

1. The evolution of market access over 16 years of “World Tariff Profiles”

Transparency is a major principle of the multilateral trading system, with the WTO as well as ITC and UNCTAD promoting transparency through various mechanisms and provisions. A key element of transparency, tariff data, has been collected and published since the early 1970s. Since 2006, “World Tariff Profiles” has reported annually on tariff data for countries and customs territories, now totalling more than 170, and for product groups.

Analysing the evolution of tariff policies since the first edition of “World Tariff Profiles” up to 2021, as outlined below, gives insights into the trends of applied and bound tariffs across various groups broken down by development status and region and across product groups.¹

Trade opening in terms of most-favoured nation (MFN) tariffs – i.e. a non-discriminatory tariff – has been largely modest over this 16-year period following significant trade opening from 1995 to 2005 during implementation of the WTO’s founding Marrakesh Agreement. The share of duty-free products and tariff peaks also saw modest liberalization between 2006 and 2021.

The average MFN tariff for all products declined from 10.1 per cent in 2006 to 8.9 per cent in 2021 (see Figure 1). This modest decline can be attributed to the fact that significant tariff reduction resulting from the Uruguay Round and some other unilateral decisions had already been implemented. These actions had resulted in about a 32 per cent reduction in the MFN applied tariff by WTO members between 1996 and 2005.²

Tariffs for agriculture and non-agriculture products both declined, with a slightly larger reduction in non-agriculture tariffs. The trend has been constant, with decreasing average tariffs almost every year, indicating progress towards a more open and interconnected global economy. The level of tariffs applied for agriculture products is higher than for non-agriculture products. In 2021, the average MFN

tariff for agriculture products was 14.8 per cent compared to 8.0 per cent for non-agriculture products.

Bound tariffs – the maximum MFN tariff level for a particular product – have remained almost unchanged from 2006 to 2021. The bound rates are significantly higher than the MFN tariff rates (see Table 1) that are actually applied. On average, bound rates are more than three times higher than applied tariff rates. For example, in agriculture, the global average bound rate is 54.4 per cent whereas the global average MFN applied rate is 14.8 per cent. The ceiling levels for bound tariffs in many developing economies contribute to this difference as some have very high ceilings, e.g. around 100 per cent.

Countries and customs territories decide unilaterally to reduce their MFN tariffs for economic and social reasons – for example, to have access to low-cost, high-quality food and other products. They often want to keep bound rates higher to maintain “policy space”, allowing them the opportunity to increase the applied rates in the future if they wish.

The MFN applied tariffs have declined in developed, developing and least-developed economies (see Figure 2). Developed economies started from the lowest base in 2006 (6.9 per cent) and have also had the sharpest decline, falling to 5.2 per cent in 2021. Developing and least-developed economies have maintained somewhat higher MFN tariffs, on average 8.7 per cent and 12.1 per cent respectively in 2021. There are many reasons for this, including a

dependence on tariff revenue for some developing and least-developed economies. It would be beneficial for the global economy to see developing and least-developed economies further reduce their tariffs and further integrate into the global economy, taking into account their particular challenges.

