What Are OECD Trade Preferences Worth to Sub-Saharan Africa?

Alexander J. Yeats

The proposed Uruguay Round reductions in most-favored-nation tariffs will cause some African exports to be displaced by other suppliers. Aggressive reform of the African countries' own trade regimes appears to be the most effective way to counter the effects of the erosion of OECD preferences.

Summary findings

Some developing countries may experience *important trade losses* if tariffs are liberalized on a general most-favored-nation (MFN) basis. Sub-Saharan Africa appears to be especially vulnerable to this problem.

African countries receive important Lomé Convention preferences in the European Economic Community (EEC), under which duty-free treatment, or tariffs below MFN and generalized system of preference (GSP) rates, are applied to their exports. Other OECD countries normally apply GSP duties, or even more advantageous "least developed" country preferences to African exports.

The proposed Uruguay Round reductions in MFN tariffs will *erode those tariff preference margins* and cause some African exports to be displaced by other suppliers.

Yeats documents the importance to African countries of existing OECD preferences, particularly those of the EEC. More than 95 percent of all African-tariff-line products shipped to the EEC receive duty-free treatment, while other exporters of the same products face tariffs as much as 20 percentage points higher.

Similar favorable terms of preferential access also exist in Japan and the United States, although the preference margins are smaller than in the EEC.

Using a trade projection model developed by the

World Bank and UNCTAD, Yeats estimates that eliminating EEC, Japanese, and U.S. MFN tariffs would cause African export losses of about \$4 billion (estimated present value). The countries that seem to be most vulnerable to these adverse trade effects are Côte d'Ivoire, Ethiopia, Kenya, Malawi, Senegal, Uganda, and Zimbabwe.

What about the possibility that the losses African countries could experience from erosion of tariff preferences could be offset by the liberalization of nontariff measures? Yeats discounts this likelihood.

In general, few important OECD nontariff measures are applied to African products — most African textile and clothing exports are even excluded from Multifibre Arrangement restrictions. And those that are applied (such as eco-labeling or licensing requirements) do not restrict trade very much.

Yeats' observations accent the need for actions to offset the impact of Africa's loss of preferences as a result of the Uruguay Round. What offsetting actions are possible and appropriate? Aggressive reform of the African countries' own trade regimes appears to be the most effective way to counter the effects of the erosion of OECD preferences.

This paper — a product of the International Trade Division, International Economics Department — is part of a larger effort in the department to analyze and predict structural changes in trade and to identify factors affecting the exports of developing countries. Copies of the paper are available free from the World Bank, 1818 H Street NW, Washington, DC 20433. Please contact Jean Jacobson, room S7-037, extension 33710 (27 pages). February 1994.

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Introduction

A problem which has complicated multilateral trade negotiations like GATT's Uruguay Round is that OECD countries have adopted important departures from the most-favored-nation (MFN) principle in their trade regimes. Recently these departures have taken the form of regional trade preferences, such as the Canada-United States Free Trade Arrangement, NAFTA, the Australia-New Zealand Free Trade Arrangement, or European Community and EFTA preferences for Eastern Europe.¹ Developing countries receive important trade preferences under the OECD countries' Generalized System of Preference (GSP) schemes, and through preferences extended under the EEC Lomé Convention and the US Caribbean Basin Initiative (CBI).²

¹Braga and Yeats (1992, Table 1) estimate that almost 50 percent of world trade in manufactures occurs under preferences. European trade accounts for almost two thirds of this total with the EEC and EFTA arrangements being of particular importance. Aside from the intra-trade of countries within these two groups, which is all duty free, a protocol allows for duty free trade in manufactures between EEC and EFTA. According to Braga-Yeats tabulations the European arrangements cover a trade value more than *seven times greater* than that of NAFTA intra-trade. See Appendix A in Schott (1989) for a listing of free trade arrangements that have been notified to the GATT.

