

Aid through Trade: An Effective Option?

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1 Introduction

What trade policy initiatives can the rich countries such as the United States take to assist the poor countries in improving their growth prospects and achieving faster alleviation of poverty? This question has been a subject of research and debate among policy analysts in the area of trade and development for more than four decades. During the Kennedy Round of trade negotiations, developing countries successfully lobbied for the addition of Part IV titled “Trade and Development” to the General Agreement on Tariffs and Trade (GATT). Under Article XXXVII of this part, they got developed country signatories to commit to “accord high priority to the reduction and elimination of barriers to products currently or potentially of particular export interest to less developed contracting parties” and to “refrain from introducing, or increasing the incidence of, customs duties or non-tariff barriers on products currently or potentially of particular export interest” to them.

Again, in 1971, under the auspices of the United Nations Conference on Trade and Development (UNCTAD), founded in 1964, developing countries successfully pushed for the adoption of the Enabling Clause by the GATT Contracting Parties. The clause was initially adopted for 10 years but renewed later in 1979 for an indefinite period. It gave legal status to the Generalized System of Preferences (GSP) and the exchange of South-South trade preferences. The GSP provision gave legal status to one-way trade preference by developed to developing countries while the provision on South-South

preferences freed developing countries from GATT Article XXIV requirements while exchanging trade preferences among themselves.

Subsequently, encouraged by the 1973 success of the Organization of Petroleum Exporting Countries (OPEC) in increasing oil prices, developing countries called for far reaching changes in the rules of the North-South engagement under the rubric of the New International Economic Order (NIEO). As a part of this effort, on May 1, 1974, the Sixth Special Session of the U.N. General Assembly adopted a manifesto entitled "Declaration and Program of Action of the New International Order." Among the measures proposed under NIEO were the indexation of developing country export prices to developed country manufactures exports, raising official development assistance to 0.7 percent of developed country GNP, linking the creation of the IMF Special Drawing Rights to development aid, lowering tariffs on manufactures exported by developing to developed countries, development of an international food program and a negotiated redeployment of some developed country industries to developing countries.¹

Unfortunately, few of these efforts during 1960s and 1970s can be said to have contributed significantly to growth and development in the poor countries. Given the best endeavor nature of the commitments in Part IV of GATT and the unwillingness of the rich countries to give one-way concessions, its addition led to the lowering of few barriers facing the products exported by developing countries. On the contrary, 1960s and 1970s saw the grip of textile and apparel quotas, organized under the rubric of the Multi-fiber Arrangement (MFA) in 1974, tighten progressively. The Enabling Clause did

¹ Bhagwati (1977) offers an excellent overview of the NIEO discussions in the rich collection of essays by leading trade and development economists of the time that he edited. Also see Looney (1999).

lead to the grant of trade preferences under GSP and other schemes but as I discuss later in greater detail, these had at most limited impact on the developing country exports and proved of questionable value.

In so far as the NIEO movement is concerned, it was a complete failure. Beyond paying lip service to the proposed agenda, developed countries yielded little. Instead, they chose to delegate the issues of concern to developing countries to the Breton Woods institutions in which they held the balance of power. In turn, these institutions went on to aggressively promote liberal trade policies in developing countries themselves. Simultaneously, in the aftermath of the Tokyo Round (1974-79), developed countries began to insist that developing countries abandon the practice of “free riding” the multilateral liberalization negotiated by developed countries and become active parties to future rounds of negotiations. The Uruguay Round was launched in 1986 only after developing countries agreed formally to participate fully in the negotiations.

These developments during the last two decades relegated the NIEO agenda to the background.² But recently, following the Uruguay Round Agreement, the process has come full circle. Perceptions that developing countries got shortchanged in the Uruguay Round and that the benefits of the agreement went asymmetrically to the rich countries have led to a partial resurgence of the NIEO agenda.³ Though many of the impractical

² The process of liberalization in developing countries was aided in no small measure by the success of outward-oriented policies in the far eastern economies and the failure of inward-looking policies in other parts of the world. Starting in early 1980s, many developing countries had begun to appreciate the benefits of their own liberalization as well as the futility of insisting on one-way trade concessions from the rich countries.

³ In Panagariya (2002a), I have argued that the view that the Uruguay Round hurt developing countries fails to stand up to careful scrutiny. Though the balance of the bargain was in favor of the rich countries, developing countries benefited significantly from the package as well. They benefited from their own liberalization and the liberalization by developed countries including the

schemes proposed under NIEO have been buried for good, moral pressure is being exerted once again for one-way concessions from rich to poor countries through trade and aid. Interestingly, this time around the leadership at the Breton Woods institutions has joined hands with the United Nations in accusing developed countries of double standards and maintaining trade barriers that hurt developing country interests.

A question that has, therefore, gained salience in the United States is whether the changed circumstances make it more feasible for this nation to deploy trade policy instruments to assist the neediest developing countries, characterized in this volume as the low-income poorly performing states (LIPPS), in their endeavor to achieve faster growth reduce poverty.⁴ Is there scope for further expansion of the trade concessions by the United States to these countries; if yes, does the experience to-date point to the desirability of such expansion; and if not are political circumstances favorable to reforms that would make the expansion desirable?

In pursuit of answers to these questions, in the following, I examine the scope for and desirability of the U.S. assistance to LIPPS through three separate trade policy

removal of MFA. The latter is criticized on the ground that it is back loaded. A much unappreciated fact, however, is that many of the uncompetitive developing countries had in fact lobbied for the back loading since they feared losing their quota captive market to more competitive suppliers such as China. Developing countries also laid down the foundation of future liberalization in agriculture by bringing this sector into the GATT discipline; this was less than what they had hoped for but it meant progress. Developing countries also benefited from a much stronger dispute settlement that has allowed them to challenge developed countries on near equal footing. The main cost they paid was the TRIPS Agreement, which was not a win-win bargain and entails benefits for developed countries at the expense of developing countries.

⁴ The Center for Global development, which has introduced this category, defines it as comprising countries where poor economic performance and widespread poverty combine with governments incapable of guaranteeing political freedoms, providing the foundation for economic activity, and controlling their territory. The Center provides two illustrative lists but does not draw a fixed list even at a point in time.

measures: one-way trade preferences as, for example, under GSP; bilateral trade preferences as under free trade area arrangements as under the North American Free Trade Agreement (NAFTA) and the U.S.-Jordan Free Trade Agreement; and multilateral trade liberalization as under the Uruguay Round Agreement in products of interest to developing countries. Based on the accumulated experience of the past forty years, my principal conclusion is that of these three forms of market access, only the last one is both desirable and feasible.