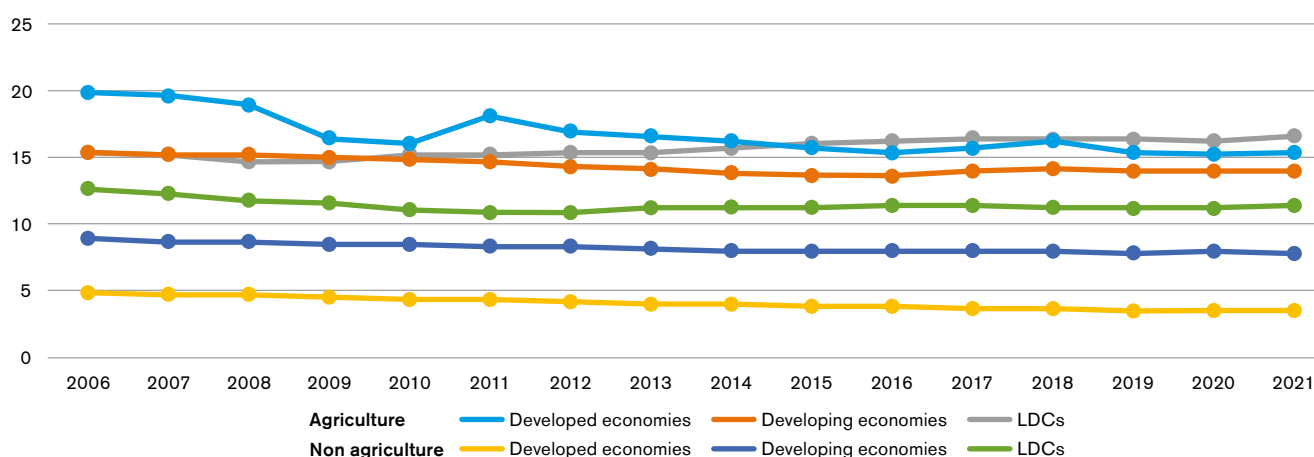
Applied MFN tariffs vary significantly by region, with Africa having the highest average applied tariffs at almost 12.4 per cent, and Europe and Oceania having the lowest at 5.4 per cent and 6.2 per cent respectively in 2021 (see Figure 3). The data also reveals that average applied tariffs in Europe and Oceania have experienced the largest decline of all regions, with a reduction of 30 per cent and 28 per cent respectively from their initial levels in 2006. In contrast, Africa and the Americas have seen little change in their applied tariffs over this period, with reductions of around 5 per cent in 16 years.

In all product group and development status combinations, there has been a relatively similar modest decline in MFN tariffs over time (see Figure 4), with the exception of agriculture in least-developed countries (LDCs). The applied MFN tariffs in agriculture in developed economies have remained relatively high. They have only been surpassed by the tariffs of LDCs in the same product group in 2015. The fluctuation of agriculture tariffs in developed economies is due to these being estimated at ad valorem equivalent of specific tariffs (AVEs). The computation of AVEs is based on unit values of traded products, which tend to fluctuate considerably over time.

Table 1: Average bound and MFN applied tariff rates for product groups, 2021

	Bound	MFN applied
Agriculture	54.4	14.8
Non-agriculture	27.6	8.0
All	37.4	8.9

Figure 4. Applied MFN average tariffs by product groups and development status



1.1 Share of MFN duty free tariff lines

The share of MFN duty-free products also indicates the degree of trade opening. Duty-free tariff lines can reduce trade costs beyond the fact that no tariffs need to be paid since they can also reduce administrative costs. This can have particularly positive implications for LDCs, which are often affected by high fixed costs for relatively small volumes.

The share of duty-free tariff lines has been increasing steadily for agriculture and non-agriculture products (see Figure 5). Agriculture products have a lower share of duty-free products and have also been liberalized less compared to non-agriculture products.

Between 2006 and 2021, the share of duty-free non-agriculture products increased by more than 7 percentage points while the share of duty-free agriculture products increased by less than 4 percentage points.

The share of duty-free products has gradually increased in all regions although the shares in 2021 vary significantly (see Figure 6). Africa has the lowest share of duty-free products, followed by the Americas and Asia. In Africa, only about one product in five is duty-free. Europe and Oceania have the highest share of duty-free products, approximately one-third.

By geographical region and product group, agriculture in Oceania and non-agriculture products in Europe have the highest share of MFN duty-free lines (see Figure 7). Europe also experienced the highest level of liberalization over time, with over 40 per cent of products currently duty-free. Significant liberalization also took place in non-agriculture products in the Americas, where duty-free coverage increased by nearly 10 percentage points over the 16 years. Conversely, in agriculture, the Americas and Africa eliminated tariffs on more products than Europe, albeit from a lower base.

