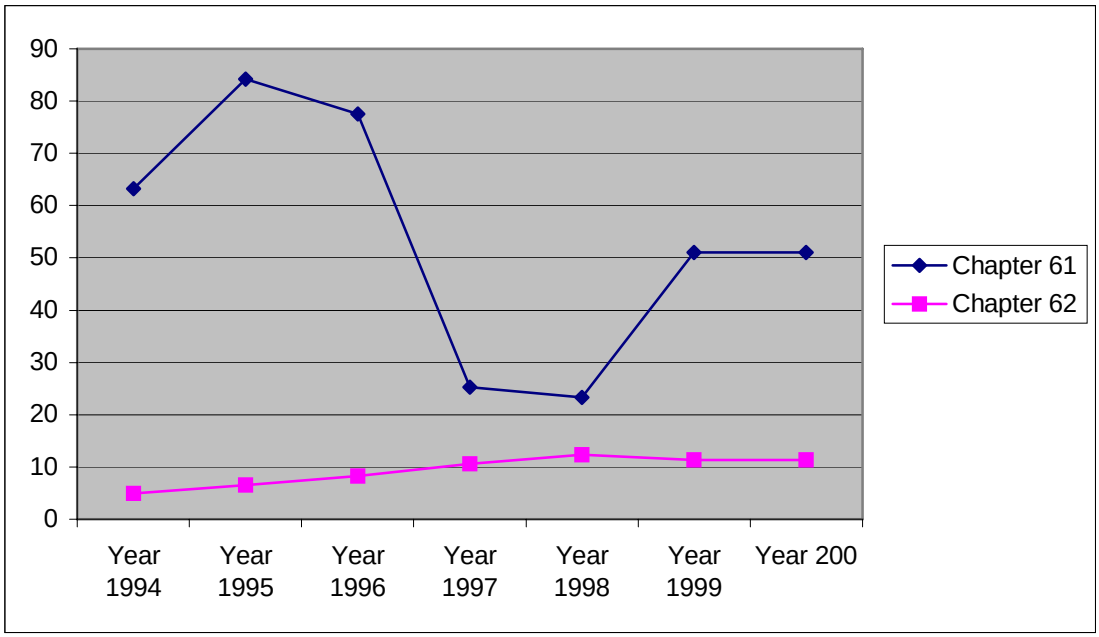
## RULES OF ORIGIN AND LOW UTILIZATION OF TRADE PREFERENCES[11]

### A. Linking low utilization of preferences with sourcing and rules of origin: A methodology

On the basis of the trends of utilization rates recorded in the preceding section, further analysis has been conducted to detect and identify the reasons for such low or minimal utilization.

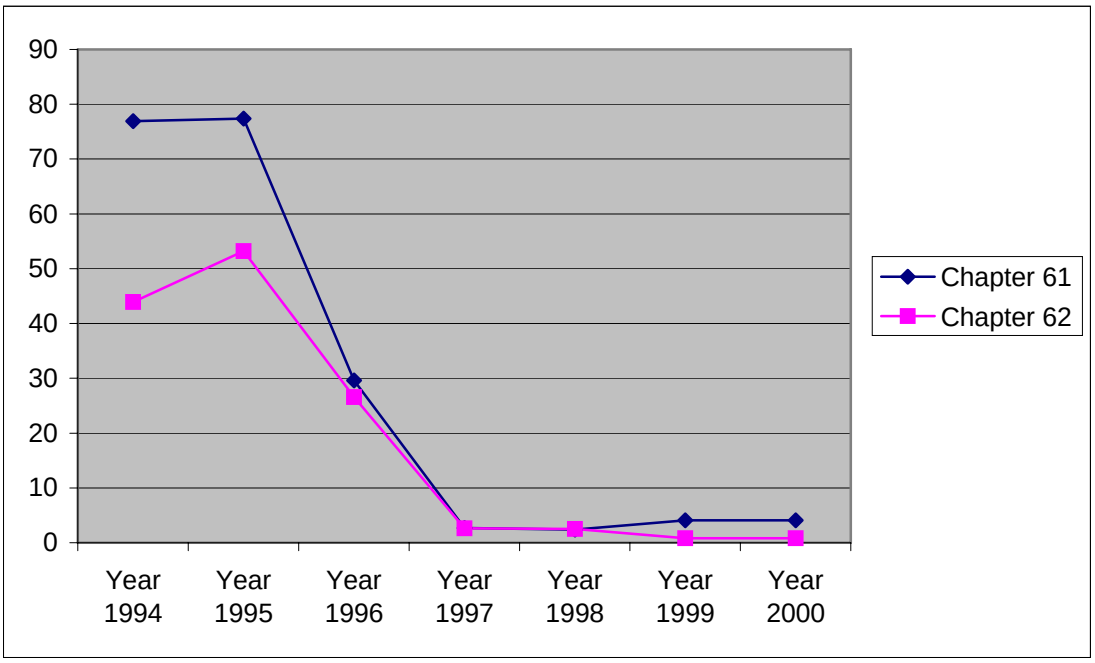
Figures 1 and 2 represent the utilization rates over the period from 1994 to 2000 of Bangladesh and Cambodia and are the starting point of the analysis.

**Figure 1**
**Bangladesh: EU-GSP utilization rates for HS chapters 61 and 62 (garments) (1994–2000)**




[11] This part of the study is part of a larger exercise conducted by UNCTAD to assess the implications of rules of origin for trade preferences.