The record of one-way trade preferences by the United States and EU has been quite poor and there is little reason to believe that this will change in the near future. These preferences have been selective, uncertain and subject to all kinds of side conditions. On balance, the EU preferences have been less arbitrary but even they have failed to generate significant impact on growth in the beneficiary countries.

Likewise, the potential for free trade areas between the United States and LIPPS is limited and their value questionable. Currently, with the attention focused on Latin America, few free trade areas with LIPPS are on the U.S. trade policy radar screen. But even if that were not the case, it is far from clear that two-way trade preferences would succeed where one-way preferences have failed. For example, the U.S.-Jordan Free Trade Agreement has given few reasons for celebration in so far as Jordan's economic development is concerned.

Therefore, multilateral liberalization under the auspices of the Doha Round remains the best available option. This liberalization is subject to the WTO discipline and cannot be withdrawn at will. It is also free of trade diversion that plagues free trade areas. And

above all, it has the potential to induce non-discriminatory liberalization in LIPPS themselves.

A final qualification must be added before I proceed to the detailed discussion of these themes. Further opening of developed country markets, no matter what form it takes, can help LIPPS only in a limited way. Despite all the rhetoric and assertions to the contrary, the bitter and sad truth is that even if developed countries were to open their markets fully without asking for reciprocal liberalization and without any side conditions, few LIPPS will succeed in achieving significant growth and poverty reduction purely as a consequence of this opening up. The explanation for the poor growth performance of many LIPPS is to be found not in the barriers to their exports in the rich countries--though these barriers do impose a burden on them--but in their own domestic policies and political environment that governs the internal investment climate.

This conclusion is supported by the fact that though the external environment facing all developing countries has been the same during the past several decades, their performance has been far from the same. Some of them have managed to register much higher growth rates than others. They have accomplished this principally because of their superior economic policies rather than special market access favors granted them. During 1950s through 1970s, most developing countries took the pessimistic view that the world economic order was rigged against them and chose inward-looking policies. But countries such as the Republic of Korea, Taiwan, Singapore and Hong Kong did the opposite, opting to go for the world markets. The result was spectacular growth on a sustained basis. This experience has been repeated subsequently by such countries as

Malaysia, Thailand, Indonesia, People's Republic of China, India and Vietnam in Asia, Chile in Latin America and most recently Uganda in Africa.

The paper is organized as follows. In Section 2, I offer an overview of the LIPPS and barriers facing their exports, especially in developed countries. In Section 3, I address the role of further one-way trade preferences and in Section 4 that of bilateral arrangements such as free trade areas (FTAs). In Section 5, I consider the multilateral option. The paper is concluded in Section 6.

2 Barriers to LIPPS Exports: An Overview

By definition, low-income poorly performing states consist of countries with low per-capita incomes and poor performance along some specified dimensions. CGD defines "low-income" countries as those having per-capita incomes below \$1435 at 2001 U.S. prices. This is the level used by the World Bank to identify countries eligible for its concessional lending window, International Development Association or IDA. There are 74 countries that fall below this cutoff point.

Invoking the governmental performance criteria narrows down this set further. CGD measures the governmental performance along two dimensions: political freedom to the constituents and ability to preserve the rule of law. Following the "political freedom" criterion, *ceteris paribus*, countries that lack institutions that protect civil liberties, hold governments accountable for their actions, and allow citizens to participate in the political process are more likely to be included in the LIPPS list. In the same vein, following the "rule of law" criterion, countries that lack proper laws and institutions that enforce contracts, protect property rights, punish criminal behavior and discharge

efficiently the administrative functions of the government have a greater chance of ending up on the list.

Using alternative indicators of the government quality, CGD offers two illustrative lists of LIPPS. These are reproduced in Table 1. Approximately three-quarters of the illustrative LIPPS are from Africa and include important regional powers such as Nigeria, Sudan, and the Democratic Republic of the Congo. The lists also extend to countries in other regions characterized by poor governance along one or the other dimension: Afghanistan and Pakistan in South Asia, the Kyrgyz Republic and Tajikistan in Central Asia, and Laos in Southeast Asia. With a population of more than 125 million, Bangladesh is the largest LIPPS. With a per-capita of \$100 in 2001, Burundi and Ethiopia are the poorest.

The criteria used to identify LIPPS are highly correlated with those used to identify the least developed countries (LDCs) by the United Nations.⁵ Not surprisingly, three quarters of the countries on the illustrative LIPPS lists are also categorized as LDCs by the United Nations. This commonality allows us to exploit the detailed information

⁵ The United Nations introduced this category in 1971. It includes nations deemed structurally handicapped in their development process and in need of the highest degree of consideration from the international community in support of their development efforts. The U.N. Economic and Social Council, which makes the determination, considered three factors: income, human resource weakness and economic vulnerability. The income criterion requires that based on a three-year average, the annual per-capita GDP be below \$900. Currently, there are 49 such countries and the list is revised every three years. The last revision took place in 2000. With some exceptions, the countries on the CGD illustrative lists of LIPPS form a subset of the U.N. list of least developed countries. Only four LIPPS--Kenya, Kyrgyz Republic, Nigeria and Pakistan--out of a total of 22 states on the first LIPPS list in Table 1 and five (four on the first list plus Tajikistan) out of 23 states on the second LIPPS list do not appear on the current U.N. list of least developed countries.

collected by UNCTAD on LDCs to gain further insight into the economic performance of LIPPS.

During 1990-98, the real GDP of LDCs as a group grew by 3.2 per cent per annum compared with 3.4 per cent for the low- and middle-income countries and 2.5 per cent for the world (UNCTAD 2000). This relatively favorable comparison is tempered by two facts. First, the bulk of the LDC growth represents growth in one country, Bangladesh, with one-fifth of the total LDC population. Excluding Bangladesh, the growth rate was more modest at 2.4 percent. Second, the growth rate of population in LDCs was much higher than that in other developing countries. As such, on per-capita basis, LDC incomes grew only 0.9 percent during 1990-98. If we exclude Bangladesh, this figure drops to 0.4 percent. Over the same period, other developing countries grew at 3.6 percent in per-capita terms.

Behind these aggregate numbers, there is substantial variance in the performance across LDCs. The top 15 LDC performers during 1990-98 have all grown at 2 percent or more in per-capita terms. At the other extreme, 22 LDCs were either stagnant or declined in per-capita terms. In 11 LDCs, which were all subject to armed conflicts and internal instability and would therefore qualify for inclusion into the LIPPS list, the real per-capita GDP declined at 3 percent or more annually during 1990-98.