Figure 5. Share of MFN duty-free products (per cent)

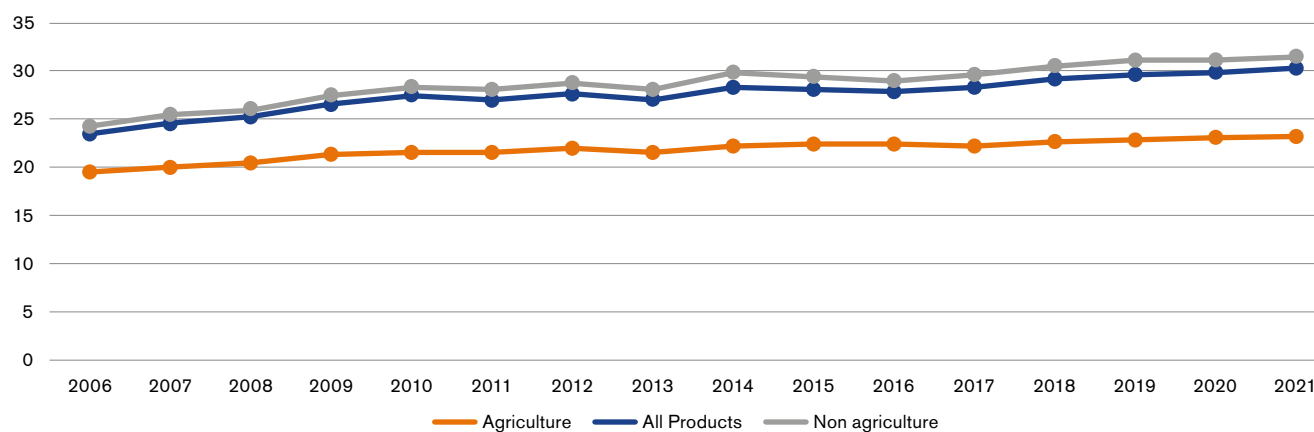
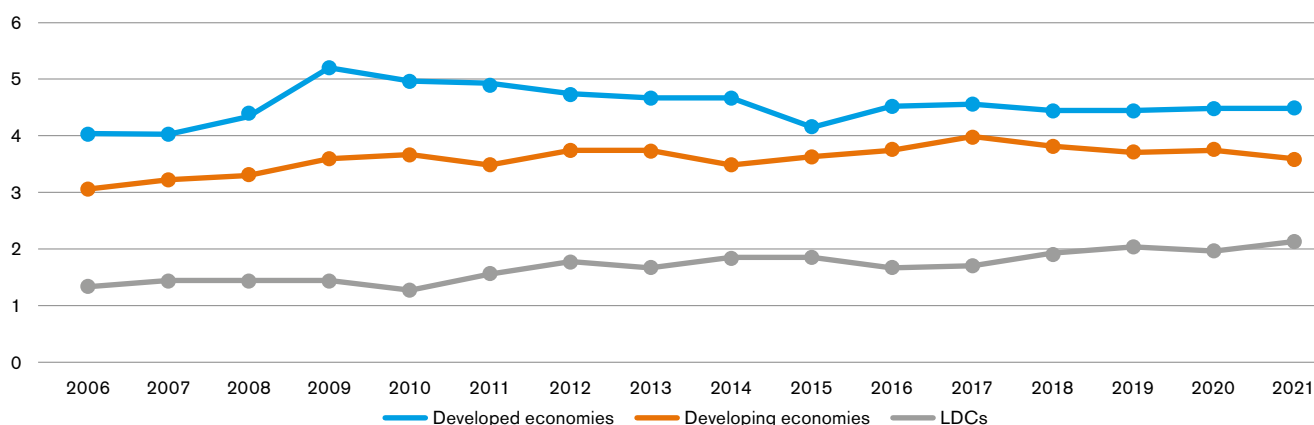


Figure 9. Share of domestic peaks by development status (per cent)



