WORLD TRADE ORGANIZATION

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Negotiating Group on Market Access

ANNOTATED SELECTIVE BIBLIOGRAPHY OF RESEARCH ON MARKET ACCESS

Note by the Secretariat

Addendum

This document has been prepared under the Secretariat's own responsibility and without prejudice to the positions of Members and to their rights and obligations under the WTO

The attached annotated bibliography of research in market access updates and complements documents TN/MA/S/1 and TN/MA/S/1/Add 1 by:

- including studies on the various topics within the mandate of the Negotiating Group on Market Access which became available after September 2002, and
- extending its coverage to recent studies of non-preferential market access.

The studies are listed under the four following headings:

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I. GENERAL

Anderson, J.E., and J.P. Neary (2004) Welfare vs. Market Access: The Implications of Tariff Structure for Tariff Reform. NBER Working Paper No. 10730, Cambridge, MA: NBER.

This paper shows that the effects of tariff changes on welfare and import volume can be fully characterized by their effects on the generalized mean and variance of the tariff distribution. Using this result, the authors consider welfare- and market-access-improving tariff changes, which imply two "cones of liberalization" in price space. Because welfare is negatively but import volume positively related to the generalized variance, the cones do not intersect, which poses a dilemma for trade policy reform. Finally, they show that generalized and trade-weighted moments are mutually proportional when the trade expenditure function is CES.

Anderson, K. (2003) Measuring Effects of Trade Policy Distortions: How Far Have We Come ? The World Economy, vol. 26, pp. 413-440.

After a brief review of the literature to the early 1970s, this paper assesses the contributions by economists during the past three decades to measuring the distortionary effects of trade policies. It does not pretend to be a comprehensive survey, but draws on selections from the literature that give a sense of the distance the profession has travelled from a trade policy practitioner's viewpoint since Corden's first paper on the subject in 1957. Phenomenal though that progress has been, there is ample room for further improvement in computing the economic (and other) effects of trade-related policies and their reform. The paper concludes with suggestions of where the priorities should be in global modelling of trade policy reform, as the world moves into the next round of multilateral trade negotiations.

Anderson, K. (2004) The Challenge of Reducing Subsidies and Trade Barriers, CEPR Discussion Paper no 4592, London: CEPR.

This is one of ten studies for the Copenhagen Consensus Project that sought to evaluate the most feasible opportunities to improve welfare globally and alleviate poverty in developing countries. It argues that phasing out distortionary government subsidies and barriers to international trade will yield an extraordinarily high benefit/cost ratio. A survey is provided of recent estimates, using global economy wide simulation models, of the benefits of doing that via the current Doha round of multilateral trade negotiations. Even if adjustment costs are several times as large as suggested by available estimates, the benefit-cost ratio from seizing this opportunity exceeds 20. That is much higher than the rewards from regional or bilateral trade agreements or from providing preferential access for least-developed countries' exports to high-income countries. Such reform would simultaneously contribute to alleviating several of the other key challenges reflected in the United Nations' Millennium Development Goals.

Benerjee, A. and A. Newman (2004) Inequality, Growth and Trade Policy. Mimeo. Cambridge, MA: MIT.

In this paper, a simple model of international trade that takes factor market imperfections seriously is built and used to analyse the impact of trade liberalization. This model is a variant of the standard Ricardo-Viner model and clearly resists classification along the “for or against Globalization” dimension, at least under their most naive interpretations. What it does say, rather emphatically, is that from the point of view of poor countries liberal trade policies offer a rather harsh trade-off: In the long run, growth may indeed benefit from liberalizing trade but at the cost of much short-run displacement.

Cernat, L., S. Laird and A. Turrini (2003) Back to Basics: Market Access Issues in the Doha Agenda. Division of International Trade in Goods and Services, and Commodities. Geneva: UNCTAD.

The aim of this paper is that of going “back to basics”, focusing on issues of market access in merchandise trade that developing countries will face in the next negotiations. Data on patterns of trade and protection in agriculture and manufacturing are analysed, the main results of the Doha WTO ministerial meeting are reviewed, and the likely impact of several liberalisation scenarios are evaluated. The broad conclusion of the analysis is that for developing countries as a whole, the potential gains from improved market access in merchandise trade could be sizable, but the size and the distribution of these gains depend much on the extent to which developing countries will be active in the liberalization process and on the agreed negotiation targets and modalities.

Cline, W.R. (2004) Trade Policy and Global Poverty, Washington, DC: Institute for International Economics.

This book provides a comprehensive analysis of the potential for trade liberalization to spur growth and reduce poverty in developing countries. It quantifies the impact on global poverty of industrial-country liberalization, as well as liberalization by the developing countries.
Half or more of the annual gains from trade would come from the removal of industrial-country protection against developing-country exports. By removing their trade barriers, industrial countries could convey economic benefits to developing countries worth about twice the amount of their annual development assistance. By helping developing countries grow through trade, moreover, industrial countries could lower costs to consumers for imports and realize other economic efficiencies. The study estimates that free trade could reduce the number of people earning less than $2 per day by about 500 million over 15 years. This would cut the world poverty level by 25 percent. Cline judges that the developing countries were right to risk collapse of the Doha Round at the Cancún ministerial meeting in September 2003 by insisting on much deeper liberalization of agriculture than the industrial countries were then willing to offer. The study calls for a two-track strategy: first, deep multilateral liberalization involving phased but complete elimination of industrial-county protection and deep reduction of protection by at least the middle-income developing countries, albeit on a more gradual schedule; and second, immediate free entry for imports from “high risk” low-income countries (heavily indebted poor countries, least developed countries, and sub-Saharan Africa), coupled with a 10-year tax holiday for direct investment in these countries.

Cordoba, F.S., S. Laird and D. Vanzetti (2004) Trick or Treat? Development Opportunities and Challenges in the WTO Negotiations on Industrial Tariffs. Mimeo. Geneva: UNCTAD.

Development is at the centre of the Doha Ministerial Declaration of the WTO, but delivery on the development promise hinges on the negotiated outcome and cannot be taken for granted. Industrial tariffs are a key element of these negotiations and were one of the more divisive factors, along with agriculture and the Singapore issues, at the WTO Cancun meeting in the late 2003. Important opportunities arise to address protection against developing countries exports. While the more ambitious proposals hold out hopes of greater exports and welfare gains (and hence make a greater contribution to poverty reduction overall), these gains are not evenly spread across countries or sectors. Moreover, the main proposal do not fully resolve problems of tariff escalation and peaks. The more ambitious proposals also imply greater imports, lower revenues, some labour market adjustments and reduced output, threatening key sectors in some developing regions. Proposals that take greater account of the need for special and differential treatment for developing countries seem less threatening, but also bring less export opportunities and welfare gains. If some way could be found to assist developing countries in coping with the likely adjustment, then the negotiations would seem a little less "Trick or Treat?"

Edmonds, E. and N. Pavcnik (2004) The Effects of Trade Liberalization on Child Labor. Journal of International Economics, forthcoming.

The question of how trade liberalization affects the employment of children in developing economies is at the core of the debate on globalization. This paper examines the relationship between changes in the relative price of an exported commodity and child labor. In particular, the authors relate child labor to regional and intertemporal variation in the real price of rice surrounding national and international rice market integration in Vietnam. They find that higher rice prices are associated with declines in child labor. Income effects play an important role in this relationship. Rice price increases are associated with the largest declines in child labor in households that are large net producers of rice. These findings show that greater market integration can be associated with less child labor. Moreover, their results suggest that the use of punitive trade sanctions on exports from developing countries to eradicate child labor is unlikely to yield the desired outcome.

Erdem, E. and J. Tybout (2003) Trade Policy and Industrial Sector Responses: Using Evolutionary Models to Interpret the Evidence. NBER working paper No. 9947, Cambridge, MA: NBER.

Firm- and plant-level empirical studies typically find that trade liberalization squeezes price-cost margins among import-competing firms, that this heightened competitive pressure induces productivity gains among these same firms, and that further efficiency gains come from market share reallocations. Using a computable industrial evolution model to simulate the dynamic effects of import competition, the authors explore what types of managerial behaviour, long-term transition paths and welfare effects are consistent with this set of stylized facts.

Francois, J. and W. Martin (2003) Formula Approaches for Market Access Negotiations. CEPR Discussion Paper No. 3720, London: CEPR.

This paper surveys a range of formula options and examines both targeted and flexible applications of the Swiss formula that target tariff escalation and peaks, and would allow policymakers to directly target how far they will move towards free trade, while providing some flexibility for trading off reductions in peak tariffs against reductions in lower-tariff sectors. The key features of the market access landscape that will affect the choice of approaches to negotiations include large dispersion of average tariffs amongst the active participants in the negotiations, and the large gaps between applied and bound tariff rates in many countries and sectors. The Swiss formula approach used in the Tokyo Round is seen as particularly desirable. Unfortunately, it appears likely to be too restrictive to apply it with the same coefficient used in the Tokyo Round. To overcome this restrictiveness, this paper present two new options for consideration, a targeted and a flexible Swiss formula approach. Essentially, this increase in flexibility would allow larger cuts in smaller tariff rates to be used to compensate for smaller reductions in higher tariffs. Applying this family of formulas suggests that only a bold cut, such as the 50 percent target used in the Kennedy Round, would make substantial progress in increasing market access in both developing and developed countries. In industrial products, they find that a 50 percent cut in average tariff bindings would bring about substantial reductions in average applied rates in each country, while particularly reducing peak tariffs and escalation. In agricultural products, binding overhang is greater in many countries than it is for industrial products.

Francois, J., H. van Meijl and F. van Tongeren (2003) Trade Liberalization and Developing Countries Under the Doha Round, CEPR Discussion Paper No. 4032, London: CEPR.

This paper explores the impact of multilateral liberalization, with emphasis on distributional effects across countries. The authors first develop a realistic ‘baseline’ that takes into account events such as the entry of China into the WTO and the enlargement of the EU, allowing us to focus on those effects that are specifically attributable to further trade liberalization in the Doha Round. They then employ a global applied general equilibrium model, featuring capital accumulation and imperfect competition. Their Doha scenarios include agriculture, manufactures, and services liberalization, and trade facilitation. With agglomeration, OECD agricultural liberalization is not uniformly positive for developing countries.

Francois, J. and W. Martin (2004) Commercial Policy Variability, Bindings, and Market Access. European Economic Review, vol. 48(3), pp. 665-679.

This paper argues that protection rates can vary in response to a wide range of pressures for protection, and that these pressures are likely to continue to generate varying rates of protection even after the introduction of new tariff bindings. Accordingly, the authors characterize trade policy in the presence of a tariff binding as generating uncertain rates of protection subject to the limit imposed by the binding. The authors further show that improved market access, in terms of reduced terms of trade uncertainty related to export market protection, has welfare implications that follow not only from the expected level of market access, but also from the stability of the conditions of access.

Geithner, T. and G. Nankani (2002) Market Access for Developing Countries Exports – Selected Issues. Paper prepared by the Staffs of the IMF and the World Bank, Washington, DC: World Bank and IMF.

This paper reviews the patterns of protection and considers policies that would support a development-oriented liberalization of the multilateral trading system. Regarding the broad patterns of protection, it is suggested that priority should be given to phasing out tariff peaks and escalation, to tighter disciplines on trade remedy laws, and to the needs of developing countries in meeting proliferating product standards and regulations. It also endorses the extension of comprehensive duty- and quota-free access for exports from LDCs to all industrial country markets. Since agricultural markets are among the most heavily distorted, liberalization in both industrial and developing countries is likely to have long-term, dynamic effects on developing country production and trade.