The share of LDCs in world trade declined from 3.04 percent in 1954 to a tiny 0.42 percent in 1998. The bulk of this decline took place during 1960s and 1970s though there was a slight decline during 1990s as well. In 1999, LDCs sent 27 percent of their exports to the United States, 37 percent to EU, 4 percent to Japan, 1 percent to Canada, 2 percent to other developed countries, 1 percent to each other and 28 percent to other developing

countries. Thus, overall, they sent 71 percent of the exports to developed countries and 29 percent to developing countries.

Table 2 provides the weighted applied tariff rates facing LDCs in various regions of the world in 1999. It is evident from this table that the countries face the highest tariffs in South Asia: 28 percent in agriculture and fisheries and almost 25 percent in manufactures. In contrast, the corresponding rates in developed countries are 2.1 and 4.4 percent, respectively. All developing country regions impose higher barriers to LDC exports than developed countries.

Table 3 offers further details on the status of trade barriers in 1998 facing LDCs in the Quad countries (Canada, EU, Japan and U.S.A.), which account for most of their exports to developed countries. Among the four countries, EU offers LDCs the least restrictive trade regime. In 1998, only 3.12 percent of LDC exports to EU faced *any* tariffs. In contrast, in the United States, 47 percent of the LDC exports faced tariffs exceeding 5 percent. A similar pattern is also observed in terms of the proportion of tariff lines subject to tariffs. Furthermore, LDCs are able to register positive export in many more product lines in EU than the United States.

The lead enjoyed by EU in offering trade concessions to LDCs has been strengthened following the adoption of the “Everything but Arms” (EBA) initiative by it in February 2001. Under this initiative, EU has introduced duty and quota free entry to all products from LDCs with three important exceptions (plus arms and ammunition, of course). The three excluded products are bananas, rice and sugar. They are to be given unlimited duty free access starting January 2006, July 2009 and September 2009,

respectively. Currently, two of the products, rice and sugar, are subject to limited tariff-free quotas, which are to be increased annually.

3 One-way Trade Preferences

To assess possible benefits from further expansion of trade preferences by the United States, we must consider three questions: is there substantial scope for this expansion; if yes, does the experience to-date support the desirability of the expansion; and if not, do political circumstance offer an opportunity to reform the system such that the expansion is made desirable. Consider each of these questions in turn.

3.1 The Scope for the Expansion of Trade Preferences

The United States offers trade preferences under GSP, Africa Growth and Opportunity Act (AGOA), Caribbean Basin Trade Partnership Act (CBTPA) and Andean Trade Preferences Act (ATPA). None of the beneficiary countries of ATPA and CBPTA fit the LIPPS bill. Therefore, the discussion below is limited to GSP and AGOA.

The US GSP program was introduced in 1976.⁶ Since the program carries an expiration date, it has had to be renewed eight times over the last 26 years. The last expiration took place on September 30, 2001 and the last renewal August 6, 2002. The latest renewal validates GSP until December 31, 2006. Currently, of more than 10,000 items, 4,600 are accorded duty-free status under the program. In 1997, the United States added another 1,700 items to the duty-free list for LDCs though stricter criteria allow only 35 of the 49 LDCs to qualify for the expanded preferences. According to WTO

⁶ Many of the details on the U.S. GSP program in this paper have been taken from The GSP Coalition (2002).

(2001), GSP beneficiary countries paid an average tariff of 4% in 2000, which is 1.5 percentage points below the average MFN tariff rate.

Trade and Development Act 2000, which contains AGOA, seeks to expand trade with sub-Saharan African (SSA) countries. AGOA offers eligible SSA countries, many of them LIPPS, duty-free and quota-free access to the U.S. market for all products under GSP plus 1,800 new items until September 30, 2008. Under special conditions, it also extends duty-free status to apparel, which is subject to high tariffs in the United States. Furthermore, AGOA eliminates the GSP competitive-need limitation, which can otherwise be invoked to withdraw duty-free status when imports from a country exceed certain limits. To-date, 35 countries have been granted the beneficiary status.

Despite these concessions, there remains considerable scope for the expansion of trade preferences by the United States to LIPPS. The United States preferences fall far short of those granted by EU under its EBA initiative. According to UNCTAD (2001b), a little more than 45 per cent of total LDC exports in 2000 were eligible for better-than-MFN access to the United States market. Although more than 80 per cent of all HS6-level products qualified for duty-free access that year, if petroleum products are excluded, this share drops down to 49.6 percent. Furthermore, not all LDC exports eligible for preferences actually receive preferential treatment. Thus, the utilization ratio was 76.5 per cent in 1998.

Some insight into the nature of excluded products can be obtained by examining the top 20 LDC exporters to the United States according to their product classification and preference status. This is shown in Table 4. Of the 20 exporters, none of the

manufactures exporters received any preference. The only countries receiving tariff preferences on the list were those exporting tobacco and perhaps oil.

An examination of the products with tariff peaks reinforces this picture. Various apparel items, which are subject to tariff peaks, are excluded from GSP. AGOA permits duty free entry of these items but requires exporters to have a strict visa system to ensure origin. Until April 2001, only two LDCs, Lesotho and Madagascar, were able to fulfill this requirement. Of these two, only Madagascar appears on one of the two LIPPS lists in Table 1.

***3.2 Does the Past Experience Make the Expansion of Preferences Desirable?*⁷**

If the objective is to see LIPPS grow faster, the past experience offers little support to the concentration of efforts on the expansion of trade preferences. The preferences may make the donor countries feel good, transfer some of the foregone tariff revenue to the beneficiary countries and may even lead to a marginal expansion of the latter's exports. But the track record of preferences to-date gives little reason to conclude that they will make a perceptible difference to growth and poverty in the beneficiary countries.

EU preferences are by far the most extensive of all in so far as LDCs and African countries are concerned. Yet, the record of these preferences is quite disappointing. Under Lomé IV, recently succeeded by the Cotonou Agreement, 71 African, Caribbean and Pacific (ACP) countries including many LDCs have enjoyed highly favorable trade regime. Yet, a 1997 European Commission 'green paper' published as a preparatory step

⁷ This section draws on Panagariya (2002b).

towards the 1998 talks for the extension of the Lomé IV offered a grim assessment. It reported that the share of ACP countries in the EU market had declined from 6.7 percent in 1976 to 3 percent in 1998. Merely 10 products accounted for 60 percent of the total ACP exports to EU. Per-capita GDP in Sub-Saharan Africa grew by only 0.4 percent per-annum compared with 2.3 percent for all developing countries from 1962 to 1992. At most, a handful of nations, Ivory Coast, Mauritius, Zimbabwe and Jamaica, none of which were LDCs, have benefited perceptibly from the preferences.