²Several points should be noted concerning GSP preferences. First, some agricultural and manufactured products are exempted and developing countries' exports of these goods encounter MFN tariffs. Second, GSP treatment may be withdrawn from specific products once predetermined ceilings are reached. Third, several countries like Singapore, Hong Kong and Taiwan (China) have been "graduated" from GSP schemes and no longer receive their tariff preferences. Other developing country suppliers may also have GSP preferences withdrawn if they fail "competitive need" tests, i.e., they are judged able to compete successfully with other suppliers without preferences. Many GSP schemes extend even lower preferential tariffs than those received by other developing countries to the "least developed" countries. Least developed countries in Africa are: Benin, Botswana, Burkina Faso, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Djibouti, Equatorial Guinea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Sao Tome and Principe, Sierra Leone, Somalia, Sudan, Togo, Uganda, Tanzania, Zaire and Zambia.

Since the Uruguay Round will lower trade barriers on an MFN basis it poses a dilemma for preference-receiving countries. Specifically, MFN tariff reductions will erode these countries' *margins of preference* and cause their competitive position to deteriorate vis-a-vis other suppliers. Trade losses will occur as some preference-receiving goods are displaced (diverted) by exports from other (non-preference receiving) countries. As a result, preference-receiving countries could justifiably try to minimize reductions in MFN tariffs.³ Overall, the strategy which these countries might adopt vis-a-vis the multilateral trade negotiations could be determined by an assessment of whether the likely trade gains from lower MFN tariffs on their non-preference receiving goods would offset the expected losses from their preference-receiving exports.

This study examines the problem of preference erosion from the perspective of Sub-Saharan African countries. Sub-Saharan Africa (SSA) was selected for analysis due to the extensive multiple tariff preferences these countries receive in OECD markets (i.e. GSP, Lomé Convention and, in many cases, least developed country preferences), and the fact that the region's export growth has been below that of most other countries (World Bank, 1992).

Three separate issues are addressed. First, the relative importance of specific products and of

³For some products with non-zero preference duties it may be possible to reduce both the MFN and preferential tariff so no reduction in the margin of preference occurs. However, the Uruguay Round is focussed on MFN tariffs and any compensating adjustments in preferential tariffs would have to be made at the discretion of the donor country. UNCTAD (1982) argues that the Tokyo Round resulted in major trade losses for some developing countries due to the erosion of trade preferences and has expressed concerns that the Uruguay Round will have similar detrimental effects. It should be noted that some exporters such as the so called "least developed" countries often face zero OECD preferential duties, so these margins could not be adjusted to offset MFN tariff cuts. See footnote 2 for a list of least developed African countries.

OECD markets for African exporters is assessed to determine where analysis of the Uruguay Round's effects should focus. Second, detailed information on trade barriers maintained by the World Bank and UNCTAD is employed to assess the importance of tariffs (and tariff preferences) facing African countries in their key export markets. This section employs a World Bank trade projection model to quantify the effects of MFN tariff cuts on African exports. Third, the study employs an inventory of OECD countries' nontariff measures to assess the incidence of these restrictions on African exports and the likely effects of their liberalization. The intention here is to determine whether or not liberalization of nontariff barriers could offset potential export losses African countries will experience due to erosion of tariff preferences.

The Relative Importance of African Export Markets

An important first question for any assessment of MFN tariff cuts relates to the identification of the key markets for African exports since it is here that trade barrier liberalization will have its maximum impact. Table 1 provides relevant information by showing the value and share of individual African country exports destined for major groups of importing countries, i.e., all developed countries, the EEC, North America, other Sub-Saharan countries, etc.⁴ The major point that emerges from these figures relates to the overall importance of

⁴The statistics in Table 1 are mainly for 1988 and are based on information reported by African countries to the United Nations. While similar data for most other countries is one to two years out of date, African trade statistics are typically less current and much less reliable. Yeats (1990) analyzed the quality of African trade statistics and concluded that "the data cannot be relied on to indicate the level, composition, or even direction and trends in African countries' trade." For this reason Table 1 must be used with caution. The United Nations and IMF publish more recent total African trade statistics, but these data do not provide details on component products or the destination of exports.