**Figure 2**
**Cambodia: EU-GSP utilization rates for chapters 61 and 62 (garments)**
**(1994–2000)**




In the case of Bangladesh it can be easily observed that the minimal utilization of trade preferences has been a constant feature in the exports of finished garments of chapter 62.

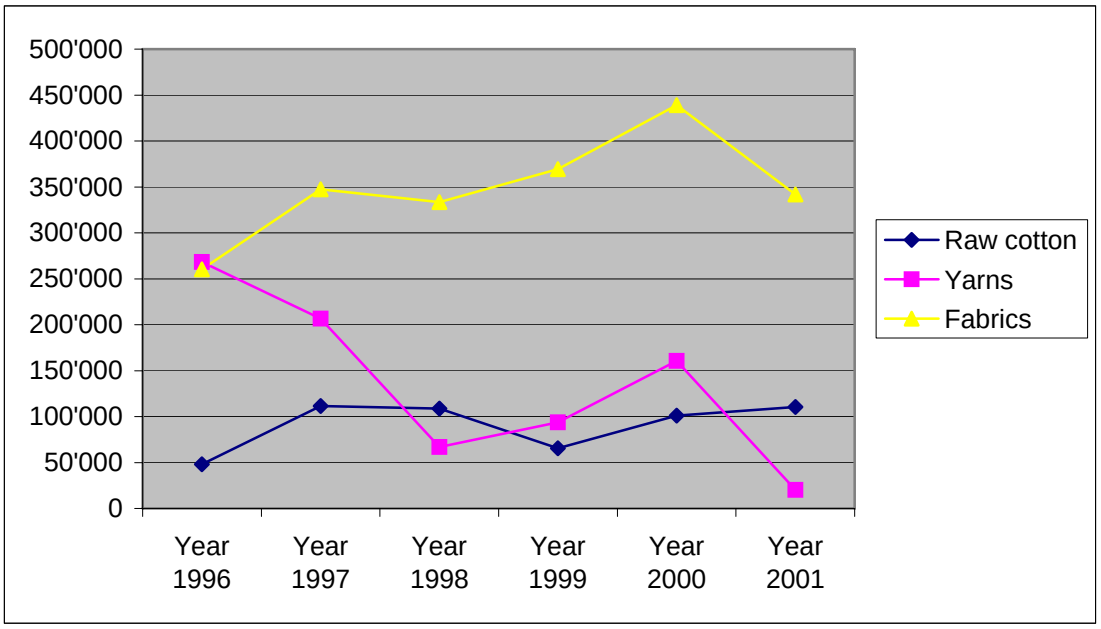
The relative positive peaks observed in Bangladesh for garments of chapter 61 are counterbalanced by the drastically lower rates recorded in 1997 and 1998. These latter variations may be easily explained by the discovery by the EU authorities of almost 10,000 wrongly issued certificates of origin, which led to a disruption of transitional trade flows.

In the case of Cambodia, the utilization rate for chapters 61 and 62 follows a similar pattern of initial relative high utilization rate 1995 and a dramatic fall to single- digit numbers from 1997 onwards.

Taking into account rules of origin requirements, which do not allow the utilization of imported fabrics, a peak in imports of fabrics and a parallel low utilization rate can be assumed as a strong indication that the manufacturers in Bangladesh and Cambodia have forgone tariff preferences because they cannot comply with rules of origin requirements.

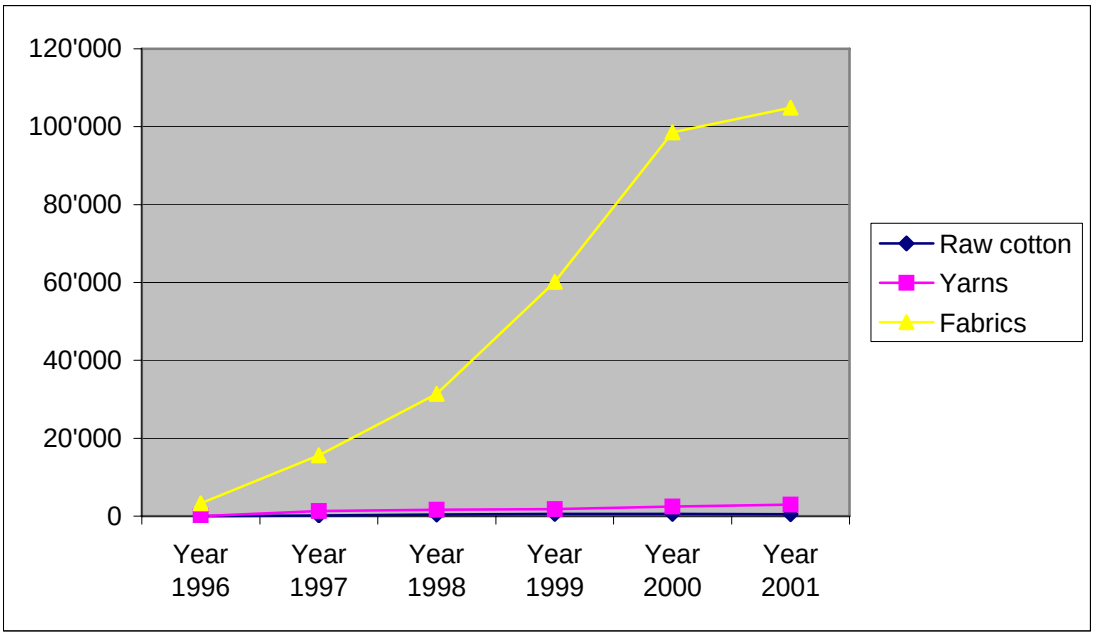
As shown in figures 3 and 4, the analysis of the import flows of yarns and fabrics of cotton[12] in Bangladesh and Cambodia clearly show a consistent and steady increase in the imports of fabrics in both countries compared to minimal or decreasing import value of yarns.