Empirical studies supports the broad conclusion that trade preferences have had little beneficial impact beyond the obvious rent transfer accompanying duty-free entry of goods.⁸ In his assessment of the impact of the special and differential treatment to developing countries under GATT, Whalley (1990, p. 1319) concludes as follows:

“The paper suggests that available empirical studies, limited as they are, seem to point to the conclusion that special and differential treatment has had only a marginal effect on country economic performance, especially through GSP. And in the more rapidly growing economies, such as Korea, Taiwan, Turkey and others, there is little evidence that special and differential treatment has played much of a role in their strong performance.”

As noted in the introduction, the limited or no impact of trade preferences on economic performance is to be attributed principally to domestic policy regimes that discourage economic activity in general and trade in particular. But many features of the

⁸ See Baldwin and Murray (1977), Grossman (1982), Sapir and Lundberg (1984), Brown (1989), MacPhee and Oguledo (1991) and Mattoo, Roy and Subramanian (2002).

preference schemes themselves complement this factor by making preferences largely ineffective. These are discussed below.

3.2.1 Side Conditions

Despite the provision in the Enabling Clause that GSP schemes be unilateral and not require reciprocity from developing countries, donor countries have introduced a considerable element of reciprocity in them. The U.S. GSP scheme requires that beneficiary countries provide adequate and effective protection of intellectual property rights and take steps to observe internationally recognized worker rights. There have been many instances of countries losing GSP benefits on account of poor intellectual property rights regime. Countries have also been investigated for child labor related violations. AGOA attaches even more elaborate side conditions. Eligibility requires countries to work towards strengthening market based economies, promote the rule of law and political pluralism, elimination of barriers to United States trade and investment, protection of intellectual property, efforts to combat corruption, policies to reduce poverty, increasing availability of health care and educational opportunities, protection of human rights and worker rights, and elimination of certain child labour practices.

On one hand, these conditions seem sensible if the objective is to promote good governance in LIPPS. And yet, they become hindrance to investments that might help a beneficiary country to take advantage of the preference. For the conditions introduce an element uncertainty about the continuity of the preferential status. Whenever U.S. producers feel threatened by competition from a specific beneficiary country, they can lobby for the removal of the latter from the beneficiary list under the pretext that it is failing to satisfy one of more of the host of governance conditions. There have been

several instances of the U.S. pharmaceutical firms successfully lobbying against countries it saw as failing to protect intellectual property rights. Because the preferences are not subject to any WTO discipline, such decisions can be made unilaterally by the United States.

3.2.2 Product Selectivity

In addition to non-reciprocity, the Enabling Clause requires that preferences be “generalized,” meaning that they be extended to all products. Nevertheless, given the “permissive” rather than “mandatory” nature of the Clause, countries have been highly selective in their choice of products, excluding precisely the products in which developing countries have a comparative advantage. It has already been noted that both EU and the United States give very limited preference in textiles and clothing sectors. Table 4 illustrates graphically how the United States has left the top exports of LDCs out of the preference net. More importantly, they have maintained strict import quotas on the imports of these products from all significant suppliers under the Multi-fiber Arrangement (MFA). Indeed, it was not until developing countries opted for reciprocal bargains in the Uruguay Round that the United States, EU and other developed countries agreed to dismantle the MFA regime.⁹

This point applies even more forcefully to agricultural exports. Until recently, agricultural products have remained virtually entirely out of even the more generous EU

⁹ Even as the MFA and other quantitative restrictions are dismantled, threats of anti-dumping and other contingent protection measures loom large. Irrespective of whether or not such threats are carried out and when carried out whether or not they succeed, their mere presence may have a lasting effect on the exporters. Thus, for example, though the recent EU attempts to impose AD duties on unbleached cotton imports from five emerging markets failed, the attempt itself led to considerable disruption of markets for the developing country-exporters who were so targeted.

GSP schemes. Only recently, the EBA initiative, aimed exclusively at LDCs, attempted to bring them into the GSP net. But even this attempt seems to have been more symbolic than real. Thus, three major items of potential interest, rice, banana and sugar, have been left out of the EBA net. What is surprising is that the publicity surrounding the EBA initiative notwithstanding, the potential for agricultural exports from the least developed countries is minimal. For example, given the paltry 2,000 tons of annual rice exports by LDCs to EU, there is little rationale for the failure of EU to grant them immediate quota-free entry of that product. A similar point also applies to sugar.

3.2.3 Uncertainties and Other Limitations

Uncertainties and other limitations further undercut the value of the GSP schemes. The schemes are made available for limited periods of time and can expire if not renewed. The U.S. GSP scheme has gone through eight renewals since inception and there have been breaks during most of those renewals. For instance, the last expiration took place on September 30, 2001 and renewal did not take place until August 6, 2002. Such breaks can be fatal for producers operating on small margins of profit as is likely for many LDC producers.

The U.S. GSP system also applies a competitive needs limit whereby a country is denied the preference in a product if it exports that product in value exceeding a pre-specified limit. Currently, this limit is set at \$100 million per year per tariff line. This provision necessarily discourages countries from taking full advantage of specialization.

Finally, the side conditions mentioned above can be invoked to deny a potential competitor the GSP benefit. Within the U.S. system, this often happens in response to

complaints by domestic producers whose objective is to place a particularly efficient supplier from a developing country at a disadvantage.

These limits and uncertainties discourage potential entrepreneurs from making the necessary investments. Amar Hamoudi of the Center for Global Development made this point forcefully in the context of AGOA in a recent letter to the *Financial Times* (June 6, 2002). To quote him,

“Take the recent case where a consortium of US fruit producers asked the Bush administration to suspend South Africa's AGOA benefits on canned pears, arguing that the expansion of the industry in South Africa threatened to put a handful of Americans out of work. Fruit producers in South Africa protested that AGOA did not induce them to expand production, since the necessary investments were too risky given that the benefits granted by AGOA can be revoked at any time. Producers in Africa can expect that any time they succeed in taking true advantage of AGOA, some special interest group in the US will demand that the benefits be rescinded.”

3.2.4 *Rules of Origin*

Favorable impact of tariff preferences on LDC exports has often been contained by the rules of origin that such exports must satisfy. In principle, in so far as preferences are meant for goods *produced* in the beneficiary countries, rules of origin are unavoidable. For in their absence, beneficiary countries would simply import goods from more efficient non-beneficiary countries and re-export them as their own, pocketing the tariff revenue in the process.