Exporting Country	World (\$million)	Share of total exports destined for (percentage)								
		Developed Countries	of which:			Eastern Europe	Socialist Asia	Developing Countries	of which:	
			EEC(12)	North America	Japan				Africa	South-East Asia
SUB-SAHARA AFRICA	25,455.6	77.7	47.4	24.4	2.8	2.4	0.6	17.2	9.8	0.3
Angola	1,296.4	81.5	34.5	45.0	—	0.3	—	18.0	1.8	0.6
Botswana	na	na	na	na	na	na	na	na	na	na
Cameroon	924.0	67.5	60.3	5.4	1.2	4.1	—	28.5	22.3	2.0
Central African Rep.	135.0	69.5	65.3	2.3	0.6	—	1.5	23.9	9.9	10.6
Chad	141.0	32.2	31.3	—	—	—	—	67.8	60.6	1.4
Congo	776.9	65.6	31.5	33.3	0.5	0.7	—	33.6	1.4	1.4
Cote d'Ivoire	2,906.0	64.4	54.4	8.6	0.7	5.3	0.1	25.0	22.8	1.7
Ethiopia	358.0	82.3	59.3	13.6	8.0	6.9	0.2	10.5	3.2	0.4
Gabon	1,429.0	68.2	50.5	12.7	1.7	1.9	0.5	25.6	6.4	8.6
Ghana	1,014.0	79.9	40.8	24.6	9.0	11.6	0.1	8.4	1.6	4.3
Guinea	na	na	na	na	na	na	na	na	na	na
Kenya	961.0	64.1	47.0	10.6	0.6	0.1	0.4	31.4	22.7	5.4
Liberia	404.4	96.9	77.9	17.9	0.9	—	—	3.1	2.3	0.2
Madagascar	316.6	84.9	58.2	15.4	10.9	3.6	1.9	8.8	3.7	5.0
Malawi	286.9	78.3	40.3	13.8	8.7	—	—	18.8	16.1	1.3
Mali	192.0	34.7	28.0	3.3	2.2	28.5	0.2	34.0	27.8	6.1
Mauritania	427.8	72.6	44.2	1.4	27.0	15.0	0.3	10.1	9.6	0.5
Mauritius	997.5	93.2	76.5	15.0	0.2	0.4	—	5.1	3.7	1.3
Niger	91.2	70.0	66.6	2.6	0.7	—	—	29.9	29.9	—
Nigeria	7,382.6	91.2	41.5	49.1	0.1	—	—	8.8	6.1	0.1
Reunion	160.8	89.6	85.8	0.2	2.7	—	—	10.4	10.2	—
Senegal	606.3	47.1	45.1	0.4	1.2	—	0.1	29.8	18.9	5.8
Sierra Leone	148.0	74.7	65.0	9.3	—	0.7	—	9.0	2.6	0.3
Sudan	509.1	39.5	28.6	3.7	6.1	8.6	0.5	51.4	8.6	21.0
Swaziland	na	na	na	na	na	na	na	na	na	na
Togo	245.1	43.7	12.6	0.9	0.9	6.4	0.3	31.0	14.0	13.7
Uganda	436.0	85.2	51.8	28.0	3.6	0.8	—	13.9	10.6	1.4
United Rep. Tanzania	346.0	79.0	64.1	3.3	5.3	0.7	1.8	18.2	4.2	11.5
Zaire	1,120.9	85.6	57.7	21.7	5.1	0.8	3.5	8.8	3.4	2.4
Zambia	425.0	75.7	36.0	9.1	27.1	—	12.5	11.7	1.0	5.8
Zimbabwe	1,419.0	78.4	40.3	6.1	5.7	2.1	2.5	16.9	11.6	3.4

Source: UNCTAD, *Handbook of International Trade and Development Statistics*, (Geneva: UNCTAD) and UN COMTRADE records. Statistics for Guinea were not available and exports from Botswana and Swaziland are recorded in totals for the South African Customs Union. Several smaller countries like Gambia were excluded from the above due to the low value of their exports. The percentages may not sum to 100 since about 3 percent of Sub-Sahara Africa's exports are not allocated by destination.

developed countries as markets for African exports and, within the developed country group, the singular importance of the EEC.