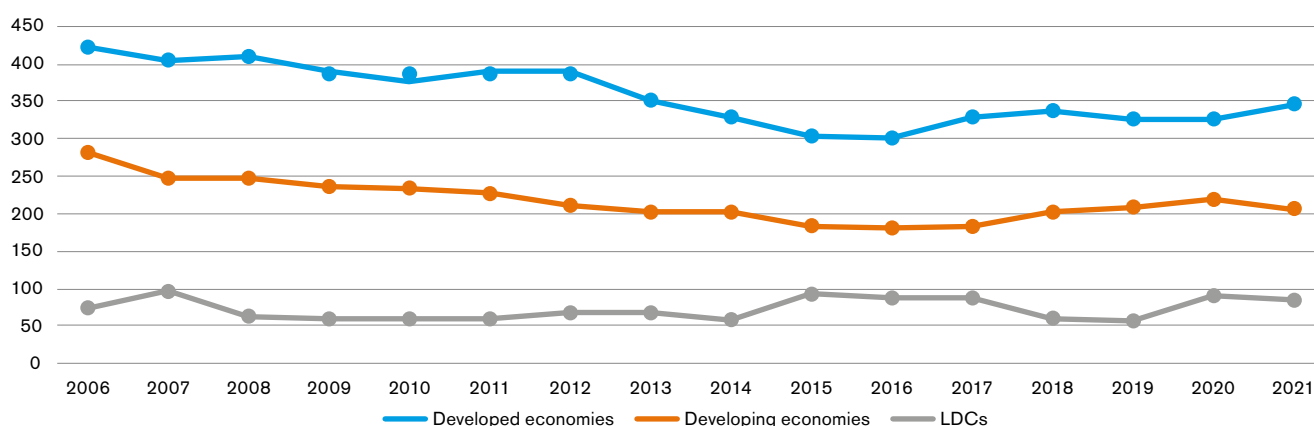
1.3 Maximum tariffs

A high maximum tariff is an indication of one or more very sensitive sectors. Tariffs can be prohibitively high, preventing all imports. Developed

economies have the highest maximum tariffs, above 300 per cent over the 16-year period, and LDCs the lowest, below 100 per cent (see Figure 10).

Developing economies fall between these two groups. Maximum tariffs are often AVE estimates and vary with the unit values of the products.

Figure 10. Average maximum duty by development status (per cent)



1.4 Trade opening patterns

The reduction in average MFN applied tariffs (see Figure 1) and the decrease in the average share of tariff peaks (see Figure 8) both point to modest trade opening for WTO members as a whole. Figure 11 shows the change in the national average MFN tariff in per cent and the change in the national share of international tariff peaks for all 130 economies covered in this study for agriculture products.

The majority of countries and customs territories in the bottom left quarter reduced both their national average

tariff and the share of their peaks. A second group (top right) raised both the national average MFN tariff and the share of their peaks. Only very few members increased one category and decreased the other. For example, one member reduced its average MFN tariff by about 20 per cent while keeping the share of its tariff peaks constant.

Several LDCs increased both the average MFN tariff rates and the share of international peaks. Developed economies often reduced the average MFN tariff rates more significantly than

they reduced their share of tariff peaks. Most economies are very close to the zero line, meaning only small changes in agriculture products over the 16 years.

The pattern for non-agriculture products is similar (see Figure 12). However, more economies reduced both their average MFN tariff and their share of tariff peaks, at least marginally.

Figure 13 depicts economies in four categories: those that increased or decreased tariffs in both agriculture and non-agriculture sectors between 2006 and 2021.

There have been more instances where non-agriculture (mainly manufacturing) tariffs were reduced (left quadrants). This is evident not only in the higher number of economies liberalizing manufacturing (84 economies) compared to agriculture (64 economies) but also in the number of economies that liberalized manufacturing while increasing agricultural tariffs (26 economies). In contrast, only six economies increased their manufacturing MFN tariff while decreasing agriculture tariffs (bottom right quadrant).