Nevertheless, the rules of origin can be and are chosen in ways that minimize the benefit of the preference to exporters and result in reverse preferences to producers in the

donor countries. The commonest such rule makes the preference contingent on a minimum value addition to the product within the exporting country. According to the U.S. GSP scheme, to qualify for duty free treatment, the cost, or value of materials wholly grown, produced, or manufactured in the beneficiary developing country plus the direct processing costs there must be at least 35% of the product's dutiable value. This requirement can be a major deterrent since many LIPPS are able to perform only simple assembly operations. Indeed, it can discriminate against LIPPS since larger and richer developing countries are able to take advantage of the preference due to their ability to satisfy the rules of origin whereas they are not. Effectively, trade can be diverted away from them relative to no tariff preference.

The AGOA rules of origin on apparel also introduce an element of reverse preferences. They require that fabric used in apparel be of the U.S. or beneficiary country origin. Such a feature introduces a rent on the fabric made in the U.S. especially because few African beneficiary countries produce it. Though this rule of origin is waived for less developed African countries (defined as those with per-capita incomes less than \$1,500) in place of a visa requirement, few of them are able to satisfy the latter and even then there is a strict quantitative limit placed on such exports.

3.2.5 Adverse Impact on the Beneficiary- and Donor-Country Liberalization

Tariff preferences can also discourage liberalization within the beneficiary countries themselves. Hudec (1987) noted this many years ago when he wrote, "the non-reciprocity doctrine tends to remove the major incentive that [GSP beneficiary country] export industries have...for opposing protectionist trade policies at home." Once exporters have achieved free access to the markets of major trading partners, their

incentive for using internal liberalization as an instrument of encouraging the partner to open its market disappears. Alternatively, if exporters fear losing GSP status because exports cross a certain threshold as is true of many GSP schemes, they may be more accommodating of protectionist policies at home.

Recent econometric research by Ozden and Reinhardt (2002) supports this hypothesis. These authors analyze a panel dataset of annual observations on each of the 154 developing countries ever eligible for the United States GSP program, starting in the year of first eligibility (mostly 1976) and continuing through 2000. Comparing those countries remaining on GSP to those dropped, they find that the countries dropped from the program open their markets substantially.

Specifically, according to their quantitative estimates, the removal from GSP program has the effect of boosting a developing country's imports by 8 percent of its GDP, cutting its average nominal tariff by 4 percentage points, and reducing the duties it collects by about 1.6 percent of the value of its trade. These findings control for a wide variety of confounds (like geography, income, GDP size, and global liberalization trends), and the response rises slightly after correction for the endogeneity of GSP.

Ozden and Reinhardt offer the example of Chile, whose trade liberalization had come to a standstill by the late 1980s. In 1988, it was dropped from the US GSP program for human and worker rights violations. Its finance minister immediately announced a reduction in Chile's average nominal tariff from 20 to 15 percent; his explicitly stated rationale being to compensate for its exporters' loss of competitiveness in the US market by defraying their input costs.

Ironically, preferences have also had an adverse effect on genuine, multilateral trade liberalization by developed countries in products of interest to developing countries. Notwithstanding various strings attached to the preferences, they have helped developed countries promote the image that they have opened their markets to developing countries without reciprocity. More concretely, the fear on the part of the beneficiary countries that multilateral liberalization would erode their preference margin has undercut their incentive to push harder for such liberalization. To some degree, special deals built around trade preferences have allowed developed countries to maintain MFA and high tariffs in apparel, footwear and fisheries.

3.3 Is reform Possible: The Politics of Preferences

Devotees of preferences may respond to these criticisms by suggesting that the fault lies not with preferences but with their implementation and what is required is more judicious implementation. That is to say, GSP must be reformed as per their original conception in the Enabling Clause, making them truly general by bringing all products within the fold, freeing them of reciprocity by eliminating the side conditions and ending the uncertainty by ensuring that export success in specific products does not result in the loss of the preference.

If these reforms could be accomplished, GSP will be worth promoting. But given their politics in the United States, there is little reason to think that such far-reaching reform could ever be achieved. In the introduction, I have described the disappointing history of developing country efforts to obtain one-way concessions from developed countries. The GATT Article XXXVII in Part IV actually committed developed countries to open their markets in products exported by developing countries and to

refrain from erecting new barriers in those products. But no progress whatsoever was made with tariff peaks and agricultural protection having disproportionately greater limiting impact on the exports of developing countries. The MFA quotas reinforced these restrictions.

The politics of trade preferences is even worse. The United States clearly sees them as a privilege rather than right and therefore subject to the use as an instrument of promoting other policy objectives. For instance, given the U.S. failure to bring labor standards into WTO to-date, it is more likely to use preferences as an instrument of promoting labor standards. Given all kinds of side conditions even in AGOA, it is naïve to think that a proper reform of trade preferences is possible even as applied to LDCs. Hence, I am skeptical that trade preferences can serve as a genuine instrument of aid.

Of course, even if one considers the hypothetical scenario in which the trade preferences to LIPPS are freed of all these abuses, one must take into account the adverse impact of the preferences on trade policies within LIPPS before reaching a final conclusion on the desirability of such a reform. One must confront the evidence provided by Ozden and Reinhardt that countries that were successful in taking advantage of the preferences also found their own trade liberalization programs slowdown.

4 Two-way Preferences: Free Trade Areas

An alternative to one-way trade preferences is Free Trade Area (FTA) in which preferences are two-way. There are two principal advantages that can be claimed for an FTA over one-way preferences. First, FTAs in which one or more developed countries participate are subject to the discipline of GATT Article XXIV. This means some of the abuses of one-way preferences under the Enabling Clause can be contained in such FTAs.

For example, substantially all products must be subject to the zero duty and no limits can be placed on the quantity of exports entering the partner country market at zero duty. Nor can the preference be arbitrarily withdrawn in response to domestic lobbying pressures on one pretext or the other. Second, an FTA arrangement forces the developing country participant to open its own market to the developed country partner as well. Therefore, it may be viewed as having a liberalizing impact on the developing country as well.