For Sub-Saharan Africa as a whole about 78 percent of all exports go to developed countries and this share equals 90 percent or more for Liberia, Mauritius and Nigeria. Roughly 60 percent of all African exports to developed countries are destined for the EEC (these shipments account for 47 percent of African exports). North America accounts for about one-half the value of EEC trade. Japan is marginal, receiving less than 3 percent of African exports. One-half (14 of 28) of the African countries have over 50 percent of their exports destined for the EEC -- the share exceeds 75 percent in the case of Liberia, Mauritius and Reunion. In short, Table 1 clearly indicates that Uruguay Round trade liberalization measures adopted by the EEC will be of key importance for African countries, but developments in the North American market will also have a major impact.

Having established the importance of OECD markets (particularly the EEC) for Africa, a second related consideration for assessing the influence of MFN tariff cuts concerns identification of the major African export products. Table 2 provides an indication by tabulating the value and share of the 30 largest non-oil three-digit SITC products exported by African countries to OECD markets in 1970, 1980, and 1990.⁵ These export items account for approximately \$16.5 billion in trade or 92 percent of total non-oil African exports to OECD markets. In addition, the table also provides similar information for five broad classes of

⁵Several earlier years of data have been included to help assess changes in the relative importance of African exports. Crude petroleum (SITC 331) dominates African trade, with this single three-digit product accounting for over 50 percent of total exports. Petroleum was excluded from Table 2 in order to better indicate the relative importance of other products to African countries that are not energy exporters. Also, crude petroleum generally does not face OECD trade barriers so it would not be directly affected by the Uruguay Round.

goods, namely: foodstuffs; agricultural raw materials; ores, minerals and nonferrous metals; mineral fuels; and manufactured goods.

One major point that emerges from Table 2 concerns the importance of raw materials and non-temperate zone foodstuffs in African exports and the unimportance of manufactured goods. This product orientation has important implications since most studies (see Laird and Yeats, 1987, for example) show that OECD tariffs and other trade barriers are relatively high for manufactures but are generally zero or relatively low for raw material products of the sort Africa exports. Non-fur clothing (SITC 841) normally faces highly restrictive barriers in OECD markets and constitutes a large share of many developing countries' exports, but these products only account for about 4 percent of total African non-oil exports which mostly originate in Mauritius (this country accounts for about 90 percent of all African clothing exports to the OECD).⁶ Sugar and honey (SITC 061) exports face restrictive trade barriers in OECD markets (including strict quotas and variable import levies), as do exports of ferrous metals and fish: but for the most part the products in Table 2 generally encounter lower

⁶The statistics on "manufactures" exports in Table 2 may misrepresent the importance of these items in African exports due to anomalies in two product groups. Pearls and precious stones (SITC 667) account for about 10 percent of African non-oil exports, but there is disagreement as to whether these items are "manufactures" (as they are recorded in Table 2). The problem is that the SITC does not differentiate between cut and polished gems (which could be considered a manufactured good) and raw unprocessed stones which are a questionable manufacture. Mainly the latter are mainly exported from Africa, while polished gems typically are exported from more industrialized countries (like Israel). Second, ships and boats (SITC 735) account for about 6 percent of African exports, but these transactions largely reflect transfers under "flags of convenience" and not true manufacturing activity. Convention normally defines manufactured goods as all items classified in SITC groups 6 through 8 less 55, although it is recognized that there are problems with this procedure (See Yeats 1992).

Table 2. The Thirty Largest Non-Energy Three-Digit SITC Products Exported by Sub-Saharan Africa to OECD Markets in 1970, 1980 and 1990.