In conclusion, the analysis of data published in the World Tariff Profiles over 16 years reveals some important trends in market access. The overall trend is modest trade opening across all indicators. MFN tariffs have declined, the share of MFN duty-free tariff lines has increased, the share of international tariff peaks has decreased and the maximum bound tariff has declined. This indicates some progress towards a more open and interconnected global economy. However, the reduction in MFN tariffs was less significant than that from 1995 to 2005, following the implementation of the WTO's Marrakesh Agreement at the end of the Uruguay Round.

Agriculture products have higher tariff levels compared to non-agriculture products, both in terms of MFN and bound tariffs. Bound tariffs have remained significantly higher than applied MFN tariffs. Furthermore, agriculture products have a lower share of duty-free products and have been liberalized less compared to non-agriculture products.

The analysis also highlights regional variations. Africa has the highest average applied tariffs while Europe and Oceania have the lowest. Europe and Oceania have experienced the largest declines in tariffs while Africa and the Americas have seen little change in their applied tariffs. Tariff peaks have decreased in all groups in terms of development status. Developed economies have the lowest share of tariff peaks while LDCs have the highest. On the other hand, developed economies have the highest maximum tariff levels while LDCs have the lowest. The overall observation is that trade opening is being pursued by a majority of economies, with just some exceptions.

Figure 11. Change in applied MFN average tariff versus change in international tariff peaks in agriculture products

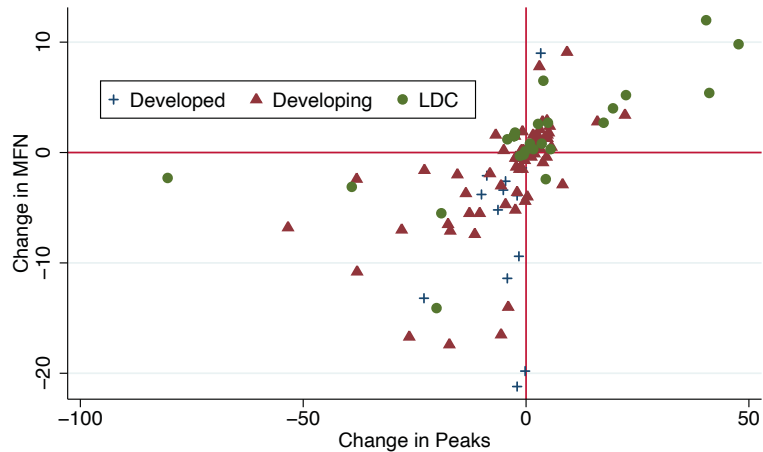


Figure 12. Change in applied MFN average tariff versus change in international tariff peaks in non-agriculture products

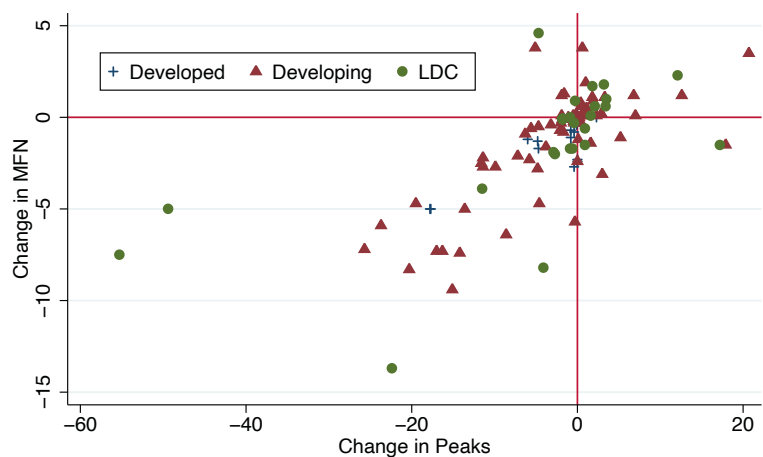


Figure 13. Change in applied MFN average tariff in agriculture versus non-agriculture