But these advantages must be weighed against many disadvantages.¹⁰ First, like one-way preferences, FTA trade preferences are also subject to the rules of origin. The costs of rules of origin are not confined merely to higher prices of inputs sourced from within the union but also include substantial administrative costs. Using firm-level data, Koskinen (1983) has estimated that within the FTA between the European Community (EC) and the European Free Trade Area (EFTA), administrative compliance costs ranged between 1.4% and 5.7% of the value of export transactions. In a similar vein, Holmes and Shephard (1983) have noted that the average export transaction from EFTA to EC required 35 documents and 360 copies. According to the empirical evidence, within NAFTA, even Mexico has not been able to make use of the tariff preference effectively in some of the key sectors due to the rules of origin. Thus, according to Cadot et al. (2002), after we exclude the goods subject to zero external tariffs, Mexico's overall preference utilization rate in the U.S. market in 2000 was 83 percent. But in textile and

¹⁰ For more in-depth critiques of preferential trade arrangements, see Bhagwati (1993), Bhagwati and Panagariya (1996), Bhagwati, Greenaway and Panagariya (1998) and Panagariya (1999). Panagariya (2000) offers a comprehensive review of the theoretical literature on these arrangements.

apparel sector (HTS2 chapters 50-63) where the margin of preference is the highest and the Mexican comparative advantage greatest, the utilization rate is only 66%. Within textiles and clothing, the utilization rate for knitted products (HTS2 chapter 61) was even lower at 48%. The ability of LIPPS to satisfy the rules of origin is likely to be far more limited than of Mexico so that they are unlikely to succeed in taking advantage of the preferences.

Second, side conditions are now increasingly a part of FTAs as well. Within NAFTA region, these were introduced through relatively benign side agreements on labor and environment. But subsequently, they have begun to appear centrally within the FTA agreements concluded by the United States. Thus, the U.S.-Jordan Free Trade Agreement requires the signatories to enforce their labor and environmental regulations and allows trade sanctions in case of non-compliance. The same provision also exists in the free trade agreement concluded recently by the United States with Singapore and Chile. Indeed, these latter agreements extend the scope of side conditions further by limiting the ability of Singapore and Chile to use capital controls. The EU FTA agreements do not include these conditions but they are themselves usually a part of broader agreements such as the Euro-Mediterranean Partnership and Cotonou Agreement, which are wide-ranging in scope and include such matters as human rights, democracy and labor and environmental standards.

Third, given the imports into many LIPPS are still subject to relatively high trade barriers, preferential liberalization by them is likely to result in substantial trade diversion. The cost of such diversion will have to be borne by these countries since they will be the ones paying the higher price to the union partner in preference to the lower

price they pay to the most efficient supplier of the product in the absence of the FTA. Thus, when liberalization takes place on a discriminatory basis, as is true under an FTA, benefits of liberalization are not automatic. We must weigh the losses due to trade diversion against the benefits from trade creation. This point becomes particularly compelling when we consider the fact that politics often results in the rules of origin that are tighter in sectors where trade creation threatens the less efficient domestic industry and weaker in sectors where trade diversion is likely to displace the more efficient outside trading partners.

Finally, before embarking on a strategy of aiding specific poor countries through a web of crisscrossing FTAs, the United States carries the responsibility of ensuring that it does not lead to a fragmentation of the entire trading system. Bhagwati and Panagariya (1996) have drawn attention to the growing “Spaghetti bowl” of tariffs whereby the tariff on a product is no longer the simple MFN tariff but instead depends on the source country. It varies according to the stage of implementation of the FTA to which the source country belongs and the rules of origin within that FTA. Even after all FTAs are fully implemented, the differences in the rules of origin across FTAs will continue to allow for discrimination in the tariff rates based on the source country. Sapir (1998) has made the dramatic point that EU already has so many preferential arrangements that its MFN tariff applies uniformly to only six trading partners. Any attempts at helping LDCs further through FTAs will only damage the trading system further.

Even if we choose to ignore these limitations, the political reality is that it will be a long time before FTAs with LIPPS even appear on the U.S. trade policy radar screen. The countries with which the United States has concluded the last two FTAs are far from

poor: Singapore and Chile. The next set of countries in the queue includes five Central American nations, Morocco, Australia and several southern African states. Also on the agenda is the Free Trade Area of the Americas. In so far as the FTAs are concerned, the U.S. preoccupation is hardly with LIPPS.

5 Multilateral Liberalization

Having argued that neither one-way nor two-way trade preferences offer a desirable or feasible approach to aid LDCs through trade, I now suggest that the best course is to opt for the multilateral approach. I reiterate that this will not be a cure all medicine for LIPPS since the principal barriers to their development are within rather than outside. But in so far as trade can be instrumental in promoting or facilitating faster growth in the presence of sound domestic policies and stable investment environment, multilateral liberalization is to be preferred for a number of reasons.

First, multilateral liberalization does not carry with it the fear of trade diversion since it treats all trading partners equally. Nor does it require any rules of origin since the market access is given independently of the origin of the product. Second, the liberalization is a legal obligation and therefore cannot be withdrawn at will. Domestic lobbies have only limited power to temporarily withdraw the market access through safeguards and anti-dumping actions. In the case of small exporters, a qualification fulfilled by virtually all LIPPS, even this power is limited. Third, multilateral liberalization has the great virtue that it will also lead to liberalization in some of the large developing countries. Recall that as shown by Table 2, LDCs including LIPPS face by far the highest trade barriers today in developing countries. In so far as the latter do not give GSP preferences and south-south preferences are limited, liberalization by them

could be doubly valuable to LIPPS. Fourth, in principle, multilateral liberalization has the potential to induce liberalization in LIPPS as well, which is a desirable objective. LIPPS governments are likely to find it politically less costly to liberalize in the multilateral context since they can mobilize the export interests against import-competing interests in the context of a two-way bargain. Fifth, it is only through multilateral bargains that developing countries including LIPPS will succeed in opening up fully developed country markets in products such as apparel and footwear in which they have a comparative advantage. As already argued, this has been one unequivocal lesson of the last forty years of experience. Finally, at least for now, multilateral liberalization does not carry the risk of side conditions in the form of labor and environmental standards. Though the environment has now entered the WTO negotiating agenda, the mandate is extremely limited while labor standards have remained entirely outside the WTO purview.

An obvious important reason for pushing ahead with the multilateral approach at present is its political feasibility. The Doha Development Round is in progress at present and at least in the area of industrial products, both EU and United States have placed ambitious liberalization proposals on the table. If the larger developing countries such as Brazil, China and India could be induced to make similarly bold moves, we have the opportunity to virtually eliminate trade barriers against industrial products. The U.S. proposal calls for complete elimination of these barriers by 2015. To facilitate such an outcome, developing countries could be given a longer phase out period, say until 2020 under the Special and Differential treatment mandate in the Doha Ministerial Declaration, and offered adjustment assistance through the instrumentality of the World Bank.