**Figure 3**
**Bangladesh: Imports of cotton (1996–2001)**




[12] In the present study, only cotton clothes made are taken as examples. In a more complete version, all textile materials have been examined including man-made synthetics and wool, and show the same pattern as cotton.

**Figure 4**
**Cambodia: Imports of cotton (1996–2001)**




In the case of Cambodia it must be noted that imports of yarn are in the majority of the charts of minimal value in absolute terms and may not be reasonably attributed to existing manufacturing capacity to transform these yarns into fabrics through a weaving process. Conversely, relative substantive import volumes of raw cotton and yarns in Bangladesh may lead to a presumption of existing industrial capacity able to transform these inputs into higher levels of manufacturing. In any case, imports of fabrics represent the preponderant mass in comparison with imports of yarns and other downstream inputs such as raw cotton or filament tow. These trends provide a strong indication that manufacturing industries in Bangladesh and Cambodia rely heavily on imports of fabrics from third countries.

Dependence on imports of fabrics appears very pronounced in the case of Cambodia and to a lesser extent in the case of Bangladesh. In particular, it may be observed that imports of raw cotton in Bangladesh are matched by an above average utilization rate in chapter 61 and a high concentration of exports in the EU in relation to other markets (76 per cent). All these data may suggest that in some specific headings of chapter 61, some garment industries are able to comply with origin requirements.

Be this at it may, the low utilization of existing trade preferences is due, both in the case of Cambodia and Bangladesh, to the fact that rules of origin requirements do not allow the utilization of imported fabrics.

# PART III

## IDENTIFICATION AND QUANTIFICATION OF THE POSSIBLE GAINS ARISING FROM AN ENHANCED MARKET ACCESS FOR LDC EXPORTS: THE ISSUES OF INCREASING UTILIZATION AND EXPANDING PRODUCT COVERAGE IN THE EU AND US MARKET

This part of the paper provides a quantification of the trade effects that are generated by:

- An expansion of product coverage; and
- A full utilization of available trade preferences.

This approach reflects the fact that preferential arrangements do not share the same structure in terms of product coverage and depth of tariff cuts.

The issue of quantifying the possible benefits accruing to LDCs deriving from an expansion of product coverage is essential in the case of the US and, until recently, Japan GSP schemes, since in these markets a large proportion of LDCs' exports is, or was, in the case of Japan, currently not being granted any preferential treatment. The value of the excluded products as a percentage of total dutiable exports was as high as 48 per cent in Japan before the implementation of new improvements and almost 90 per cent in the United States if petroleum, oils and aircraft goods are not considered. Things are different for Canada: before the extension of the preferential treatment to textiles and clothing, excluded products were 93 per cent of total dutiable. In 2003, they are expected to go down almost to zero. Obviously, whether significant gains are identified and quantified for certain products, these are the ones where product coverage should be expanded as a matter of priority according to the initiative for duty-free and quota-free treatment.

The issue of utilization is mainly relevant in the case of the EU (and to a lesser extent Japan), since the current trade-weighted product coverage appears to be close to 100 per cent. However, this should not be interpreted in the sense that there is no scope for improving market access in the EU beyond the current level. The recent EBA initiative is a tangible example that market access for LDCs exports can be improved. In particular, the analysis based on the current utilization of the different preferences granted to LDCs by Quad countries demonstrates considerable scope for substantially increasing the market access conditions currently granted to LDCs by liberalizing rules of origin.

The evaluation of the possible effects due to full liberalization (i.e. to full product coverage and/or full utilization) has been carried out utilizing WITS. WITS is a simple tool for quantification of the effects on trade flows induced by changes in market access conditions constructed by the UNCTAD secretariat in cooperation with the World Bank. The model used in WITS is partial equilibrium and is particularly useful for analysing the first round or impact effects of trade liberalization on specific products. Some caution is advised in looking at the totals across products as these may

also be subject to intersectoral effects (general equilibrium considerations), which normally lead to even larger effects. However, given the small value of LDC trade this may be less serious an issue than a much wider liberalization scenario, for example, WTO negotiations.

This simulation has been carried out on the above assumptions and does not cover other non-tariff barriers that could be liberalized. In particular, the simulation does not take into account the trade effects that may arise from the expected end of textile and clothing restrictions under the ATC. This may have a significant impact on the results of the simulations since, as will be discussed below, the majority of trade effects of the simulation activity take place in the textile and clothing area. Other models and studies are assessing the impact of trade liberalization on textiles and clothing.[13] The present exercise is aimed at simply quantifying the "missed trade preferences" either because there is no coverage or because utilization rates are low. Thus, the results of the simulation have to be read within this context.

## A. Possible trade effects arising from the expansion of product coverage

### 1. United States: GSP and AGOA trade simulation

According to the WITS trade simulation, a duty-quota-free scenario over all products might increase LDCs' exports in the US market by almost US$ 2.7 billion, equal to the 6 per cent of their total imports from LDCs. Not surprisingly much of the benefits would accrue to the two main product categories currently excluded by the GSP scheme, notably textiles and clothing, and footwear (see table 36). Note that these effects include the change in trade due to an extension to full coverage of products both under the LDC and non-LDC GSP schemes and under the new AGOA system. Put in other terms, in the present simulation the benchmark for each country is its specific trade preferential treatment.