As in the case of agriculture the efficiency gains from liberalization of trade in this sector would likely be significant for developing and industrial countries alike. At the same time though, the removal of quota restrictions, already agreed under the Uruguay Round and set to be completed by 2005, may cause shifts in competitiveness, and, at least in the near term, affect the balance of payments positions of those exporters whose market access is effectively protected by the current system.

Ghosh, M., C. Perroni and J. Whalley (2003) Developing-Country Benefits from MFN Relative to Regional/Bilateral Trade Arrangements, Review of International Economics, vol. 11(4), pp. 712-728.

Using a general-equilibrium model of world trade, this paper evaluates the benefits of most-favored-nation (MFN) treatment to developing countries in multilateral relative to bilateral or regional trade agreements, from three sources. First, developing countries may be able to free-ride on bilateral tariff concessions exchanged between larger countries in MFN-based GATT/WTO rounds. Second, MFN benefits developing countries by restricting discriminatory retaliatory actions by other countries, evaluated here by a non- cooperative Nash tariff game. Finally, MFN changes threat points in bargaining and hence affects the bargaining solution of multilateral MFN-based trade negotiation compared to a bilateral/regional arrangement. The authors find that the benefits to developing countries are small in the first case as the tariff rates are already low, and the benefits are small in the second case as the optimal tariffs under unconstrained retaliation are not very asymmetric. Benefits from the third case are large as large countries can extract large side-payments if they bargain bilaterally.

Goldberg, P. and N. Pavcnik (2003) The Response of the Informal Sector to Trade Liberalization. Journal of Development Economics, vol. 72, pp.463-496.

Using data from two countries that experienced large trade barrier reductions in the 1980s and 1990s, Brazil and Colombia, the authors examine the response of the informal sector to liberalization. It is often claimed that increased foreign competition in developing countries leads to an expansion of the informal sector, defined as the sector that does not comply with labor market legislation. In Brazil, they find no evidence of a relationship between trade policy and informality. In Colombia, they do find evidence of such a relationship, but only for the period preceding a major labor market reform that increased the flexibility of the Colombian labor market. These results point to the significance of labor market institutions in assessing the effects of trade policy on the labor market.

Goldberg, P.K. and N. Pavcnik (2004) Trade, Inequality, and Poverty: What Do We Know ? Evidence from Recent Trade Liberalization Episodes in Developing Countries, NBER Working Paper No. 10593, Cambridge, MA: NBER.

This paper reviews the empirical evidence on the relationship between trade liberalization, inequality, and poverty based on the analysis of micro data from several developing countries that underwent significant trade reforms in recent years. Despite many measurement and identification difficulties, and despite conflicting evidence on some issues, empirical work based on "country case studies" has established certain patterns that seem common across countries and trade liberalization episodes, and may hence be informative as to how developing countries adjust to trade reform.

Guha-Khasnobis, B. (2004) Who Gains From Tariff Escalation ? Journal of Economic Integration, vol. 19(2), pp. 416-425.

With the help of a simple model of production and trade, this paper examines the differential impact of tariff escalation on skilled and unskilled wages in an economy. The findings provide a lobbying-based explanation of the prevalence of tariff escalation in developed countries. It also predicts the possible response of the developing country and shows how similar lobbying activity in that country can slow the pace of liberalization of service sector trade. The conclusion is that skilled labour and capital owner are likely to gain from it. It seems reasonable to imagine that these two groups in any country have greater lobbying power, relative to unskilled labour. Therefore, one of the reasons why governments of developed countries may feel compelled to preserve such differential rates of protection between stages of production, is lobbying by skilled labour and capital owners. If skilled labour groups are equally influential in developing countries, the model predicts that liberalization of the service sectors in these countries may be slow and difficult.

Hoekman, B. (2004) Developing Countries and the WTO Doha Round: Market Access, Rules and Differential Treatment, Journal of Economic Integration, vol. 19(2), pp. 205-230.

This paper discusses the challenges confronting developing countries seeking to use WTO negotiations to promote their economic growth and performance. Progress will require that major stakeholders within countries perceive the overall package to be beneficial. A number of possible focal points that could be used as benchmarks for negotiations are discussed, as is the issue of differential and more than favourable treatment for developing countries. A precondition for a good development outcome is a significant reduction in barriers to trade in goods and services. This will have a much greater beneficial impact than efforts at multilateral rule-making in regulatory areas. A new approach towards special and differential treatment that involves greater differentiation between members and is based on country-specific economic analysis and criteria would help to enhance the development-relevance of the WTO.

International Monetary Fund (2002) Improving Market Access: Toward Greater Coherence Between Aid and Trade. Issues Brief, Washington, DC: IMF.

Integration into global markets offers the potential for more rapid economic growth, the creation of better-paid jobs, and poverty reduction. However, many of the poorer developing countries have found it difficult to take full advantage of the opportunities of the global market. Supply response has been weak for a variety of structural reasons, including weak institutional capacity, but also because policies are often not supportive. Industrial countries have maintained market access barriers and agricultural policies that penalize typical developing country products. A coherent approach to development and trade calls for trade policies that create market opportunities for developing countries, and for development policies that enable them to respond to these opportunities. The key components of such an approach are: (i) Early, generous and predictable market access for the exports of developing countries, especially the poorest, within a framework of multilateral liberalization and combined with strong multilateral rules. (ii) Determined action to reform industrial country agricultural regimes, eliminating trade distortions that harm developing countries. (iii) Capacity-building assistance that improves the ability of developing countries to take advantage of new opportunities for trade. (iv) Sound and coherent trade and trade-related policies in developing countries themselves, which should be reflected within development plans and strategies for poverty reduction.

Kanji, N. and S. Barrientos (2002) Trade liberalization, Poverty and Livelihoods: Understanding the Linkages, IDS Working Paper, 159, Brighton: IDS.

The main purpose of this paper is to review key analytical approaches that are used to understand the linkages between trade, poverty and livelihoods, with a view to better understanding their linkages in the context of SSA. The authors explore two main perspectives: mainstream economics takes an aggregate approach, measures poverty primarily on the basis of income, and is generally positive about the impacts of trade liberalisation on poverty. A wider socio-economic, livelihoods perspective focuses on micro-level complexity, employs multi-dimensional concepts of poverty and is less positive about the impact of trade liberalisation on poverty. A broad approach is of particular importance for SSA. From an analytical perspective, they examine three separate approaches: value chain, gender and sustainable development perspectives. Each of these has been developed within its own sphere of interest, but each provides insights into the more complex interaction between trade and poverty at a macro, meso and micro level.

Kletzer, L. (2004) Trade-related Job Loss and Wage Insurance: A synthetic Review. Review of International Economics, vol. 12(5), pp. 724-748.

This paper seeks to promote further integration of empirical and theoretical discussions of trade and worker adjustment. Kletzer develops a set of stylized facts of trade-related job loss, with a focus on worker characteristics and labor market consequences. These stylized facts are relevant to any (credible) model of trade liberalization and adjustment costs. The author then discuss the basic ideas of wage insurance and summarize the little that is known about how a program might work if implemented in the U.S. A final section provides a list of issues for a model of trade that will be consistent with the empirical stylized facts, sets out questions for future research and concludes.

Krueger, A. and A. Berg (2002) Trade, Growth and Poverty – A Selective Survey, Annual Bank Conference on Development Economics, Washington, DC: World Bank.

This survey examines, through recent literature, the importance of trade policy for poverty reduction. The authors consider the effects of openness on poverty in two components: the effect of openness on average income growth, and the effect on distribution for a given growth rate. Evidence from a variety of sources supports the view that trade openness contributes greatly to growth. Moreover, trade openness does not have systematic effects on the poor beyond its effect on overall growth. Trade policy is only one of many determinants of growth and poverty reduction. Trade openness has important positive spillovers on other aspects of reform, however, so that the correlation of trade with other pro-reform policies speaks to the advantages of making openness a primary part of the reform package.

Laird, S., S. Fernandez de Cordoba, and D. Vanzetti (2003) Market Access Proposals for Non-Agricultural Products. CREDIT Research Paper No. 03/08, Nottingham, UK: ESRC CREDIT.

This paper explains and analyses various proposals tabled in the WTO non-agricultural market access negotiations using a global general equilibrium model. The results show that proposals involving deeper tariff cuts imply greater increases in imports and exports, but greater losses in tariff revenues that will need to be made up in some way. They also show greater welfare gains in the longer term, resulting from the improved allocation of resources and changes in the terms of trade, but there are several qualifications to this finding. First, the overall numbers conceal important adjustments in individual sectors and countries, and these adjustments will normally occur in the first several years of the implementation of the tariff changes, while the overall benefits only start to accrue later. Second, no account is taken of the potential benefits deriving from the use of tariffs for industrial policy purposes, in particular where there is a divergence between social and private costs and benefits (externalities), and the options for alternative policies have been limited by WTO agreements. Third, concomitant action is required on WTO rules and on market entry conditions to ensure that the potential benefits are realised. Under all proposals the greater adjustments would be made by developing countries, and it may well be that the proposals for deeper cuts entail going too far, too fast for many developing countries. They could also lead to increased use of contingency measures such as anti-dumping actions. If adjustment costs are too high, this could also endanger the reform process, and a more measured approach may be indicated – a case of "make haste slowly".

Mayer, J. (2004) Export Dynamism and Market Access. Journal of Economic Integration, vol. 19(2), pp. 289-316.

Market access liberalization has influenced product-specific growth of world exports and contributed to the shift in the structure of world exports of manufactures towards electrical and electronic goods (including parts and components), goods that require high R&D expenditures, and labour-intensive products such as clothing. Multilateral trade liberalization has strongly improved market access conditions for manufactures and partly explains why manufactures have experienced particularly strong growth in exports. The increased importance of vertical international production sharing and the associated preferential trading arrangements between geographically close countries with significantly different wage rates have been a key determinant of difference in export-value growth across individual manufactured products, as well as of the distribution of market shares for some of these products among developing countries. Projections based on a standard trade model suggest that moving to full trade liberalization would lead to an increase in the share of agricultural products in total world trade by almost two percentage points and give greater weight to the textile, clothing and automotive sectors within manufactured exports.

Organization for Economic Cooperation and Development (2003) The Doha Development Agenda: Welfare Gains from Further Multilateral Trade Liberalization With Respect to Tariffs. Paris: OECD.

This paper aims at providing a broad perspective on the issue of potential tariff reductions under the DDA negotiations. To do this, it draws on two main approaches: a review of a sample of recent literature and a quantitative assessment of a variety of scenarios. From the literature, it is clear that the multilateral trade liberalisation can offer substantial gains with respect to further reductions in merchandise tariffs and to advancement of trade facilitation. New studies released following the

WTO's Doha Ministerial Conference have served to reinforce this view. The results from the second approach point to the importance of market access for all regions, particularly developing countries. While improved market access for agricultural products is found to yield substantial potential benefits, the results highlight that potential gains from further liberalisation with respect to industrial goods may be even larger. The findings also indicate the potential welfare benefits from progress in trade facilitation, which can exceed the gains from tariff reduction for some regions under some scenarios. Overall the study underscores the importance to developing countries of both greater access to developed countries' markets as well as their own engagement in making substantive commitments under the DDA. To engage in such commitments is in their interest and in the interest of the multilateral trading system as a whole. The stakes involved are indeed quite large and will influence development prospects for years into the future.