There is one point of caution relating to agricultural liberalization, however, that deserves to be highlighted in the context of the Doha Round. In the last two or three years, senior officials at various multilateral institutions, especially the World Bank and IMF but also United Nations, have aggressively promoted the view that agricultural subsidies and protection in the OECD countries hurt the poor countries. In so far as LDCs are concerned this is plain wrong. The subsidies and protection in the OECD countries have kept the world prices of agriculture low. This has benefited the countries that import these products but hurt those that export them. As it turns out, by and large, LDCs are net importers of agricultural products. Thus, Based on 1995-97 trade data, Valdes and McCalla (1999) calculate that of the 48 LDCs at the time, 45 are net food importers and 33 net agricultural importers.¹¹ The repeal of agricultural subsidies and protection in the OECD countries, which will raised the world agricultural prices, will actually hurt LDCs as a group. Unqualified statements that agricultural subsidies and protection in the rich countries hurt the poor countries, pervasive in the press these days, do little good to promote the interests of LDCs as a group. Instead, they principally promote the interests of the richer developing countries in Latin America and East Asia, along with those of the United States, Australia and New Zealand.

I hasten to add that this asymmetry is not an argument against liberalization of agriculture. From the long-run global perspective, there are good reasons to ensure an end to agricultural subsidies and protection under the ongoing Doha negotiations. Nevertheless, the recognition that such liberalization will hurt the majority of the poorest countries is the necessary first step towards working out a balanced bargain as well as

¹¹ This point is made more systematically in Panagariya (2002c).

preparing for the adjustment assistance to these countries. The World Bank clearly has the responsibility to alleviate the pain that might accompany the rise in agricultural prices through grant-in-aid.

6 Concluding Remarks

During the last fifty years, developing countries that pursued outward-oriented policies under a realistic exchange rate and macroeconomic stability, such as the countries in the Far East during 1960s and 1970 and Malaysia, Thailand, Indonesia, Vietnam, China, India, Chile and Uganda subsequently, have achieved fast growth under the same market access conditions that other countries failed. Despite high barriers against specific labor-intensive goods in the rich countries, these countries have succeeded in penetrating the developed country markets. Failure to grow rapidly on a sustained basis has come largely from the failure to adopt sound domestic policies and ensure political stability, which are essential to promote productive investment. Even among the poor countries, 11 worst failures during 1990-98 that declined by 3 percent annually in per-capita terms were all subject to armed conflicts and internal instability.

Thus, the hope for countries that do not have their own houses in order is truly limited, indeed. It is tempting to think that favors through trade preferences of one or the other kind that are contingent on good governmental policies may induce the necessary change in behavior in LIPPS. I fear this is wishful thinking. Countries that are unable to exploit trade preferences in the absence of the side conditions are unlikely to be able to do so in their presence. Few governments that lack the capacity to enforce contracts and protect property rights to begin with are likely to become capable in these dimensions because trade preferences are available as a reward. Therefore, all the side conditions do

is to make it politically easier for the donor country to offer the preferences since they reduce the likelihood that the preference will be used and make it possible to take restrictive action if imports from the beneficiary countries surge.

The upshot of this analysis is that we must be modest in thinking about the role of the U.S. trade policy in assisting LIPPS. We may think along two possible avenues. First, recognizing that trade preferences are here to stay, what improvements can be made to make them more beneficial to LIPPS? And second, recognizing that multilateral liberalization offers the best route to promoting access to the U.S. market, precisely what can be done to accommodate the interests of LIPPS?

Regarding the first question, given how limited the capacity of LIPPS to export is, in the spirit of EBA, the United States could extend the zero tariff treatment to all products imported from them. To make the preference credible, it could also consider eliminating all side conditions. Furthermore, for all commodities subject to a higher rate of tariff in the beneficiary country than in the United States, rules of origin may be waived entirely. This is because there is no incentive for a third country to export an item to a higher tariff LIPPS for re-export to the United States at zero tariff; direct entry into the United States will result in lower tariff paid. Finally, the United States could commit to maintaining the preference for at least 15 years or until such time as the preference is eliminated by multilateral liberalization. Only then potential investors will have the incentive to establish production capacity in the otherwise highly risky LIPPS environment.

On the multilateral front, it is critical for the United States to take the Doha negotiations to their logical conclusion. An immediate area where the United States could give concession to the benefit of LIPPS is intellectual property. Virtually none of

the LIPPS is capable of taking advantage of the compulsory licensing provisions of the TRIPS Agreement due to the absence of domestic capacity to manufacture drugs. The United States has essentially held up an agreement that would allow these countries to issue compulsory license to manufacture drugs to other countries. LIPPS would also benefit from an elimination of peak tariffs on industrial tariffs since these cover labor-intensive products such as apparel and footwear. But my preference would be to push the current U.S. proposal to eliminate all industrial tariffs by the year 2015. As a part of the Special and Differential treatment, LIPPS can be given a longer phase out, say, until 2025.

In the area of agriculture, it is worth reminding that despite much publicity recently that rich-country protection and subsidies in this sector hurt the poor countries, the removal of these interventions will on balance hurt the LDCs and perhaps LIPPS as a group. Based on the 1999 data, of the 49 LDCs, 45 are net importers of food and 33 net importers of agriculture. These countries will be hurt rather than benefit from the increase in the prices of these products that will follow the removal of the subsidies and protection. Therefore, it is important that the liberalization in this sector be accompanied by adequate compensation to these countries in the form of extra IDA assistance by the World Bank.

In the matter of the Singapore issues, LIPPS should be given considerably longer implementation time than other countries. The experience from the Uruguay Round has been that these countries lack the resources even to enact legislation necessitated by these complex agreements let alone enforce them. Indeed, it may even make sense to exempt

these countries from implementation until they reach a pre-specified level per-capita income.

A final point concerns the U.S. pursuit of FTAs. Under the Bush Administration, the United States has substantially accelerated the move towards preferential trade arrangements. There is not a single LIPPS currently on the U.S. FTA list, however. This means that in so far as LIPPS have any capacity to export to the United States, FTA stand to divert trade from them. For example, the U.S.-South Africa FTA will likely divert imports into the United States from Kenya. Indeed, if the FTAA is concluded, trade from Africa and Asia which house virtually all LIPPS is bound to be diverted. This fact makes the case for multilateral liberalization under the Doha Round even stronger.