[13] See, for instance, Dean Spinanger, *Beyond eternity: What will happen when textile and clothing quotas are eliminated as of 31/12/200,* forthcoming UNCTAD publication.

**Table 17**
**Expected trade effects from full coverage in the US market**

| HS | Description of the HS Section | Imports from LDCs* | Duty-free | Imports covered* | Util. rate (%) | TC* | TD* | TE* | TE in % |
|---|---|---|---|---|---|---|---|---|---|
| 01 | Live animals & products | 154 540 | 153 762 | 358 | 68.71 | 5 | 10 | 15 | 0.00 |
| 02 | Vegetable products | 190 193 | 177 112 | 10 076 | 83.28 | 3 | 5 | 7 | 0.00 |
| 03 | Fats and oils | 6 887 | 768 | 6 119 | 3.69 | 0 | 0 | 0 | 0 |
| 04 | Prepared foodstuffs, beverages, etc.. | 114 044 | 13 783 | 41 683 | 60.10 | 0 | 0 | 0 | 0 |
| 05 | Mineral products | 145 208 | 144 800 | 204 | 18.63 | 0 | 0 | 0 | 0 |
| 06 | Chemical products | 45 421 | 13 294 | 31 595 | 99.64 | 0 | 0 | 0 | 0 |
| 07 | Plastics & rubber | 62 244 | 44 939 | 3 064 | 29.89 | 0 | 0 | 0 | 0 |
| 08 | Hides and skins, leather, etc. | 143 277 | 1 223 | 5 136 | 94.84 | 14 236 | 6 997 | 21 233 | 0.79 |
| 09 | Wood & articles of wood | 49 939 | 10 331 | 4 438 | 80.28 | 1 | 1 | 2 | 0.00 |
| 10 | Pulp of wood, paper, books, etc. | 4 718 | 718 | 1 919 | 77.23 | 0 | 0 | 0 | 0 |
| 11 | Textile & textile articles | 42 078 244 | 10 307 | 457 323 | 56.26 | 1 723 501 | 856 423 | 2 579 925 | 96.30 |
| 12 | Footwear, headgear, umbrellas, etc. | 1 290 519 | 2 479 | 1 935 | 30.39 | 55 988 | 21 497 | 77 486 | 2.89 |
| 13 | Articles of stone, cement, etc. | 5 757 | 94 | 4 898 | 95.79 | 0 | 0 | 0 | 0 |
| 14 | Precious stones, etc | 89 967 | 46 853 | 15 609 | 95.03 | 0 | 0 | 0 | 0 |
| 15 | Base metals & products | 35 586 | 24 621 | 6 741 | 96.38 | 0 | 1 | 1 | 0.00 |
| 16 | Machinery & electrical equipment | 13 310 | 5 171 | 2 938 | 52.72 | 0 | 0 | 0 | 0 |
| 17 | Transport equipment | 280 | 90 | 112 | 3.57 | 0 | 0 | 0 | 0 |
| 18 | Optical & precision instruments | 4 707 | 721 | 1 642 | 54.02 | 0 | 0 | 0 | 0 |
| 19 | Arms and ammunition | 0 | 0 | 0 | . | 0 | 0 | . | . |
| 20 | Misc. manufactured articles | 26 792 | 10 584 | 13 444 | 98.26 | 125 | 89 | 215 | 0.01 |
| 21 | Works of art, etc.. | 10 849 | 10 849 | 0 | . | 0 | 0 | 0 | 0 |
| 22 | Special uses | . | . | . | . | . | . | . | . |
| | TOTALS | 44 472 482 | 672 499 | 4 394 245 | | 1 793 859 | 885 023 | 2 678 884 | |

*Source*: UNCTAD calculations.

* In thousands current US $.

*Notes*: Simulations are done using 2001 trade data and 2001 tariffs. Products 2709 (Petroleum oils and oils obtained from bituminous minerals, crude) and 2710 (Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations) and 88 (Aircraft, spacecraft, and parts thereof) are excluded.

The textile and clothing chapter represents almost the 96 per cent of total benefits from full coverage; this is equivalent to an increase in the 6 per cent of the current LDCs' total covered exports. The same percentages in the footwear sector are,

respectively, 11 per cent and 2 per cent. Imports of hides, skins and leather would increase by 15 per cent. Given the limited trade recorded under these items, however, the overall effect on LDC trade would be very limited (just 0.8 per cent of total trade effects).

In spite of the fact that they are countries subject to the AGOA regime, Lesotho, Madagascar and Malawi are those that gain more in relative terms from a full coverage expansion. This trade expansion is generated by simulating a full utilization of trade preferences subsequent to liberalization of rules of origin.

## B. Possible trade effects arising from a full utilization of the preferential schemes

A second simulation has been carried out to quantify what LDCs could gain from a full utilization of their preferences.

### 1. The GSP scheme of the European Union and ACP Cotonou preferences

Tables 18 to 21 contain the results of the simulation for LDCs' exports in the EU market broken down at a HS section level of aggregation both for ACP and non-ACP LDC countries. The “cost” of not fully utilizing the preferences has been retrieved by simulating the trade effects on the volume of trade that which has not received trade preferences. It has be assumed that this volume of trade, which has not received trade preferences moves from a MFN rate situation to full duty-free market access.

Simulations have been run at the single tariff line. At this level of disaggregation it might well happen that for some product either trade is zero because the beneficiary country does not export that good or the trade volume is too small. In both cases the corresponding utilization rate will be zero.