Rama, M. (2003) Globalization and Workers in Developing Countries, World Bank Policy Research Working Paper No. 2958, Washington, DC: World Bank.

This paper reviews the academic literature on positive and negative effects of globalization on workers in developing countries, including several studies currently under way, and derives the implications for public policy. First, it deals with the effects of openness to trade, foreign direct investment, and financial crises on average wages. Second, it discusses the impact of exposure to world markets on the dispersion of wages by occupation, skill, and gender. Third, it describes the pattern of job destruction and job creation associated with globalization. Because these two processes are not synchronized, the fourth issue addressed is the impact on unemployment rates. Fifth, the paper reviews the labor market policies that can be used to offset the adverse effects of globalization on employment and labor earnings. Finally, it discusses how the international community could encourage developing countries to adopt sound labor market policies in the context of globalization.

Reimer, J. (2002) Estimating the Poverty Impacts of Trade Liberalization, GTAP Working Papers No. 1163, West Lafayette, Indiana: Purdue University.

This survey summarizes and classifies 35 studies regarding how international trade affects the poor in developing countries into four methodological categories: cross-country regression, partial-equilibrium/cost-of-living analysis, general-equilibrium simulation, and micro-macro synthesis. The conclusion is that any analysis of trade and poverty needs to be informed by both the bottom-up, such as econometric analysis of household expenditure data, and top-down, such as general equilibrium models based on national accounts data, perspectives. Indeed, recent "two-step" micro-macro studies sequentially link these two types of frameworks, such that general equilibrium mechanisms are incorporated along with detailed household survey information. Another methodology similar in spirit and also increasingly used involves the incorporation of large numbers of surveyed households into a general-equilibrium simulation model. Although most of these studies have so far been limited to a single region, these approaches can be readily adapted for multi-region modeling so that trade-poverty comparisons can be made across countries within a consistent framework.

Suliman, O. (2003) Endogenous Restrictions for Least Developed Economies, Review of International Economics, vol. 11(2) pp. 423-434.

The paper explores appropriate trade restrictions for least developed countries facing external terms-of-trade disturbances in terms of minimizing variations in the real sphere of the economy. Two alternative models are explored: export-subsidy versus import-tariff endogeneity. The theoretical model indicates that the tariff regime is a more appropriate policy. Empirical evidence from Sudan (1950- 1991) suggests that, although there is some discernable evidence that Sudan followed the tariff regime, the country did not apply the policy correctly, adjusting the tariff mainly in response to foreign import prices rather than foreign export prices, which are more unstable.

Wacziarg, R. and J. Seddon Wallack (2004) Trade Liberalization and Intersectoral Labor Movements. Journal of International Economics, vol. 64(2), pp. 411-439.

This paper examines the impact of trade liberalization episodes on movements of labor across sectors. The aim is to assess empirically whether increased trade openness leads to increased structural change and, if so, to what extent. Results for a set of 25 liberalization episodes suggest weakly negative effects of liberalization on the extent of intersectoral labor shifts at the economy-wide 1-digit level of disaggregation. They do uncover increased sectoral change after liberalization at the 3-digit level within manufacturing, although the estimated effects are statistically weak and small in magnitude. The effects of liberalization on labor shifts differ across individual countries, in a way related to the scope and depth of reforms.

Walkenhorst, P. (2003) Liberalising Trade in Textiles and Clothing: A Survey of Quantitative Studies, Report No. TD/TC/WP(2003)2/FINAL, Paris: OECD.

There is a considerable body of analysis available that aims to quantify the economic and trade effects of textile and clothing market liberalisation. A number of analysts at national and international institutions have provided their assessments. Different tools and approaches have thereby been used to evaluate the impacts of textile trade reform at the regional or global level. Given the economic importance of the textile and clothing sector in some OECD and non-OECD countries and the resulting economy-wide repercussions that changes in the scale and pattern of textile production will tend to trigger, analysis using general equilibrium models has been dominant. The modelling results consistently indicate considerable shifts in textiles and clothing production and trade as the Agreement on Textiles and Clothing (ATC) is implemented. There is pressure for a large-scale reallocation of resources, with production of textiles and clothing expanding in Asian and other developing countries. In parallel, textiles and clothing production in industrialised countries is expected to contract significantly, while imports of textiles and clothing from developing countries increase. Concerning further regional integration, which has played a major role in textiles and clothing trade during the 1990s, the modelling results predict welfare benefits for the participating countries, while trade diversion is expected to adversely affect outsiders. All the reviewed studies foresee increases in global welfare as a result of ATC reform. But the estimates of welfare gains show considerable variation, with expected annual global benefits ranging from $6.5 billion to $324 billion. Some studies predict ATC reform to account for up to two-thirds of all gains from the Uruguay Round, while others put the contribution of textile and clothing liberalisation at merely 5 per cent. There is similar discrepancy with respect to the distribution of welfare gains. A number of analysts see developing countries as the main beneficiaries of ATC reform, while others expect them in the aggregate to lose from the policy changes. There is also variation in the direction and magnitude of expected welfare impacts at the level of many individual developing countries.

Winters, A., N. Mc Culloch, and A. Mc Kay (2004) Trade Liberalization and Poverty: the Evidence so far, Journal of Economic Literature, vol. XLII, pp. 72-115.

This paper assesses the current state of evidence on the impact of trade policy reform on poverty in developing countries. The authors summarize this evidence using an analytic framework addressing four key areas: economic growth and stability; households and markets; wages and employment and government revenue. They argue that there is no simple generalizable conclusion about the relationship between trade liberalization and poverty, and the picture is much less negative than is often suggested. In the long run and on average, trade liberalization is likely to be strongly poverty alleviating, and there is no convincing evidence that it will generally increase overall poverty or vulnerability. But there is evidence that the poor may be less well placed in the short run to protect themselves against adverse effects and take advantage of favorable opportunities.

II. STUDIES ON SPECIFIC REGIONS OR COUNTRIES

Aggarwal, A. (2004) Impact of Tariff Reductions on Exports: A Quantitative Assessment of Indian Exports to the United States. Working Paper No. 120, New Dehli: ICRIER.

This paper quantitatively assesses likely changes in market access opportunities for Indian exports owing to tariff reductions by the USA. The study identifies particular products for India at the ISIC 4-digit level of disaggregation, which could be considered tariff sensitive. Regression analysis of the relationship between MFN tariff rates and India's exports to the US was used to assess in quantitative terms the likely impact of tariff reduction that may be agreed in the Doha Round. This analysis suggests that tariff cuts are not expected to benefit India's exports to the US in a major way. With the full implementation of the Chairman's formula for tariff cuts, increase in India's exports to the US would amount to 1.2% or 0.6% depending on the value of the B coefficient in the Chairman's formula. The study also decomposes changes in India's total exports due to tariff reductions in the US into the competitive and market effects. The analysis suggests that the increase in India's exports would be mainly due to the competitive effect.

Aghion, P., R. Burgess, S. Redding and F. Zilibotti (2003) The unequal effects of Liberalization: Theory and Evidence from India. LSE mimeo. London, UK: LSE.

This paper exploits the 1991 Indian liberalization to illustrate how such a reform may have unequal effects on industries and regions within a single country. The authors find that the 1991 liberalization in India had strong inequalizing effects, by fostering productivity growth and profits in 3-digit industries that were initially closer to the Indian productivity frontier and in states with more flexible labor market institutions. These findings emphasize that the initial level of technology and institutional context mattered for whether and to what extent industries and states in India benefited from liberalization.

Ahmed, S. and Z. Sattar (2003) Trade Liberalization, Growth and Poverty Reduction, the Case of Bangladesh, Report No IDP-90, Washington, DC: World Bank.

This paper provides broad evidence that trade liberalization and economic deregulation in Bangladesh have contributed to growth of output and helped reduce poverty. The policy of deregulation and trade liberalization started in 1976, but gained momentum in the early 1990s. While the positive effects on output expansion was considerably larger in the 1990s, corresponding broadly with a much faster pace of trade liberalization, the associated poverty reduction impact was higher in the 1976-90 phase of deregulation. This was because employment and real wage growth was slower in the 1990s as compared with 1976-90. Among the reasons for this outcome is the lack of dynamism in agriculture due to slower reforms.

Attanasio, O., P. Goldberg and N. Pavcnik (2004) Trade reforms and Wage Inequality in Colombia. Journal of Development Economics, vol. 74, pp. 331-366.

This paper investigates the effects of the drastic tariff reductions of the 1980s and 1990s in Colombia on the wage distribution. The authors identify three main channels through which the wage distribution was affected: increasing returns to college education, changes in industry wages that hurt sectors with initially lower wages and a higher fraction of unskilled workers, and shifts of the labor force towards the informal sector that typically pays lower wages and offers no benefits. Their results suggest that trade policy played a role in each of the above cases. The increase in the skill premium was primarily driven by skilled-biased technological change; however, their evidence suggests that this change may have been in part motivated by the tariff reductions and the increased foreign competition to which the trade reform exposed domestic producers. With respect to industry wages, results suggest that wage premiums decreased by more in sectors that experienced larger tariff cuts.

Finally, the authors find some evidence that the increase in the size of the informal sector is related to increased foreign competition.

Chen, S. and M. Ravallion (2004) Welfare Impacts of China's Accession to the World Trade Organization, World Bank Economic Review, vol. 18(1), pp. 29-57.

Data from China's national rural and urban household surveys are used to measure and explain the welfare impacts of changes in goods and factor prices attributable to accession to the World Trade Organization. The price changes are estimated separately using a general equilibrium model to capture both direct and indirect effects of the initial tariff changes. The welfare impacts are first-order approximations based on a household model incorporating own-production activities calibrated to household-level data and imposing minimum aggregation. The results show negligible impacts on inequality and poverty in the aggregate. However, diverse impacts emerge across household types and regions, associated with heterogeneity in consumption behavior and income sources, with possible implications for compensatory policy responses.

Das, D.K. (2003) Quantifying Trade Barriers: Has Protection Declined Substantially in Indian Manufacturing ? Working Paper No. 105, New Delhi: ICRIER.

This study undertakes a quantification of trade barriers for Indian manufacturing industries by examining both the tariff and the non-tariff barriers. It documents the trade barriers for around 72 industries belonging to intermediate, capital and consumer goods sectors for the period 1980-2000 and the phases of trade reforms therein. The estimates suggest levels of effective rate of protection and percentage of imports subject to licensing declined during the nineties while import penetration rates show an increase only in the second half of the nineties. This suggests that there may be considerable lags between reduction of tariffs and non-tariff barriers and measurable impact on imports and on the economy.

Elbehri, A., T.W. Hertel and W. Martin (2003) Estimating the Impact of WTO and Domestic Reforms on the Indian Cotton and Textile Sectors: A General Equilibrium Approach, Review of Development Economics, vol. 7, pp. 343-359.

The agreement to abolish the quotas on textiles and clothing introduced under the Multi-fiber Arrangement (MFA) will create a new and much more competitive world market for India's exports of textiles and clothing. India's inefficient and costly policies, such as cotton export quotas, the hank yarn obligation, and the restrictive policies on foreign investment that have held back productivity in the Indian apparel sector, will impose serious costs. The authors consider the implications of reforming these policies in an open trading environment using a multiregion, applied general-equilibrium model. They find that the costs of these policies to India increase substantially following abolition of the MFA; the benefits to India from domestic reforms are considerably enhanced when there is global free trade in textiles and apparel.