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Table 1: Illustrative List of LIPPS[§]

The Worst Performers based on Per-capita Income and Political Freedom	The Worst Performers based on Per-capita Income and Rule of Law:
Afghanistan	Afghanistan
Burundi	Bangladesh
Central African Republic	Benin
Chad	Burkina Faso
Comoros	Burundi
Democratic Republic of Congo	Chad
Eritrea	Democratic Republic of Congo
Ethiopia	Guinea
Gambia	Guinea-Bissau
Guinea	Kenya*
Guinea-Bissau	Kyrgyz Republic*
Kenya*	Laos
Kyrgyz Republic*	Madagascar
Laos	Mali
Mauritania	Nepal
Nigeria*	Niger
Pakistan*	Nigeria*
Rwanda	Pakistan*
Sierra Leone	Rwanda
Sudan	Sudan
Tajikistan*	Togo
Togo	Uganda
Uganda	

[§]The countries in column 1 are among the bottom 40 based on both per-capita Gross National Income (GNI) in 2001 and the index of political freedom. The countries in column 2 are among the bottom 40 based on both per-capita GNI in 2001 and the index of the rule of law.

*Not a least developed country. The countries *without* an asterisk are least developed countries.

Source: Center for Global Development

Table 2: Weighted Applied Tariffs Facing LDC Exports by Region, 1999

	Developed Countries	South Asia	Middle East and North Africa	Latin America and the Caribbean	Europe and Central Asia	East Asia and the Pacific	Sub-Saharan Africa	Quad	World
Agricultural and fishery products	2.1	28.3	7.6	14.8	11.9	14.0	11.0	1.7	6.0
Crustaceans (live)	0.7	16.4	15.1	30.0	14.3	9.4	11.5	0.7	1.8
Other fish	1.8	13.8	12.8	14.6	9.6	22.7	19.3	1.8	6.0
Edible fruit and nuts	0.1	38.0	13.0	17.0	8.9	6.4	23.5	0.0	24.0
Coffee and substitutes with coffee	0.0	35.0	16.3	12.7	7.4	0.9	4.5	0.0	1.7
Oil seeds and miscellaneous grain, seeds and fruits	0.4	33.4	8.1	11.2	5.8	14.1	7.6	0.3	4.4
Other agricultural and fishery products	5.1	13.0	29.2	16.8	18.4	3.2	7.8	5.3	6.9
Minerals and fuels	0.0	6.5	14.4	5.9	0.7	4.5	9.3	0.0	2.9
Ores, slag and ash	0.0	5.0	12.0	n.e.	0.0	1.3	n.e.	0.0	0.1
Crude and refined petroleum oil	0.0	30.0	20.0	6.0	3.9	4.5	15.4	0.0	3.6
Other minerals and fuels	0.0	5.0	n.e.	5.2	0.0	3.0	10.8	0.0	2.2
Manufactures	4.4	24.7	12.6	10.3	8.0	2.4	7.4	4.5	5.0
Rubber, leather and footwear products	2.8	13.0	12.7	11.5	13.8	1.4	17.4	2.6	3.4
Wood and Wood Products	0.4	7.7	11.5	18.1	3.2	2.0	5.8	0.3	2.2
Cotton products	0.3	4.5	11.9	8.4	0.0	2.0	1.0	0.0	2.1
Knitted or crocheted articles	8.3	35.7	16.0	26.3	21.1	1.8	24.0	8.4	8.5
Non-knitted or crocheted articles	7.2	35.5	13.3	20.8	22.9	6.2	13.4	7.2	7.4
Diamonds	0.0	40.0	4.2	4.5	5.0	0.3	n.e.	0.0	0.0

Other manufactured products	0.5	34.5	11.2	7.5	1.9	2.7	8.9	0.2	2.0
Other products not elsewhere specified	3.3	28.8	5.2	10.7	7.9	7.5	7.0	2.1	8.3
Total by Geographical Region	3.5	25.5	8.9	9.7	9.4	4.5	8.8	3.4	4.9

n.e.: no exports

Source: UNCTAD and World Bank (2001)

Table 3: The pattern of protection facing LDC exports to the Quad countries, 1998
(Thousand Dollars)

	Canada	EU (Pre-EBA)	Japan	USA
Total LDC exports (1)	227 677	9 874 807	1 019 120	6 962 416
Total imports in product lines of LDC (2)	83 670 842	637 766 105	126 378 101	528 279 235
Total imports (3)	211 085 424	783 684 206	305 438 116	1 015 143 866
LDC share of competitive imports ((1) / (2))	0.27%	1.55%	0.81%	1.32%
LDC share of total imports ((1) / (3))	0.11%	1.26%	0.33%	0.69%
Total HS6 tariff lines	758	2222	545	946
in lines with protection	201	55	74	335
of which above 5%	181	51	36	282
LDC Exports entering duty free	103 260	9 566 647	498 534	3 596 270
LDC Exports dutiable	124 417	308 160	520 586	3 366 146
LDC Exports dutiable above 5 %	123 827	308 134	226 274	3 272 917
Share of LDC exports facing protection	54.60%	3.12%	51.10%	48.30%
Share of LDC exports facing tariff > 5%	54.40%	3.12%	22.20%	47.00%
Share of HS6 lines with tariff	18.50%	4.20%	12.10%	17.10%
Share of HS6 lines with tariff > 5%	12.80%	3.80%	7.60%	14.10%

Source: UNCTAD (2001b)

Table 4: Top 20 HS6 LDC Exporters to the U.S., 2000

HS 6 Code	Description	Value		Preferential
		(US\$000)	Country	margin (%)
270900	Petroleum oils and oils obtained from bituminous minerals, crude	2 488 009	Angola	n/a
270900	Petroleum oils and oils obtained from bituminous minerals, crude	337 349	Congo	n/a
620520	Apparel	193 570	Bangladesh	0
620342	Apparel	184 549	Bangladesh	0
650590	Headgear and parts thereof	165 258	Bangladesh	0
620342	Apparel	155 759	Cambodia	0
620462	Apparel	152 775	Bangladesh	0
620630	Apparel	127 913	Bangladesh	0
610910	Knitted apparel	125 935	Haiti	0
260600	Aluminium ores and concentrates	116 814	Guinea	0
30613	Shrimps and prawns	115 046	Bangladesh	0
270900	Petroleum oils and oils obtained from bituminous minerals, crude	109 067	Zaire	n/a
611020	Knitted apparel	106 662	Cambodia	0
620462	Apparel	85 251	Cambodia	0
611030	Knitted apparel	80 848	Bangladesh	0
611020	Knitted apparel	77 042	Bangladesh	0
710231	Diamonds	73 949	Zaire	0
610821	Briefs and panties	56 182	Bangladesh	0
620193	Apparel	55 669	Bangladesh	0
240120	Tobacco	52 535	Malawi	31.11

Source: UNCTAD (2001b)