In these cases, that is when the utilization rate is not available at the tariff line, the utilization rate of the corresponding HS6 (sub heading) or HS4 (heading) level has been taken in order to calculate the effects on trade from full utilization. If neither of these was available, we used the average utilization rate of all other non-ACP developing countries at the same HS4 heading level. Besides, since the utilization rate may vary a great deal from year to year for extemporary reasons, in the simulations the average of the last three years has been taken.

**Table 18**
**Expected trade effects from full utilization of preferential schemes:**
**EU-non ACP LDCs**

| HS Section | | Imports from non-ACP LDCs* | Duty-free | Imports covered* | Utiliz. rate (%) | TC* | TD* | TE* | TE in (%) |
|---|---|---|---|---|---|---|---|---|---|
| # | Description | | | | | | | | |
| 01 | Live animals & products | 189 847 | 307 | 189 540 | 75.91 | 5 365 | 7 755 | 13 120 | 0.96 |
| 02 | Vegetable products | 24 967 | 15 091 | 9 876 | 90.34 | 37 | 98 | 135 | 0.01 |
| 03 | Fats and oils | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| 04 | Prepared foodstuffs, beverages, etc. | 24 694 | 6 | 24 650 | 56.81 | 1 774 | 3 140 | 4 914 | 0.36 |
| 05 | Mineral products | 2 651 | 141 | 2 510 | 100 | 0 | 0 | 0 | 0 |
| 06 | Chemical products | 3 282 | 825 | 2 457 | 90.15 | 24 | 29 | 53 | 0.00 |
| 07 | Plastics & rubber | 7 366 | 1 987 | 5 359 | 55.61 | 735 | 287 | 1 022 | 0.07 |
| 08 | Hides and skins, leather, etc. | 109 414 | 17 721 | 91 693 | 86.10 | 1 930 | 797 | 2 727 | 0.32 |
| 09 | Wood & articles of wood | 50140 | 33 798 | 16 342 | 68.71 | 96 | 464 | 560 | 0.04 |
| 10 | Pulp of wood, paper, books, etc. | 3 554 | 820 | 2 734 | 79.96 | 23 | 33 | 6 | 0.00 |
| 11 | Textile & textile articles | 3 294 446 | 74 125 | 3 220 321 | 31.68 | 902 460 | 420 546 | 1 323 006 | 96.90 |
| 12 | Footwear, headgear, umbrellas, etc. | 109 970 | 31 | 109 939 | 78.54 | 11 377 | 5 261 | 16 637 | 1.29 |
| 13 | Articles of stone, cement, etc. | 12 641 | 49 | 12 592 | 96.11 | 138 | 66 | 204 | 0.01 |
| 14 | Precious stones, etc. | 7 316 | 5 564 | 1 752 | 52.51 | 85 | 45 | 131 | 0.01 |
| 15 | Base metals & products | 4 823 | 2 144 | 2 679 | 46.96 | 139 | 138 | 278 | 0.02 |
| 16 | Machinery & electrical equipment | 23 766 | 11 302 | 12 464 | 11.56 | 813 | 651 | 1 464 | 0.11 |
| 17 | Transport equipment | 12 759 | 170 | 12 589 | 93.18 | 254 | 125 | 379 | 0.03 |
| 18 | Optical & precision instruments | 3 245 | 2 158 | 1 087 | 7.36 | 81 | 51 | 132 | 0.01 |
| 19 | Arms and ammunition | 8 | 0 | 8 | 50 | 0 | 0 | 0 | 0 |
| 20 | Misc. manufactured articles | 14 296 | 8 441 | 5 855 | 63.93 | 364 | 150 | 514 | 0.04 |
| 21 | Works of art, etc. | 2 121 | 2 121 | 0 | . | 0 | 0 | 0 | 0 |
| 22 | Special uses | . | . | . | . | . | . | . | . |

*Source*: UNCTAD calculations.

* In thousands current US $.

*Note*: Simulations are done using 2000 trade data and 2001 tariffs. Products 2709 (Petroleum oils and oils obtained from bituminous minerals, crude), 2710 (Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included, containing by weight 70 per cent or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations) and 88 (Aircraft, spacecraft, and parts thereof) are excluded.

As far as non-ACP countries are concerned, the trade effect in textile and textile articles stands out from all the others, with an increase of more than US$1 billion. This is mainly due to chapters 61 and 62 (articles of apparel and clothing accessories). Missed trade preferences in these two chapters are considerable. Even if to a much lesser extent, the sections "live animals and products" and "footwear, headgear, umbrellas, etc." also show a relevant increase in exports in spite of a utilization rate already relatively high.

In table 19 we report the trade effect in selected chapters for each country involved in the simulation that has been reported. The country that would benefit more in absolute value if all covered goods in chapters 61-63 actually received the special treatment they are entitled to is Bangladesh, followed by Cambodia. For the vast majority of countries imports covered would double. Figures in other sectors are perhaps less impressive. Nevertheless, Maldives, for example, would see an increase in its covered exports of prepared fish and crustaceans of almost 20 per cent, while for Myanmar[14] the figure for sugar would be almost 60 per cent and that for fish and crustaceans 4 per cent.

Also in the case of ACP LDCs the biggest trade effect is, in section 11 (textile and textile articles), even if this is much smaller than in the case of Asian LDCs. This is mainly due to the fact that EU imports of textiles and textile articles from ACP countries are smaller and also to the fact that a more considerable part of them is already duty-free. In this case (details are not reported), Madagascar would be the major contributor to the total trade effect with an increase in export of "articles of apparel and clothing accessories" of more than US$ 87 million.