Evans, C.L. and J. Harrigan (2004) Tight Clothing: How the MFA Affects Asian Apparel Exports, NBER Working Paper No. w10250, Cambridge, MA: NBER.

International trade in apparel and textiles is regulated by a system of bilateral tariffs and quotas known as the Multifiber Arrangement or MFA. Using a time series of detailed product-level data from the United States on the quotas and tariffs that comprise the MFA, the authors analyze how the MFA affects the sources and prices of US apparel imports, with a particular focus on the effects on East Asian exporters during the 1990s. They show that while a large fraction of US apparel is imported under binding quotas, there are many quotas that remain unfilled. They also show that binding quotas substantially raise import prices, suggesting both quality upgrading and rent capture by exporters. In contrast, tariffs reduce import prices. Lastly, they argue that the substantial shift of US apparel imports away from Asia in favor of Mexico and the Caribbean during the 1990s is only partly due to discriminatory trade policy: the other reason is an increasing demand for timely delivery that gives a competitive advantage to nearby exporters.

Fernandes, A.M. (2003) Trade Policy, Trade Volumes and Plant-Level Productivity in Colombian Manufacturing Industries. Mimeo. Washington, DC: World Bank.

This paper explores Colombian trade policy during 1977-1991, a period of substantial variation in protection across industries, to examine whether increased exposure to foreign competition generates plant-level productivity gains. Using a large panel of manufacturing plants, the authors find a strong positive impact of tariff liberalization on consistent productivity estimates, controlling for plant and industry heterogeneity. This result is not driven by the endogeneity of protection nor by plant exit. The impact of tariff liberalization on productivity is stronger for large plants and for plants in less competitive industries. Qualitatively similar results are obtained when using effective rates of protection and import penetration ratios as measures of protection.

Fontagné, L., T. Mayer and S. Zignago (2004) Trade in the Triad: How Easy is the Access to Large Markets ? CEPR Discussion Paper No. 4442, London: CEPR.

This paper identifies the level of trade integration between the three largest economic powers of the world, often called the Triad: The United States, the EU and Japan. The authors focus on measuring possible asymmetries in market access between members of the Triad using border effects between each of those partners. They investigate trends of bilateral trade openness and show notably that there has been a deterioration of the relative access of Japanese exporters on both the American and EU markets in the 1990s. Results also show which industries have the most asymmetric market access among the different combinations of those partners. The authors finally provide explanations for the estimated border effects using proxies for bilateral observed protection (tariffs and NTBs), home bias of consumers, product differentiation and levels of FDI. Tariffs still matter in shaping trade patterns even in cases where those tariffs are low in magnitude. The explanations related to actual protection, home bias and substitutability of goods put together explain a large part of the border effect between blocs of the triad, although they do not explain the whole of the border effect puzzle.

Francois, J. and D. Spinanger (2004) Regulated Efficiency, World Trade Organization Accession and the Motor Vehicle Sector in China, CEPR Discussion Paper No. 4439, London: CEPR.

This Paper is concerned with the interaction of regulated efficiency and World Trade Organization (WTO) accession and its impact on China’s motor vehicle sector. The analysis is conducted using a 23-sector/25-region computable general equilibrium model. Regulatory reform and internal restructuring are found to be critical. Restructuring is represented by a cost reduction following from consolidation and rationalization that moves costs toward global norms. Without restructuring, WTO accession means a surge of final imports, though imports of parts could well fall as production moves offshore. With restructuring, however, the final assembly industry can be made competitive by world standards, with a strengthened position for the industry.

Gilbert, J. (2003) Trade Liberalization and Employment in Developing Economies of the Americas, Integration and Trade Journal No. 18, Buenos Aires: INTAL.

Using an applied general equilibrium model, this paper explores the potential effect of comprehensive trade liberalization in a selection of Latin American developing economies. Over the last decade many of these economies have suffered from high levels of unemployment, and the consequences of reform on unemployment and of unemployment on the effects of reform are critical. The author takes the approach of utilizing alternative labor market closures, bounding the static effect of trade reform between the neoclassical, which abstracts from unemployment issues, and a surplus labor/unemployment closure. The author also considers a less common specification based on the neoclassical Harris-Todaro characterization of the dual economy. Our results indicate that the presence of unemployment may significantly expand the potential net welfare benefits of trade reform in the Americas.

Harrison, G.W., T.F. Rutherford, D.G. Tarr and A. Gurgel (2003) Regional, Multilateral and Unilateral Trade Policies of MERCOSUR for Growth and Poverty Reduction in Brazil, World Bank Policy Research Working Paper No. 3051, Washington, DC: World Bank.

The paper employs a 16-region global computable general equilibrium model to quantitatively examine the regional, unilateral and multilateral arrangements. The model includes the Brazilian as well as the economies of Argentina, Uruguay, Chile, Mexico, the United States, Canada, Central America, Venezuela, Colombia, Peru, Rest of the Andean Pact, Rest of South America, the EU, Japan and an aggregate Rest of the World. The authors are thus able to estimate the impact on partner and excluded countries from each of the agreements that are evaluated. Results suggest that the FTAA, the EU-MERCOSUR agreement and multilateral trade policy changes will all be beneficial for Brazil. The Brazilian government strategy of simultaneously negotiating the FTAA, the EU-MERCOSUR agreement while supporting multilateral liberalization through the Doha Agenda will increase the benefits of each of these policies.

Haskel, J.E. and M.J. Slaughter (2003) Have Falling Tariffs and Transportation Costs Raised US Wage Inequality ? Review of International Economics, vol. 11(4), pp. 630-650.

To gauge the effect of international trade on the rising US skill premium, the paper analyzes the sector bias of price changes induced by changes in US tariffs and transportation costs. It is found that, in both the 1970s and 1980s, cuts in tariffs and transportation cost levels were concentrated in unskilled-intensive sectors. Despite this suggestive evidence, the authors estimate that price changes induced by tariffs or transportation costs mandated a rise in inequality that was mostly statistically insignificant. Thus, they do not find strong evidence that falling tariffs and transport costs, working through price changes, mandated rises in inequality.

Hertel, T.W., P.V. Preckel, J.A.L. Cranfield and M. Ivanic (2003) Multilateral Trade Liberalization and Poverty in Brazil and Chile, Integration and Trade Journal No. 18, Buenos Aires: INTAL.

Poverty reduction is an increasingly important consideration in the deliberations over bilateral and multilateral trade liberalization. However, most poverty studies have focused on a single country using detailed household survey data. When it comes to multi-country, global trade liberalization analyses, researchers are forced to resort to a discussion of average, or per capita effects. This severely limits their capacity to address the poverty question. This paper combines results from a newly available international, cross section consumption analysis, with earnings data from household surveys from Brazil and Chile, to analyze the implications of multilateral trade liberalization for impoverished households in these two countries. The multilateral trade liberalization scenario that the authors examine involves complete elimination of merchandise tariff barriers as well as textile and apparel quotas in place in 1997. This ignores the potential impact of other non tariff barriers as well as the significant barriers to trade and investment in services and trade distorting domestic farm policies. While this liberalization scenario is stylized, it offers a useful benchmark for assessing the potential poverty impacts of multilateral measures. The authors find that the aggregate poverty measure is reduced in the short run in both Brazil and Chile, following multilateral trade liberalization. However, this aggregate result does not do justice to the differential household impacts by earning specialization. Agriculture specialized households in both countries experience a very large reduction in poverty, while non-agriculture profits-specialized and wage-labor households experience an increase in poverty following multilateral trade liberalization.

Hinkle, L., A. Herrou-Aragon and K. Kubota (2003) How Far Did Africa's First Generation Trade Reforms Go? An intermediate Methodology for Comparative Analysis of Trade Policies, Volume I and II: Main Report, Africa Region Working Paper Series, No. 58, Washington, DC: World Bank.

This paper presents an intermediate methodology for evaluating trade regimes in SSA. The methodology permits a quantitative instrument-by-instrument assessment of the conventional border instruments of trade policy. The paper finds that, although the best practice countries in their sample had not yet caught up with all of the best practices observed elsewhere in the developing world, "first generation trade reforms" in the 1990s had led to significant liberalization. Despite progress in rationalizing tariff structures, however, lowering rates and eliminating quantitative restrictions, trade policies maintain a bias in favour of import-competing activities over exports.

Hoda, A. and M. Verma (2004) Market Access Negotiations on Non-Agricultural Products: India and the Choice of Modalities, Working Paper No. 132, New Delhi: ICRIER.

The paper aims at facilitating the process of development of the position that would be in the best interest of India in future discussion on the modalities for tariff negotiations. The authors have taken the view that there are good reasons for India to be ambitious in its outlook and proactive in approaching the negotiations. India has liberalized its tariffs at a pace that seemed unthinkable before the onset of economic reforms. There is harmony in the views of the political executive and economists that the trend must be maintained. India has a large repertoire of concessions that it can trade for getting reciprocal concessions in return. Further in the context of the wave of regional integration arrangements that is sweeping across the world, steep reduction in the non-discriminatory tariffs is the only way in which non-participants in major regional arrangements can alleviate the trade diversion effect of preferential arrangements. As for modalities, the authors recommend that a non-linear formula which attaches weight to the tariff average of the country concerned would be in India's best interest. They advocate that if participation in sectorial liberalization is to be mandatory, India must ask for the possibility for developing countries to retain the flexibility to set the tariff at five per cent. The authors do not favour placing great reliance on the concept of special and differential treatment.

Ianchovichina, E. and W. Martin (2004) Impacts of China's Accession to the World Trade Organization, World Bank Economic Review, vol. 18(1), pp. 3-27.

This article presents estimates of the impact of China's accession to the World Trade Organization. China is estimated to be the biggest beneficiary (US$31 billion a year from trade reforms in preparation for accession and additional gains of $10 billion a year from reforms after accession), followed by its major trading partners that also undertake liberalization, including the economies in North America, Western Europe, and Taiwan (China). Accession will boost manufacturing sectors in China, especially textiles and apparel, which will benefit directly from the removal of export quotas. Developing economies competing with China in third markets may suffer small losses. Accession will have important distributional consequences for China, with the wages of skilled and unskilled nonfarm workers rising in real terms and relative to those of farm workers. Possible policy changes, including reductions in barriers to labor mobility and improvements in rural education, could more than offset these negative impacts and facilitate the development of China's economy.

Kulundu Manda, D. (2002) Globalization and the Labour Market in Kenya, Paper prepared as part of the DFID funded research project "Globalization, Production and Poverty", Nairobi: Kippra.

This paper analyses the effect of globalization on the labour market outcomes in Kenya using micro datasets complemented with secondary data. The analysis shows that during the economic reform period employment creation dramatically increased in the informal sector, but most of the jobs created in the sector are more insecure due to low survival rate of firms in the sector and pay less compared with jobs lost in the formal sector. Some jobs were created in the export processing zones. Labour force participation in the urban areas increased for both men and women but declined in the rural areas especially for women. Unemployment also increased both in rural and urban areas and especially for women in the urban areas. The increase in unemployment and the expansion in the informal sector employment is partly due to retrenchment in the civil service, increased school dropout, collapse of some private firms and retrenchment in other private firms due to stiff competition from imports following trade liberalization. The period also experienced a shift in labour demand in favour of highly skilled labour, a decline in permanent full-time workers and an increase in part-time workers and casual workers signalling a cost cutting strategy where firms replace permanent employees with part time and casual workers to make savings in terms of paying less benefits. Real earnings for all workers declined during the reform period until the mid-1990s when they started increasing again. Less skilled workers experienced losses in earnings compared with highly skilled workers as shown by increasing private returns to university education and declining returns to primary and secondary education. With increased unemployment especially for women, insecure jobs in the informal sector and declining earnings for the majority of less skilled labour during the period, more people are likely to be poor.

Litchfield, J. and N. McCulloch (2003) Poverty in Zambia: Assessing the Impacts of Trade Liberalization in the 1990s, PRUS Working Paper No. 16, Brighton, UK: Poverty Research Unit at Sussex.

This paper summarizes some of the key features of the changes in poverty between 1991 and 1998 in Zambia, disaggregating the findings by geographical location and other socio-economic categories. The paper also summarizes some of the essential features of the reforms in the 1990s and sets out a number of alternative approaches for analyzing the impacts of these reforms on poverty. Some preliminary results suggest that in urban areas, opening of markets to international imports did result in closures of businesses. In rural areas, redundancies resulting from privatization of parastatals had important impacts on living standards.

Muendler, M.A. (2004) Trade, Technology, and Productivity: A Study of Brazilian Manufacturers, 1986-1998. University of California, San Diego.

Brazil's trade liberalization between 1990 and 1993, and its partial reversal in 1995, are used to study how reduced inward trade barriers affect productivity. The production function of Brazilian manufacturers is estimated at the *ISIC3* two-digit level under various alternatives. Firm-level productivity is inferred and then related to trade. Findings suggest that (1) foreign competition pressures firms to raise productivity markedly, whereas (2) the use of foreign inputs plays a minor role for productivity change. (3) The shutdown probability of inefficient firms rises with competition from abroad, thus contributing positively to aggregate productivity. Counterfactual simulations indicate that the competitive push (1) is an important source of immediate productivity change, while the elimination of inefficient firms (3) unfolds its impact slowly.

Mujeri, M. and B. Khondker (2002) Poverty Implications of Trade Liberalization in Bangladesh: A General Equilibrium Approach, Paper funded by DFID as part of the Globalization and Poverty Programme, Dhaka: University of Dhaka.

The aim of the analysis is to contribute to better understanding of the relationships between trade liberalization policies and poverty in Bangladesh, and help identify policy options that are capable of promoting liberalization in a more equitable manner. The analysis in the present study indicates that the gains are relatively small and these differ across various household groups in the presence of structural bottlenecks and other constraints. In particular, the gains accrue more to the relatively welloff households while the extreme poor households benefit less. This indicates that the full potential of globalization is not readily translated into poverty reduction in Bangladesh. In order to make the liberalization policies sufficiently pro-poor, the process needs complementary measures aiming at strengthening the institutional capabilities, addressing the structural bottlenecks, and improving the anti-poverty policy regimes in the country. In addition to ensuring the consistency of the macroeconomic policy regime with the globalization efforts, this would require that the process be made sensitive to the social costs and shaped by domestic policy regimes, be consistent with appropriately targeted social safety nets measures for the affected poor and guided by the institutional capacity to manage the transition process.

Pandey, M. (2004) Impact of Trade Liberalization in Manufacturing Industry in India in the 1980s and 1990s, Working Paper No. 140, New Delhi: ICRIER.

This study seeks to examine evidence on the relationship between trade policy and industry performance for India during the 1980s and 1990s, to assess whether changes in policy has significantly affected industry performance. The author takes a broad-based approach and considers the linkage between trade policy variables and a number of industry performance variables, including production, employment, labour, productivity, average wage, profitability, price-cost margin, export intensity and import penetration. An important issue addressed is the quantification of trade policy variables. The study focuses on coverage ratios of non-tariff barriers, nominal and effective rates of protection as measures of trade policy. Although there is evidence of some impact of trade policy on industry performance, the study does not find any conclusive links between the two.

Pavcnik, N. (2002) Trade Liberalization, Exit and Productivity Improvements: Evidence from Chilean Plants. Review of Economic Studies, vol. 69, pp. 245-76.

This paper empirically investigates the effects of liberalized trade on plant productivity in the case of Chile. Chile presents an interesting setting to study this relationship since it underwent a massive trade liberalization that significantly exposed its plants to competition from abroad during the late 1970s and early 1980s. Using plant-level panel data on Chilean manufacturers, the author find evidence of *within* plant productivity improvements that can be attributed to a liberalized trade for the plants in the import-competing sector. In many cases, aggregate productivity improvements stem from the reshuffling of resources and output from less to more efficient producers.

Pavcnik, N., A. Blom, P.K. Goldberg and N. Schady (2004) Trade Policy and Industry Wage Structure: Evidence from Brazil. World Bank Economic Review, forthcoming.

This paper analyses the impact of the 1988-1994 trade liberalization in Brazil on the industry wage structure. Empirical results suggest that while industry affiliation is in fact an important component of worker earnings, the structure of industry wage premiums is relatively stable over time. The authors thus find no statistical association between changes in industry wage premiums and changes in trade policy. Furthermore, they do not find any relationship between industry-specific premiums to university graduates and trade policy. They conclude that trade liberalization in Brazil did not significantly contribute to increased wage inequality between the skilled and unskilled workers through changes in industry wage premiums.

Porto, G. (2004) Using Survey Data to Assess the Distributional Effects of Trade Policy. Mimeo. Washington, DC: World Bank.

The purpose of this paper is to develop and apply a methodology to empirically explore the effects of trade policies on the distribution of income and poverty in developing countries. The main finding of the paper is that Mercosur benefits the average Argentine household across the entire income distribution. There is evidence of a pro-poor bias of the regional trade agreement: on average, poor households gain more from the reform than middle-income households, whereas the impacts on rich families are positive but not statistically significant. The reason behind these results is that Argentine trade policy protected the rich over the poor, prior to the reform, and granted some protection to the poor, after the reform. As a result, the relative pre-Mercosur tariff on the goods investigated in this paper is higher on relatively skill-intensive goods. This means that tariff removals would tend to benefit the poor over the rich. These findings indicate that trade reforms may actually help improve the distribution of income and reduce poverty in the country.

Porto, G. (2004) Trade Reforms, Market Access and Poverty in Argentina. Policy Research Working Papers, No. 3135, World Bank.

The purpose of this paper is to empirically compare the relative poverty impacts of national and foreign trade reforms in Argentina. The national trade reforms investigated in this paper include tariff cuts on consumption goods and capital goods in Argentina. These policies generate a decline in the domestic relative price of these goods. Foreign trade reforms include the elimination, in developed countries, of agricultural subsidies and trade barriers on agricultural manufactures and industrial manufactures. These policies enhance the market access of Argentine exports and cause an increase in the international (and hence in the domestic) relative price of these goods. It is found that national trade reforms have larger marginal effects than foreign trade reforms. However, since there is greater room for foreign reforms, policy changes in developed countries would have, in the end, larger poverty impacts. Overall, a combination of own reforms and enhanced market access would cause poverty to decline by between 1.7 and 4.6 percentage points. With an actual initial head count ratio of 25.7 percent, this evidence suggests that trade policies can be important poverty-reducing instruments in Argentina.

Ravallion, M. and M. Lokshin (2004) Gainers and Losers from Trade Reform in Morocco, World Bank Policy Research Working Paper No. 3368, Washington, DC: World Bank.

Ravallion and Lokshin use Morocco’s national survey of living standards to measure the short-term welfare impacts of prior estimates of the price changes attributed to various trade policy reforms for cereals. They find small impacts on mean consumption and inequality in the aggregate. There are both gainers and losers and (contrary to past claims) the rural poor are worse off on average after trade policy reforms. The authors decompose the aggregate impact on inequality into a “vertical” component (between people at different pre-reform welfare levels) and a “horizontal” component (between people at the same pre-reform welfare level). There is a large horizontal component which dominates the vertical impact of full de-protection. The diverse impacts reflect a degree of observable heterogeneity in consumption behaviour and income sources, with implications for social protection policies.

Topalova, P. (2004) Trade Liberalization and Firm Productivity: The Case of India. IMF Working Paper No. 04/28. Washington, DC: IMF.

Using a panel of firm-level data, this paper examines the effects of India's trade reforms in the early 1990s on firm productivity in the manufacturing sector, focusing on the interaction between this policy shock and firm and environment characteristics. The rapid and comprehensive tariff reductions-part of an IMF-supported adjustment program with India in 1991-allow the author to establish a causal link between variations in inter-industry and intertemporal tariffs and consistently estimated firm productivity. Specifically, reductions in trade protectionism lead to higher levels and growth of firm productivity, with this effect strongest for private companies. Interestingly, state-level characteristics, such as labor regulations, investment climate, and financial development, do not appear to influence the effect of trade liberalization on firm productivity.

Virmani, A., B. Goldar, C. Veeramani and V. Bhatt (2004) Impact of Tariff Reforms on Indian Industry: Assessment Based on a Multi-Sector Econometric Model, Working Paper No. 135, New Delhi: ICRIER.

This study is an attempt to gauge the impact of reductions in tariffs on the Indian manufacturing sector using a multiple-equations dis-aggregated econometric model. The results of the study suggest that a substantial reduction in tariff rates, bringing down the import-weighted average for industrial products from about 20 percent as prevailing in the beginning of 2003-2004 to about 10 percent would have only marginal impact on net exports, value of production and employment in the organised manufacturing sector. It seems no significant adverse impact would be there on the domestic industrial sector from the tariff cuts. Rather, a small increase in aggregate industrial production and employment might occur emanating from the efficiency enhancing effects of tariff reform. However, a detailed sector-wise analysis indicates that the impact of tariff reforms would be differentiated across products, with firms in some industries gaining and firms in some other industries losing in terms of net exports, value of production and employment.

III. NON-RECIPROCAL PREFERENCES

Alexandraki, K., and H.-P. Lankes (2004) The Impact of Preference Erosion on Middle-Income Developing Countries. IMF Working Paper No. 04/169, Washington, DC: IMF.

Preference erosion has become an obstacle to multilateral trade liberalization, as beneficiaries of trade preferences have an incentive to resist reductions in most-favored-nation (MFN) tariffs. This study identifies middle-income developing countries that are vulnerable to export revenue loss from preference erosion. It concludes that the problem is heavily concentrated in a sub-set of preference beneficiaries—primarily small island economies dependent on sugar, banana, and—to a lesser extent—textile exports. Accordingly, measures to help mitigate the impact of preference erosion can be closely targeted at the countries at risk.

Bartels, L. (2003) The WTO Enabling Clause and Positive Conditionality in the European Community's GSP Program. Journal of International Economic Law, vol. 6(2), pp. 507-532.

This paper examines the legality of positive conditionality in the EC's GSP program. It can be concluded that, despite some ambiguity in the 2001 Doha Decision on Implementation, GSP trade preferences do have to meet the description of generalized, non-reciprocal and non- discriminatory in order to benefit from the Enabling Clause. This is primary because of the next of the Enabling Clause and the GSP Decision, but it is also supported by the public position of the EC and, through less conclusively, the U.S. What is still in dispute is whether these three conditions present a legal obstacle for non-trade conditionality in a developed country GSP program.

Brenton, P. (2003) Integrating the least Developed Countries into the World Trading System: The Current Impact of EU Preferences under Everything But Arms. World Bank Policy Research Working Paper No. 3018, Washington, DC: World Bank.