The increase in exports from full utilization is relevant also for "live animals and products" and "prepared foodstuffs, beverages, etc." (US$ 40 million and US$ 46 million, respectively) and, to a lesser extent, for "transport equipment".[15] Covered imports of fish and crustaceans from Madagascar and Mozambique would increase by 10 per cent. Covered imports of sugar from Malawi would increase by almost 60 per cent (equal to US$ 23 million).

[14] Myanmar is currently suspended from the EBA.

[15] The trade effect in "transport equipment" should be considered taking into account that the majority of trade under this section is represented by cargo vessels from Liberia.

**Table 19**
**Expected trade effects from full utilization of preferential schemes: EU-non ACP LDCs, selected countries and markets**

| HS Section | HS Chapter | Chapter description | Country | Imports covered | Utilization rate (%) | TE* | As a % of Imports covered |
|---|---|---|---|---|---|---|---|
| 11 | 61 | Art of apparel & clothing accessories knitted or crocheted. | Afghanistan | 571 | 2.98 | 348 | 60.95 |
| 11 | 61 | Idem | Bangladesh | 1 186 006 | 49.55 | 360 514 | 30.40 |
| 11 | 61 | Idem | Cambodia | 193 799 | 6.97 | 113 284 | 58.45 |
| 11 | 61 | Idem | Lao P.D.R. | 45 854 | 18.49 | 23 356 | 50.94 |
| 11 | 61 | Idem | Maldives | 8 035 | 0.02 | 4 958 | 61.70 |
| 11 | 61 | Idem | Myanmar | 151 160 | 31.58 | 64 078 | 42.39 |
| 11 | 61 | Idem | Nepal | 7 624 | 76.59 | 1 081 | 14.18 |
| 11 | 61 | Idem | Yemen | 1 | 0 | 0 | 0 |
| 11 | 62 | Art of apparel & clothing accessories, not knitted/crocheted | Afghanistan | 1 160 | 0.09 | 537 | 46.29 |
| 11 | 62 | Idem | Bangladesh | 1 101 511 | 13.01 | 582 636 | 52.89 |
| 11 | 62 | Idem | Bhutan | 2 | 50 | 1 | 50 |
| 11 | 62 | Idem | Cambodia | 61 593 | 3.84 | 37 710 | 61.22 |
| 11 | 62 | Idem | Lao PDR. | 54 963 | 37.81 | 20 854 | 37.94 |
| 11 | 62 | Idem | Maldives | 8 024 | 1.16 | 5 082 | 63.33 |
| 11 | 62 | Idem | Myanmar | 112 059 | 20.76 | 54 733 | 48.84 |
| 11 | 62 | Idem | Nepal | 35 186 | 71.60 | 5 272 | 14.98 |
| 11 | 62 | Idem | Yemen | 4 | 50 | 1 | 25 |
| 11 | 63 | Other made up textile articles; sets; worn clothing, etc. | Afghanistan | 90 | 13.33 | 28 | 31.11 |
| 11 | 63 | Idem | Bangladesh | 44 582 | 75.21 | 2 280 | 5.11 |
| 11 | 63 | Idem | Bhutan | 1 | 100 | 0 | 0 |
| 11 | 63 | Idem | Cambodia | 11 | 0 | 3 | 27.27 |
| 11 | 63 | Idem | Lao PDR. | 5 | 80 | 0 | 0 |
| 11 | 63 | Idem | Myanmar | 3 | 66.67 | 0 | 0 |
| 11 | 63 | Idem | Nepal | 686 | 86.88 | 28 | 4.08 |

*Source*: UNCTAD calculations.

* In thousands current US $.

*Note*: Simulations are done using 2000 trade data and 2001 tariffs. Products 2709 (Petroleum oils and oils obtained from bituminous minerals, crude), 2710 (Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations) and 88 (Aircraft, spacecraft, and parts thereof) are excluded.