Trade preferences are a key element in industrial countries' efforts to assist the integration of least developed countries (LDCs) into the world economy. Brenton provides an initial evaluation of the impact of the European Union's recently introduced "Everything but Arms" (EBA) initiative on the products currently exported by the LDCs. He shows that the changes introduced by the EBA initiative in 2001 are relatively minor for currently exported products, primarily because over 99 percent of EU imports from the LDCs are in products which the EU had already liberalized, and the complete removal of barriers to the key remaining products—rice, sugar, and bananas—has been delayed. Brenton looks at the role EU preferences to LDCs in general have been playing and could play in assisting the integration of the LDCs. He shows that there is considerable variation across countries in the potential impact that EU preferences can have given current export structures. There is a group of LDCs for whom EU trade preferences on existing exports are not significant since these exports are mainly of products where the most-favored-nation duty is zero. Export diversification is the key issue for these countries. For other LDCs, EU preferences have the potential to provide a more substantial impact on trade. However, the author shows that only 50 percent of EU imports from non-ACP (Africa, Caribbean, and Pacific) LDCs which are eligible actually request preferential access to the EU. The prime suspect for this low level of use are the rules of origin, both the restrictiveness of the requirements on sufficient processing and the costs and difficulties of providing the necessary documentation. More simple rules of origin are likely to enhance the impact of EU trade preferences in terms of improving market access and in stimulating diversification toward a broader range of exports.

Brenton, P., and T. Ikezuki (2004) Preference Utilization and Preference Margins – What do Variations Across Countries tell Us? Some Initial Observations. Mimeo. Washington DC: World Bank.

This paper presents information on the utilization of non-reciprocal preferences granted by the EU, US and Japan to a common group of mainly LDC developing countries beneficiaries. The conclusions are that the utilization of trade preferences vary across beneficiaries of particular schemes and across schemes for a particular beneficiary. This implies that the impact of preference erosion following multilateral negotiations to reduce MFN tariffs will fall more heavily on some countries (those with higher utilization rates) than others. Further, it is argued that developing countries should provide greater flexibility in satisfying the requirements to demonstrate that sufficient processing has be undertaken to justify preferential access. Rules of origin which provide for alternative methods for satisfying sufficient processing are more likely to lead to higher rates of utilisation of available preferences.

Brenton, P., and T. Ikezuki (2004) The Initial and Potential Impact of Preferential Access to the U.S. Market under the African Growth and Opportunity Act. World Bank Policy Research Working Paper No. 3262, Washington, DC: World Bank.

The ability to export clothing products under preferences with liberal rules of origin is the key factor currently determining whether the African Growth and Opportunity Act (AGOA) has a significant impact on non-oil exporting African countries. At present only a small number of countries receive substantial benefits and least developed countries that do not receive preferences for clothing have yet to see an impact of AGOA on their overall exports. However, the benefits from exporting clothing under AGOA appear fragile in the face of the removal of quotas in the United States on major suppliers, such as China, at the end of 2004, and the planned removal of the liberal rules of origin that allow for the global sourcing of fabrics from least-cost locations. To entrench and enhance the benefits of AGOA, it is important that the scheme be extended over a much longer period, if not made permanent, and the special liberal rules of origin for clothing products be extended considerably beyond 2004. The effective inclusion of textile products and a number of high-duty agricultural products would also help to broaden the range of opportunities for African exporters in the U.S. market. Nevertheless it is important that the opportunities created by AGOA are integrated into a broader framework for promoting trade and that it be recognized that if the opportunities offered by more open trade are to be exploited, there must be concerted efforts to improve the environment for investment countries covered by AGOA.

Brenton, P., and M. Manchin (2002) Making EU Trade Agreements Work: The Role of Rules of Origin. CEPS Working Document No. 183, Brussels: CEPS.

A key element of the EU's free trade and preferential trade agreements is the extent to which they deliver improved market access and so contribute to the EUs foreign policy objectives towards developing countries and neighbouring countries in Europe, including the countries of the Balkans. Previous preferential trade schemes have been ineffective in delivering improved access to the EU market. The main reason for this is probably the very restrictive rules of origin that the EU imposes, coupled with the costs of proving consistency with these rules. If the EU wants the 'Everything but Arms' agreement and free trade agreements with countries in the Balkans to generate substantial improvements in access to the EU market for products from these countries then it will have to reconsider the current rules of origin and implement less restrictive rules backed upon by a careful safeguards policy.

Candau, F., L. Fontagné, and S. Jean (2004) The Utilization rate of Preferences in the EU. Prepared for the Technical Workshop on Tariff Preferences and their Utilization, Geneva: WTO.

This paper studies the effectiveness of EU's preferential agreements in granting their partners improved market access. The utilization of preferences vary across receivers of particular markets and across markets for a particular receivers. In many LDC African countries, preferences are systematically underutilized. Its also pointed out in the paper that a preferential agreement never covers all products, and all product coverage varies widely across agreements. How each set of preferences is actually utilized is tightly associated to the sequence of their implementation, and to the associated level of preference and administrative constraint.

Dean, M.J. (2003) Do Preferential Trade Agreements Promote Growth? An Evaluation of the Caribbean Basin Economic Recovery Act. Document No. 2002-07-A, Washington DC: U.S. International Trade Commission.

The few empirical studies which examine the effects of preferential trade liberalization on growth find no direct relationship between membership in a PTA and growth across countries. This is somewhat surprising, given the large literature which argues that trade liberalization is likely to encourage more rapid growth. However, sensitivity analysis has shown that this link between freer trade and growth may be indirect, as freer trade strongly increases investment, and higher investment strongly increases growth. This paper tests for both direct and indirect effects of preferential trade liberalization on growth and investment, by examining the impact of the Caribbean Basin Economic Recovery Act--a non-reciprocal PTA implemented by the U.S. in 1984 to encourage growth and development in Caribbean and Central American countries. Results suggest that CBERA did not result in any "trade-induced investment-led growth." It may have had a direct impact on growth in the region, but the effect was small, and significant only when combined with trade and foreign exchange reforms on the part of the beneficiary countries themselves. However, preferential trade liberalization through the production-sharing program, and unilateral and regional trade reforms in beneficiary countries and in the US *did* lead to investment-led growth, and to higher growth directly, in the CBERA countries.

Estevadeordal, A., and K. Suominen (2004) Rules of Origin: A World Map and Trade Effects. Paper prepared for the Seventh Annual Conference on Global Economic Analysis: Trade, Poverty, and the Environment, Washington, DC: World Bank.

The paper focuses on capturing the effects of PTAs and rules of origin (RoO), a crucial yet poorly understood market access discipline included in virtually every PTA. Five main findings are concluded. First, the most recent wave of PTA formation that started swelling in the 1990s forged in regimes with unprecedently restrictive and complex product-specific RoO - while compensating these features with relatively lenient regime-wide RoO. Second, assessing the trade effects of RoO, the authors find that regimes with restrictive RoO and with high degrees of sectoral selectivity in RoO discourage aggregate trade flows. Third, regime-wide RoO that allow for flexibility in the application of product-specific RoO, such as cumulation and drawback, facilitate trade flows. As such, various regime-wide RoO provisions can counteract restrictive product-specific RoO's negative effects on trade. Fourth, at the sectoral level, both restrictive RoO and selectivity in RoO in final goods encourage trade in intermediate goods, and can thus entail trade diversion in inputs. Fifth, exporters and producers learn over time to comply with stringent product-specific RoO, and to take greater advantage of permissive regime-wide provisions: "RoO learning" gradually reduces "RoO interference".

Haveman, J.D. and H.J. Shatz (2004) Developed Country Trade Barriers and the Least Developed Countries: The Current situation. Journal of Economic Integration, vol. 19(2), pp. 230-270.

In the 2001 Doha Development Round ministerial declaration, countries committed themselves "to the object of duty-free, quota-free market access for products originating from LDCs." In this light, this paper investigates the current tariff barriers put in place and preferences granted by the Triad countries regarding products from LDCs. It first investigates preferences in policy - the simple average tariffs faced by LDCs - and then looks at barriers in practice, analysing the extent to which LDCs have been able to take advantage of the variety of preferences granted. It also explores the LDC tariff barrier against goods from other countries. It finds that tariff barriers against LDC products have been fallen dramatically and are especially low in the EU. However, barriers remain against certain products in which LDC specialize, so that U.S. import-weighted tariff for LDC good are actually higher than U.S. import-weighted tariffs for countries subject to MFN tariffs. Furthermore, the LDC themselves tend to favour goods from the advanced industrial countries. These results indicate that there is still much room for tariff reductions for LDC goods, especially in the U.S., and that such reductions must take account of LDC production capabilities.

Ianchovichina, E., A. Mattoo and M. Olarreaga (2001) "Unrestricted Market Access for Sub-Saharan Africa: How Much is it Worth and Who Pays," World Bank Policy Research Working Paper No. 2595. Washington, DC: World Bank.

Initiatives to improve market access for the poorest countries have recently been announced by the European Union, Japan, and the United States. This paper assesses the impact of these initiatives and others that might be taken on a subset of 37 Sub-Saharan African countries (SSA-37) of these initiatives and others that might be taken. The authors find that fully unrestricted access to all the QUAD countries would produce substantial gains for SSA-37, leading to a 14 percent increase in non-oil exports ($2.5 billion) and boosting real incomes in SSA-37 by around 1 percent. Most of these gains would come from preferential access to the highly protected Japanese and European agricultural markets. The smallness of SSA-37 ensures that the costs of trade diversion for the QUAD, other developing countries and the world as a whole are negligible.

Inama, S. (2002) Market Access for LDCs - Issues to Be Addressed. Journal of World Trade, vol. 36(1), pp. 85-116.

This article provides suggestions on ways to ensure that the actual initiatives for improved market access to the LDCs, result in trade preferences having the expected developmental effect. It points out that, notwithstanding the importance of expanding preferences to cover all products, product coverage itself represents only one of the several dimensions to substantially enhance market access conditions for LDCs' exports. Equally, or more important, is the utilisation of trade preferences and the factors currently impeding the full use of the available preferences. In this regard, the following issues need to be addressed: (i) the form and legal modalities needed to impart stability to trade preferences granted under this initiative; (ii) the identification of products where an expansion of product coverage would be required (obviously these products are the first candidates for a meaningful expansion of market access for LDCs); (iii) the importance of rules of origin and other ancillary requirements in affecting the effective utilisation of the preferences and how these requirements should be adapted in the light of the industrial capacity of LDCs; and possibly harmonised; and (iv) the need to provide LDCs with the necessary technical assistance aimed at increasing the utilisation of trade preferences.

Inama, S. (2003) Trade Preferences and the WTO Negotiations on Market Access. Mimeo. Geneva: UNCTAD.

This paper aims at clarifying some conceptual issues on the value of trade preferences and aims at putting into focus future research on trade preferences. The paper concludes three issues in the context of ongoing multilateral negotiations. (i) Preferences "a la carte" and the enabling clause. (ii) Rules of origin under unilateral trade preferences. (iii) Graduation under GSP schemes. Preferences "a la carte" are highly controversial among the developing countries. They are also costly for the preferences giving countries. Preferences, and even more, preferences "a la carte", could become the tool for a "stick or a carrot" exercise in the hands of some preferences giving countries. Seeking a multilateral agreement on graduation for GSP schemes may prove to be impossible given the limited process on multilateral debates regarding special and differential treatment. However, in the long run this option may provide stability to unilateral trade preferences. Amid all of this, liberalization of rules of origin under unilateral trade preferences are almost ideal candidates for a win-win situation. This should be unanimously supported by all beneficiary countries. Unfortunately ROOs are not a friendly object of negotiations given their complex nature.

Inama, S. (2004) Utilization of Trade Preferences. Mimeo. Geneva: UNCTAD.

This paper assesses the value of trade preferences under the GSP schemes using non-traditional indicators. An examination of the different benchmarks yields the conclusion that there is a tremendous scope for improving the utilization of currently available preferences in the GSP schemes. The persistent low trend of the utilization rate holds for both LDC and non-LDC beneficiaries. The paper further concludes that the inclusion or exclusion of oil dramatically changes the picture preferences utilization. One of the prime suspects for the underscored utilization of trade preferences, are the rules of origin. Finally, the paper concludes that beneficiaries countries with low utility rate and low utilization rates will be likely to experience little loss on trade diversion effects from the reduction of preferential margins since their trade is taking place under MFN.

International Monetary Fund (2003) Financing of Losses from Preference Erosion, Communication prepared for the WTO, WTO document code WT/TF/COH/14.

Losses from preference erosion, for LDCs as a whole, as a result of MFN tariff reductions by the Quad countries, will probably be very small, likely less than two per cent of exports. Only a few countries will face losses that are not insignificant. But here too the magnitudes are small in absolute value and in relation to exports. Only one country is expected to face losses exceeding ten per cent of exports. Three key distinguishing features of losses from preference erosion are that they represent a permanent shock, they can be anticipated ex ante, and that their actual impact is spread out over time. Given the limited number of countries that will be seriously affected and the distinguishing features of losses from preference erosion, any financing is best done in the context of existing medium-term adjustment and program financing facilities. In any assessment of the balance of payments need in the context of program discussions, Fund staff should take into account the potential losses from preference erosion as one of the elements that affect the external environment facing a country's exports.

Kee, L.H., M. Olarreaga and P. Silva (2004) Market Access for Sale: Latin America's Lobbying for U.S. Tariff Preferences. World Bank Policy Research Working Paper No. 3198, Washington: World Bank.

This paper assesses the foreign lobbying forces behind the tariff preferences that the United States grants to Latin American and Caribbean countries. Results suggest that returns to Latin American and Caribbean exporters lobbying for tariff preferences in the United States are around 50 percent. The reason for these large returns is the relatively low estimated weight given to social welfare in the U.S. government's objective function when deciding whether or not to grant tariff preferences to Latin American and Caribbean exporters.

Mattoo, A., D. Roy, and A. Subramanian (2003) The African Growth and Opportunity Act and Its Rules of Origin: Generosity Undermined? The World Economy, vol. 26(6), pp. 829-851.

This paper describes the Africa Growth and Opportunity Act (AGOA) which the United States recently enacted and assesses its quantitative impact on African exports. The AGOA expands the scope of preferential access of Africa's exports to the United States in key areas such as clothing. However, its medium- term benefits - estimated at about US$100-$140 million, an 8-11 percent addition to current non-oil exports - would have been nearly five times greater (US$540 million) if no restrictive conditions had been imposed on the terms of market access. The most important of these conditions are the rules of origin with which African exporters of clothing must comply to benefit from duty- free access.

Olarreaga, M. and F. Ng (2002) Tariff Peaks and Preferences, in Hoekman, B., A. Mattoo, and P. English (eds) Development, Trade and the WTO: A Handbook, Washington, DC: World Bank.

This chapter provides a brief description of the extent and importance of existing tariff peaks in the Quad, the preferential treatment granted to developing countries for these tariff peak products, and the prevailing pattern of developing country exports. The gains from preferential access are conditional on the ability to redirect and expand exports. The benefits of preferential access are also heavily dependent on the extent to which other policies that affect market access constrain exports from LDCs. Rules of origin and the threat of contingent protection are examples of policies that can be so used as to greatly reduce the value of duty-free access. Rules of origin that require high levels of local value added can imply that developing countries are forced to pay the MFN tariff. The threat of instruments of contingent protection can also reduce the incentive to undertake investments to benefit from duty-free access.

Özden, Ç., and E. Reinhardt (2002) The Perversity of Preferences: GSP and Developing Country Trade Policies, 1976-2000. World Bank Policy Research Working Paper No. 2955, Washington: World Bank.

Industrial countries maintain special tariff preferences, namely the Generalized System of Preferences (GSP), for imports from developing countries. Critics have highlighted the underachieving nature of such preferences, but developing countries continue to place the GSP at the heart of their agenda in multilateral negotiations. What effect do such preferences have on a recipient's own trade policies? Özden and Reinhardt develop and test a simple theoretical model of a small country's trade policy choice, using a dataset of 154 developing countries from 1976 through 2000. They find that countries removed from the GSP adopt more liberal trade policies than those remaining eligible. The results, corrected for endogeneity and robust to numerous alternative measures of trade policy, suggest that developing countries may be best served by full integration into the reciprocity-based world trade regime rather than continued GSP-style special preferences.

Özden, Ç., and E. Reinhardt (2004) First Do No Harm: The Effect of Trade Preferences On Developing Country Exports. Mimeo. Atlanta, GA: Emory University.

This paper analyze a panel of GSP recipients from 1976 to 2000 and find that their export performance improves after they are removed from the United States GSP program. The results are robust to alternative export measures and to correction for endogeneity of GSP status. They conclude that, even on their own terms, nonreciprocal preference programs have failed. Developing countries would be better served by full integration into the reciprocity-based world trade regime than by the prevailing form of nonreciprocal trade preferences.

Özden, Ç., and G. Sharma (2004) Price Effects of Preferential Market Access: The Caribbean Basin Initiative and the Apparel Sector. World Bank Policy Research Working Paper No. 3244, Washington, DC: World Bank.

Özden and Sharma analyze the impact of the unilateral preferences granted by the U.S. Caribbean Basin Initiative (CBI) on the prices received by eligible apparel exporters. The authors find that CBI exporters only capture around two-thirds of their preference margin, despite the fairly competitive nature of the apparel market. This translates into a 9 percent increase in the relative prices they receive, but these numbers vary across countries and years. Countries specializing in higher-value items capture more of the preference margin while implementation of the North American Free Trade Agreement has a negative effect. The authors analyze the effect of Multi-Fibre Agreement (MFA) quotas imposed on third countries (such as China) and find that the benefits of CBI preferences will be significantly reduced once the quotas are fully removed in 2005.

Panagariya, A. (2002) EU Preferential Trade Arrangements and Developing Countries. The World Economy, vol. 25(10), pp. 1415-1432.

This paper offers an overview and quantitative assessment of the EC PTAs with the developing countries. The main conclusion is that beyond the obvious rent transfers accompanying such preferences, a definite positive impact of these arrangements on developing countries is difficult to detect. To some degree, given the multi-layered European arrangements, it is not entirely clear what these preferences have meant. Indeed, preferences to one set of developing countries have probably come at the expense of another. The preferences may have also reduced pressures for trade liberalization within the preference receiving-countries thereby undermining the internal policy reform that could have promoted faster expansion of trade and possibly growth.

Romalis, J. (2003) Would Rich Country Trade Preferences Help Poor Countries Grow? Evidence from the Generalized System of Preferences. Mimeo, Chicago: University of Chicago.

Would new trade preferences by the US, the European Union and other developed countries help the world's poorest countries grow? This paper concludes that they would. It empirically examines this issue by studying the impact of the Generalized System of Preferences on the growth of developing countries. In the 1970s most developed countries reduced or eliminated tariffs on thousands of products exported by most developing countries. The extent to which countries benefited on impact from these tariff reductions varied with the intensity of their trade with the developed world. This paper finds that the growth rate of countries that received the largest tariff reductions accelerated relative to the growth rate of countries that benefited less. But the highest trade barriers maintained by the developed world are still imposed on goods that are disproportionately exported by the world's poorest countries. This paper's results suggest that eliminating these barriers would significantly improve the prospects of some of the world's poorest people.

Stevens, C. and J. Kennan (2003) Comparative Study of G8 Preferential Access Schemes. Interim Report, Brighton: Institute of Development Studies.

This report provides some very preliminary finding for Phase I of a comparison of preferential schemes offered by G8 to African exports. Further, this report will set the scene for Phase II through identifying the preference agreements of most importance for Africa and their principal differences. EU has the widest range of goods and preferential agreements, no fewer than eight agreements apply to Africa. The other G8 have, compared to EU, far fewer agreements. The paper concludes several features that can effect the characteristics of the preference agreement. These features are: geographical coverage, depth of preference, tariff quotas, duration, legal basis, and rules of origin. Further, the paper concludes a hypothesis that the value to Africa of G8 trade preferences could be enhanced through one or both of changes: (i) harmonization of exporters conditions (ii) improvement of specific provisions in some agreements. Moreover, the paper identifies which of the multiple agreements, for the LDC and the sub Saharan African countries, are the most preferential and effectively therefore, the one normally being used. A RoO comparisons are rather difficult since they have different systems. A genuine comparison between the G8 countries will have to wait the more country-/product-specific analyses. However, the paper concludes that the EU and Canada have the most liberal rules followed by USA (except for the case of clothing under AGOA) and Japan.

Stevens, C. and J. Kennan (2004) The Utilization of EU Preferences to the ACP. Paper presented to the Technical Seminar on Tariff Preferences and their Utilization, WTO, Geneva, 31 March 2004. Brighton: Institute of Development Studies.

There are four main reasons why preferences might not be fully utilised, with very different implications. This paper examines the extent of each of the four. The data on whether or not EU imports from Africa are actually treated preferentially by customs are not good. But what is available suggest that any failure to claim preferences is trivial. Overwhelmingly the most important reason why EU imports from Africa do not receive preferences is that the items face duty- free Most Favoured Nation (MFN) access. Over two -thirds of imports by value fall into this category.

United Nations Conference on Trade and Development (2001) Improving Market Access for Least Developed Countries, Geneva: UNCTAD.

Among the various initiatives undertaken at the multilateral and international level to favour LDC's exports, the European Union (EU) proposal, originally made in the course of the preparations for Seattle by providing LDGs duty/quota-free treatment for "essentially all" products, is probably one of the most relevant. At present, the recently approved "Everything But Arms" (EBA) initiative is the most tangible implementation of such course of action. The original proposal was discussed in several forums including at the World Trade Organization (WTO), where agreement was reached that duty/quota-free treatment would be "consistent with domestic requirements and international agreements". The "essentially all" qualification of the offer may imply that some items would be excluded from the coverage of the initiative. Moreover the use of the word "consistent" with the existing requirements may imply that current rules of origin and administrative procedures will not be modified. The present paper contends that four basic conditions should be fulfilled by these various initiatives to improve market access for LDGs: (i) ensure security of the preferential treatment granted (e.g. to establish a commitment that imparts stability of market access to the initiative); (ii) provide full product coverage at duty-free rate, limited products exceptions may be granted duty-free tariff quotas with a scheduled phase down; (iii) harmonize and devise origin requirements matched with the industrial capacity of LDGs; and (iv) strengthen technical cooperation to maximize utilization of trade preferences. Finally, this paper is limited to market access constraints, in particular tariffs and issues related to rules of origin. Supply-side constraints, determining LDGs' export capacity are not addressed, but should be taken into consideration in the context of any initiative directed at improving LDGs' participation in global trade flows.

IV. NON TARIFF MEASURES

Anderson, J.E. and E. van Wincoop (2004) Trade costs. Journal of Economic Literature, vol. 42(3), pp. 691-751.