**Table 20**
**Expected trade effects from full utilization of preferential schemes:**
**EU-ACP LDCs**

| HS Section | Description of the HS Section | Imports from ACP LDCs* | Duty free | Imports covered * | Utilization rate (%) | TC* | TD* | TE* | TE in % |
|---|---|---|---|---|---|---|---|---|---|
| 01 | Live animals & products | 637 834 | 8 807 | 629 027 | 77.49 | 17 434 | 23 041 | 40 475 | 16.51 |
| 02 | Vegetable products | 844 719 | 700 881 | 141 667 | 37.48 | 5 692 | 9 567 | 15 260 | 6.22 |
| 03 | Fats and oils | 83 797 | 2 152 | 81 645 | 64.65 | 2 097 | 1 574 | 3 671 | 1.50 |
| 04 | Prepared foodstuffs, beverages, etc. | 340 972 | 58 632 | 281 976 | 46.92 | 15 462 | 31 086 | 46 548 | 18.99 |
| 05 | Mineral products | 618 747 | 618 577 | 170 | 51.18 | 4 | 6 | 10 | 0.00 |
| 06 | Chemical products | 133 998 | 129 079 | 4 651 | 50.27 | 166 | 201 | 366 | 0.15 |
| 07 | Plastics & rubber | 11 772 | 10 046 | 1 695 | 44.07 | 250 | 101 | 350 | 0.14 |
| 08 | Hides and skins, leather, etc. | 103 239 | 34 427 | 68 812 | 49.15 | 2 813 | 937 | 3 751 | 1.53 |
| 09 | Wood & articles of wood | 177 355 | 164 269 | 13 086 | 81.79 | 95 | 158 | 253 | 0.10 |
| 10 | Pulp of wood, paper, books, etc. | 5 139 | 1 903 | 3 236 | 63.32 | 46 | 66 | 112 | 0.046 |
| 11 | Textile & textile articles | 526 028 | 224 076 | 301 952 | 34.87 | 66 181 | 34 111 | 100 293 | 40.91 |
| 12 | Footwear, headgear, umbrellas, etc. | 14 422 | 92 | 14 330 | 60.63 | 646 | 288 | 934 | 0.38 |
| 13 | Articles of stone, cement, etc. | 3 717 | 191 | 3 526 | 75.38 | 51 | 89 | 140 | 0.06 |
| 14 | Precious stones, etc | 2 049 189 | 2 047 946 | 1 243 | 38.21 | 79 | 42 | 121 | 0.05 |
| 15 | Base metals & products | 117 234 | 90 277 | 26 957 | 46.67 | 808 | 1 430 | 2 238 | 0.91 |
| 16 | Machinery & electrical equipment | 78 704 | 42 081 | 36 623 | 17.88 | 1 570 | 1 253 | 2 823 | 1.15 |
| 17 | Transport equipment[16] | 264 390 | 190 697 | 73 693 | 0.43 | 15 636 | 9 860 | 25 496 | 10.40 |
| 18 | Optical & precision instruments | 21 738 | 5 586 | 16 152 | 18.75 | 1 229 | 662 | 1 891 | 0.77 |
| 19 | Arms and ammunition | 44 | 0 | 44 | 52.27 | 0 | 1 | 1 | 0.00 |
| 20 | Misc. manufactured articles | 8 989 | 2 670 | 6 319 | 70.63 | 278 | 130 | 408 | 0.17 |
| 21 | Works of art, etc. | 2 881 | 2 881 | 0 | . | 0 | 0 | 0 | 0 |
| 22 | Special uses | . | . | . | . | . | . | . | . |

*Source*: UNCTAD calculations.

* In thousands current US $

*Notes*: Simulations are done using 2000 trade data and 2001 tariffs. Products 2709 (Petroleum oils and oils obtained from bituminous minerals, crude), 2710 (Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included, containing by weight 70 per cent or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations) and 88 (Aircraft, spacecraft, and parts thereof) are excluded.

[16] The trade volume is almost totally represented by cargo vessels from Liberia.

## 2. Full simulation for USA

In this part the simulation carried out for the EU is extended to the US Markettries and combined with the results already attained from the previous simulation on the GSP excluded products. The goal is to provide an overall picture of the total benefits, in terms of enhanced exports, LDCs might get from a c**ondition of full liberalisation and full utilization of the preferential schemes.**

Obviously, the realisation of the cumulative results from full trade liberalisation crucially depends on the ability of LDC countries to respond to the newly created trade opportunities. As can be seen by comparing table 43 with table 36, the increase in US imports is due by far to a full coverage of products. Effects coming from the full utilization of the existing preferential schemes are much less important. Overall dutiable imports from LDCs, GSP LDCs and AGOA countries would increase by 6.5 per cent.

At a country level the country that would gain considerably from a full utilization of the existent system of preferences is Bangladesh, with an increase in exports of one and half billion US dollars. Cambodia and Nepal follow with a much smaller increase (US$ 250 and 125 million respectively).

**Table 21**
**Expected trade effects from full utilization *and* full coverage in the US market**

| HS Section # | Description | Imports from LDCs* | Duty free | Imports covered* | Utiliz. rate (%) | TC* | TD* | TE* | TE in % |
|---|---|---|---|---|---|---|---|---|---|
| 01 | Live animals & products | 154 540 | 153 762 | 366 | 67.21 | 6 | 13 | 19 | 0.00 |
| 02 | Vegetable products | 190 193 | 177 112 | 10 127 | 82.86 | 47 | 103 | 150 | 0.00 |
| 03 | Fats and oils | 6 887 | 768 | 6 119 | 3.69 | 605 | 816 | 1,421 | 0.05 |
| 04 | Prepared foodstuffs, beverages, etc. | 114 044 | 13 783 | 41 683 | 60.10 | 682 | 2 637 | 3 319 | 0.12 |
| 05 | Mineral products | 145 208 | 144 800 | 204 | 18.63 | 13 | 23 | 36 | 0.00 |
| 06 | Chemical products | 45 421 | 13 294 | 31 595 | 99.64 | 6 | 7 | 12 | 0.00 |
| 07 | Plastics & rubber | 62 244 | 44 939 | 3 064 | 29.90 | 441 | 188 | 628 | 0.02 |
| 08 | Hides and skins, leather, etc. | 143 277 | 1 223 | 28 590 | 17.04 | 14 310 | 7 034 | 21 344 | 0.75 |
| 09 | Wood & articles of wood | 49 939 | 10 331 | 4 448 | 80.10 | 65 | 89 | 154 | 0.00 |
| 10 | Pulp of wood, paper, books, etc. | 4 718 | 718 | 1 919 | 77.23 | 6 | 8 | 14 | 0.00 |
| 11 | Textile & textile articles | 42 078 244 | 10 307 | 4 014 814 | 6.41 | 1 828 861 | 910 011 | 2 738 873 | 96.2 |
| 12 | Footwear, headgear, umbrellas, etc. | 1 290 519 | 2 479 | 205 305 | 0.29 | 56 435 | 21 716 | 78,152 | 2.75 |
| 13 | Articles of stone, cement, etc. | 5 757 | 94 | 4 898 | 95.79 | 39 | 22 | 60 | 0.00 |
| 14 | Precious stones, etc. | 89 967 | 46 853 | 15 609 | 95.03 | 158 | 85 | 243 | 0.01 |
| 15 | Base metals & products | 35 586 | 24 621 | 6 752 | 96.22 | 9 | 11 | 20 | 0.00 |
| 16 | Machinery & electrical equipment | 13 310 | 5 171 | 2 938 | 52.72 | 70 | 55 | 125 | 0.00 |
| 17 | Transport equipment | 280 | 90 | 112 | 3.57 | 5 | 4 | 9 | 0.00 |
| 18 | Optical & precision instruments | 4 707 | 721 | 1 642 | 54.02 | 39 | 28 | 67 | 0.00 |
| 19 | Arms and ammunition | 0 | 0 | 0 | | 0 | 0 | | |
| 20 | Miscellaneous manufact. Articles | 26 792 | 10 584 | 14 060 | 93.95 | 148 | 106 | 255 | 0.01 |
| 21 | Works of art, etc. | 10 849 | 10 849 | 0 | . | 0 | | 0 | 0 |
| 22 | Special uses | | | | | | | | |