This paper is a survey of trade costs. Trade costs are broadly defined as including all costs incurred in getting a good to a final user other than the marginal cost of producing the good itself: transportation costs, policy barriers (tariff and non-tariff), information costs, contract costs, enforcement costs, costs associated with the use of different currencies, legal and regulatory costs, and local distribution costs. The authors use three different approaches to evaluate trade costs. They first review evidence on international policy barriers, transport costs and wholesale and retail distribution costs. Second, they infer estimates of trade costs from trade flows using a gravity model. Third, they use prices as an indirect source of information about the magnitude of trade costs. Results suggest that trade costs are large and vary widely across countries and product lines.

Bradford, S. (2003) Non Tariff Barriers in Rich Economies: Quantifying Them, Identifying Them, and Assessing their Impacts, mimeo, Provo, UT: Brigham Young University

This paper presents a new method for estimating tariff equivalents of NTBs for final goods in OECD economies. The analysis exploits detailed, comprehensive, and careful price comparisons. Since this method does not identify policies, the author strives to supplement the numbers by presenting preliminary information on possible sources of the barriers. The authors then use an applied general equilibrium model to provide a broad-brushed assessment of the impact of these NTBs. The result imply that NTBs greatly restrict trade in OECD economies and that removing them would bring large gains to them and to developing countries.

Dee, P. and M. Ferrantino (eds) (forthcoming in 2005) Quantitative Methods for Assessing the Effects of Non Tariff Measures and Trade Facilitation, World Scientific Publishing Co.

As tariffs have fallen worldwide, the increasing importance of non-tariff policies for further trade liberalization has become widely recognized. The methods for assessing the potential effects of such liberalization have lagged significantly behind those available for analyzing tariffs. This book is the first volume that comprehensively addresses this gap. It has been designed to be useful for both economists and policymakers, especially for those involved in communicating ideas and results between economists and policymakers.

This indispensable book contains cutting-edge discussions of the full range of methodologies used in this area, including business surveys, summary statistics such as effective rates of protection and price gaps, time-series and panel econometrics, and simulation methods such as computable general equilibrium. It covers the entire spectrum of polices under discussion in current trade negotiations, including trade facilitation, services policies, quantitative measures, customs procedures, standards, movement of natural persons, and anti-dumping.

Evenett, J. S. and B. Hoekman (2004) Government Procurement: Market Access, Transparency, and Multilateral Trade Rules. World Bank Policy Research Working Paper no 3195. Washington, DC: World Bank.

This paper examines the effects on national welfare and market access of two public procurement practices, discrimination against foreign suppliers of goods and services and non-transparency of the procedures used to allocate government contracts to firms. Both types of policies have become prominent in international trade negotiations, including the Doha Round of WTO trade talks. The analysis concludes that greater domestic competition on procurement markets and greater transparency will improve economic welfare. However, there is no clear-cut effect on market access of ending discrimination or improving transparency. This mismatch between market access and welfare effects may account for the slower progress in negotiating procurement disciplines in trade agreements than for traditional border measures such as tariffs, given that market access is the driving force behind trade agreements.

Francois, J. and I. Wooton (2004) Market Structure in Services and Market Access in Goods. Tinbergen Institute Discussion Paper TI 2004-050/2, Rotterdam: Tinbergen Institute.

This paper examines the interaction between trade in goods and the degree of market power exercised by the domestic trade and distribution sectors, the margin sectors. The theoretical results point to an expected linkage between service sector competition and goods trade. At least in theory, the domestic service sector can serve as an effective import barrier. This is also supported by the econometric results. These point to statistically significant linkages between effective market access conditions for goods, and the structure of the service sector. They also point to a qualitatively significant effect. Because of the implied interaction, at least across our sample of OECD countries, ignoring structure of the domestic service sector may lead to a substantial underestimation of the direct impact of tariffs on trade flows.

Hoekman, B., and K. Saggi (2004) Trading Market Access for Competition Policy Enforcement. World Bank Policy Research Working Paper No. 3188. Washington, DC: World Bank.

Motivated by discussions in the World Trade Organization (WTO) on multilateral disciplines with respect to competition law, this paper develops a two-country model that explores the incentives of a less developed country (LDC) to offer increased market access (via a tariff reduction) in exchange for a ban on foreign export cartels by its developed country (DC) trading partner. The authors show that such a bargain is feasible and can generate a globally welfare maximizing outcome. They also explore the incentives for bilateral cooperation when the LDC uses transfers to “pay” for competition enforcement by the DC. A comparison of the two cases shows that there exist circumstances in which the stick (i.e. the tariff) is more effective in sustaining bilateral cooperation than the carrot (i.e. the transfer). Furthermore, the scope for cooperation is maximized when both instruments are utilized. An implication of the analysis is that LDCs have incentives to not bind tariffs in the absence of an explicit WTO prohibition of export cartels.

Organization for Economic Cooperation and Development (2003) Non Tariff Measures Affecting EU Exports: Evidence from a Complaints Inventory, Official Document ECO/WKP (2003)27, Paris: OECD.

This study reports evidence on the prevalence of NTMs based on an inventory of business complaints. The results suggest that natural resource based industries, such as agriculture and food, mining, and textiles, are most strongly affected by NTMs relative to their export volumes. Certification procedures, quantity control measures, and technical regulations are the types of NTM most frequently complained about. Complaints about domestic governance practices, such as impediments related to government procurement, investment restrictions, or insufficient intellectual property rights protection account for almost a third of all NTM observations and are in most cases not sector-specific, but of a general nature. These complaints are frequently associated with discriminatory practices or inappropriate regulations, while delays and obstructions are repeatedly mentioned in relation to customs and certification procedures and technical regulations.

Organization for Economic Cooperation and Development (2004) Analysis of Non-Tariff Measures: The Case of Prohibitions and Quotas. Trade Policy Working Paper No. 6. Paris: OECD

This study, that investigates two specific types of quantitative restrictions, namely import prohibitions and quotas, is part of a broad reflection aimed at learning more about the nature and scope of non-tariff measures. The analysis reviews information on these measures contained in the WTO Trade Policy Reviews, WTO notifications and in various other trade reports. The research revealed that the use of quotas and prohibitions for economic reasons has declined, but most countries use prohibitions as part of their regulatory frameworks for protecting human safety and health or the environment, and this tendency appears to be increasing. Traders would benefit from greater transparency of these measures. Also, there are import bans hampering the international trade in used goods, whose circumstances and appropriateness in terms of regulatory efficiency merit scrutiny.

Organization for Economic Cooperation and Development (2003) Overview of Non-Tariff Barriers: Findings From Existing Surveys. Paris: OECD.

This paper compiles and broadly analyses the findings from survey-based research that helps identify barriers perceived by exporters from various countries and regions in foreign markets. It furthermore explores the extent to which different surveys report the same types of barriers. From the above review of survey-based research it is clear that businesses feel that numerous non-tariff barriers impact on their access to foreign markets. The various business surveys provide a rich account of the types of constraints experienced by the exporting firms of a particular country or region. The cross-survey analysis highlights the global dimension of obstacles where different surveys carried out in different parts of the world all report such obstacles as relatively often mentioned by respondents. More specifically, some concerns from the business community appear to be widely shared across countries and regions.

Organization for Economic Cooperation and Development (2003) Analysis of Non-Tariff Measures: The Case of Export Restrictions. Paris: OECD.

This paper provides an overview of current disciplines on export restrictions under the GATT/WTO, including the scope of exceptions. It also indicates the current situation regarding the implementation of notification obligations concerning quantitative restrictions. The main questions that this paper deals with include: the nature of justifications invoked for exceptions, in particular in the case of economic reasons; whether current transparency disciplines are sufficient in terms of predictability; and whether there is room for strengthening disciplines in this area, on either a horizontal or a sectoral basis.

Organization for Economic Cooperation and Development (2002) Analysis of Non-Tariff Measures: The case of Non-Automatic Import Licensing. Paris: OECD.

Non-automatic licensing systems are a means to control imports, depending on compliance with specific criteria. These schemes can be applied for a variety of purposes, according to both economic and non-economic regulatory goals. The use of these measures has been evolving over time, and with the significant reforms that have been undertaken over the years, the pattern of perceived problems associated with them has changed. The analysis in the present report reviews and summarises on a country basis the information contained in the WTO Trade Policy Reviews (TPRs), which generally permit identification of licensing measures used in different countries and the broad product groups covered. In addition, the analysis draws on the on-going discussions at the WTO on trade facilitation, particularly highlighting the important link with import licensing. Import licensing schemes implemented for economic reasons have the primary intent of limiting imports to protect domestic producers, thus having similar effects as import quotas. In WTO Member countries, the use of these measures has largely been discontinued. By contrast, import licensing implementing a wide variety of regulations related *inter alia* to national security, protection of health, safety, and the environment, is widely used across both OECD and non-OECD countries. It is with respect to the procedural aspects that the question of trade impact of such licensing for non-economic reasons arises. Although the WTO provides far-reaching disciplines in the area of licensing procedures, particularly through the Agreement on Import Licensing (ILP), business concerns suggest that traders are still experiencing problems with the way in which licensing systems are implemented and applied. Besides the need to fully implement existing commitments, there appear to be areas where further improvement of licensing-related disciplines might be warranted. This explains why licensing has been among the issue areas of the on-going WTO discussions on trade facilitation.

Organization for Economic Cooperation and Development (2003) Analysis of Non-Tariff Measures: The Case of Export Duties. Paris: OECD.

WTO disciplines on export duties are not clearly defined and currently no member assumes obligations for scheduling and notification of export duties under the WTO. Meanwhile, it may be noted that more and more bilateral and regional trade agreements introduce disciplines to prohibit export duties and that the recent WTO accession process has led to certain concessions in this regard. This survey paper begins by clarifying the definition of export duties. Then it examines existing disciplines on export duties in the WTO in detail. It also examines current trends with respect to disciplines at the regional level and in the WTO accession process. Finally, it analyses factual information on products subject to such duties based upon Trade Policy Review reports and describes key findings from them, including trade and economic implications to the extent possible. Certain trends concerning the use of export duties can be identified from a review of the WTO's Trade Policy Review country reports. These are inter alia: Export duties are introduced mainly by developing and least developed countries; Outstanding examples of items subject to export duties are forestry products, fishery products, mineral and metal products, leather and hide and skin products, and various agricultural products; The two main reasons for imposing export duties are 1) fiscal receipts or revenue and 2) promotion of downstream processing industries; Another alleged reason is environmental protection or preservation of natural resources or products; There is a growing tendency to abolish export duties notably in bilateral and regional contexts, reflecting a recognition of their trade distortive effects. Detailed explanations of these issues and other outstanding points are described in this paper.
Observations are also included on aspects of possible rule-making on export duties in the context of the on-going process of the Doha Development Agenda. Finally, the suggestion is put forward that it would be useful to undertake a wider analysis of export restrictions under the NTM project, as a further background contribution to the DDA.

Piermartini, R. (2004) The Role of Export Taxes in the Field of Primary Commodities, WTO Discussion Paper No. 4, Geneva: WTO.

This paper examines the economic effects of an export tax on commodity prices and the volume of exports. It examines how welfare resulting from an export tax is redistributed among foreign and domestic consumers, producers and the government, and the effects of an export tax used as an instrument of trade policy to improve developing countries' terms of trade, favours economic diversification and help the poor.

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