*Source*: UNCTAD calculations.

* In thousands current US $.

*Notes*: Simulations are done using 2001 trade data and 2001 tariffs. Products 2709 (Petroleum oils and oils obtained from bituminous minerals, crude), 2710 (Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations) and 88 (Aircraft, spacecraft, and parts thereof) are excluded.

## CONCLUSIONS

Overall, the value and effectiveness of trade preferences available to LDCs' exports is diminished by the low utilization rate recorded. To a different extent depending on the category of products and the GSP preference-giving country, the low utilization rate is a cross-cutting issue that has to be addressed.

As earlier mentioned, previous analytical studies and intergovernmental debates in the UNCTAD Special Committee on Preferences have traditionally identified as possible explanations for low utilization rate the existence of quantitative limitations on preferential treatment, lack of knowledge on the part of the exporters of the requirements to be fulfilled to benefit from GSP and rules of origin requirements. Quantitative limitations or some other form of graduation mechanism as reasons for low utilization are generally not applicable in the case of LDC countries. All GSP schemes of Quad countries do not provide for any form of a priori limitations on preferential treatment of LDC exports. General safeguard clauses remain applicable, but they have not been used for LDC exports.

All these findings point in the direction of rules of origin and related administrative procedures as the main reason for low utilization. In the case of LDCs, rules of origin have been largely demonstrated to be, at both the analytical and empirical levels, one of the main obstacles to a better utilization rate of the available trade preferences on industrial products. Overly strict and unsound from the point of view of industrial development, rules of origin represent the main constraints for LDCs. The origin requirements and related administrative procedures are largely responsible for the nullification of the trade preferences and the application of MFN rate for a substantial amount of the exports of LDCs. Their implications may have acted as a disincentive to the FDI that trade preferences were originally designated to boost.

Earlier estimates[17] carried out in developed countries show that the cost of the border formalities needed to determine the origin of a product amounts to at least 3 per cent of the value of the goods concerned. The costs to firms of not being able to apply cost-minimizing production due to origin rules may be as large as a few percentage points of the value of the goods or at most equal to the external tariff. Such costs are expected to be necessarily higher in LDCs, given the lack of capacity in their administration and the limited industrial base.

The costs related to administrative requirements and accounting techniques needed to satisfy not only product-specific requirements but also issuance of certificates of origin, the cost of keeping related documentary evidence, and so on have yet to be calculated in developing countries. This issue will be the subject of further research. However, it is intuitive that such requirements are at the opposite of the concept of trade facilitation that some preference-giving countries are advocating in WTO negotiations.

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[17] See Jan Herin, Occasional Paper No. 13, Rules of Origin and Differences between Tariff Levels in EFTA and in the EC, European Free Trade Association, 1986.

In spite of earlier intergovernmental debates and discussion on improvements and harmonization of preferential rules of origin contained in unilateral preferences, few results have been achieved in adopting a pragmatic approach. Since the outset of the GSP rules of origin historical inertia and the difference of product coverage of the schemes were the reasons for the lack of progress recorded by the international community in this area.

The Uruguay Round Agreement on Rules of Origin has failed to regulate preferential rules of origin, creating a no-man's land where they have proliferated. In the course of the ongoing debate and initiatives undertaken under the umbrella of the Doha development agenda, a workable way forward for having a common set of preferential rules of origin for unilateral trade preferences could be explored.

New GSP rules of origin could be formulated to reflect modern and competitive industrial development on the basis of the work carried out by the World Customs Organization under the harmonization work programme of the non-preferential rules of origin. The lack of agreement impeding, at the time of this writing, the conclusion of such harmonization in the WTO committee on rules of origin has not impeded the technical committee on rules of origin established in the WCO from completing most of its work. During the negotiations conducted in this latter committee the international community has been able to give a fresh and highly technical consideration to the whole issue of origin.

A number of technical innovations for old problems have been found, and new production methods have been taken into account during the process. This wealth of experience and achievements should provide the substantial technical background for progressing towards a harmonized and updated set of rules of origin to be applied in the context of the initiative for duty-free and quota-free access to LDCs.

In fact, many of the product-specific rules of origin proposed for consideration in the second part of this study draw from the results of these negotiations.

Ultimately, increased utilization of trade preferences through changes in rules of origin and improved preferential market access on textiles and clothing for all LDCs could cushion and alleviate some transitional difficulties that may arise for small suppliers following the dismantling of ATC.