Product Group (SITC)	Share of Total Exports (%)			Value of Exports (\$-million)		
	1970	1980	1990	1970	1980	1990
Pearls and precious stones (667)	1.9	3.0	9.6	112	529	1,739
Copper (682)	24.8	10.8	9.4	1,496	1,904	1,703
Cocoa (072)	10.0	12.2	8.6	606	2,144	1,572
Coffee (071)	13.6	16.5	7.9	819	2,903	1,433
Ships and boats (735)	0.2	1.1	6.0	13	185	1,095
Wood in the rough (242)	5.2	6.9	4.9	315	1,213	896
Ores of non-ferrous metals (283)	2.5	3.4	4.6	149	589	836
Fresh fish (031)	0.5	1.1	4.3	30	.93	785
Clothing not of fur (841)	--	0.6	4.0	--	102	720
Cotton (263)	4.1	2.7	3.2	250	466	574
Sugar and honey (061)	1.8	3.4	2.9	106	595	535
Wood shaped (243)	1.0	1.3	2.9	62	238	525
Unmanufactured tobacco (121)	0.8	1.4	2.4	48	254	448
Iron ore and concentrates (281)	6.8	3.6	2.4	414	636	429
Fresh fruit and nuts (051)	1.3	1.7	2.1	80	291	392
Aluminum (684)	1.2	1.6	2.4	75	285	356
Radioactive materials (515)	0.0	3.1	1.5	0	549	280
Tea and mate (074)	1.5	1.5	1.5	92	266	278
Crude rubber (231)	1.4	1.1	1.2	83	203	227
Crude vegetable materials, nes (292)	0.9	0.9	1.2	52	163	220
Fish in airtight containers (032)	0.2	0.6	1.1	12	102	200
Leather (611)	0.1	0.4	1.1	8	65	191
Pig iron (671)	0.0	0.7	0.9	3	122	163
Plywood and veneers (631)	0.5	0.7	0.9	31	126	163
Misc. non-ferrous metals (689)	1.7	1.9	0.9	106	329	158
Special transactions (931)	0.2	4.9	0.8	10	868	150
Fixed vegetable oils (421)	1.6	0.7	0.8	98	117	140
Hides and skins (211)	0.9	0.8	0.8	53	147	140
Nickel (683)	--	0.3	0.7	2	44	121
Crude fertilizers (271)	0.7	1.2	0.7	42	215	121
MANUFACTURES (5 to 8 less 68)	3.8	5.0	13.4	265	2,205	5,087
FOODS (0+1+22+4)	36.7	17.4	16.7	2,494	7,729	6,390
AGRICULTURAL MATERIALS (2-22-27-28)	12.9	5.7	6.9	877	2,529	2,619
ORES AND NONFERROUS METAL (27+28+68)	35.1	9.8	10.5	2,391	4,376	3,960
FUELS (3)	11.1	60.1	51.9	759	2,705	19,656

Source: United Nations COMTRADE records. Import statistics as reported by OECD Countries to the United Nations.

than average trade restrictions.⁷ This treatment should, in general, mitigate the impact of trade preference erosion on African exports.

Tariff Protection Against African Exports

The previous analysis showed Sub-Saharan exporters are primarily dependant on developed countries for export markets and, within this group, the EEC is of special significance. Analysis of the terms of access that African countries have in the EEC is of key importance in any assessment of the impact of the Uruguay Round or general MFN tariff cuts. Table 3 summarizes the current profile of EEC tariffs facing African countries. These data attest to the importance of European preferences for African exports, and the adverse trade consequences that could result if these preferences were eroded. For comparison, the table contrasts the African countries' situation with that of two more industrialized exporters, namely, Republic of Korea and Taiwan (China).

The key points evident from Table 3 relate to the high concentration of most African countries' exports in a very small number of tariff lines and the importance of existing trade preferences for these items. As an illustration, Table 3 shows Angola exported 134 tariff line products to the EEC (see the right most column -- the EEC customs schedule distinguishes

⁷For many of the raw material products in Table 2, trade barriers increase or "escalate" with further processing. As an example, raw cotton (SITC 263) is generally freely traded, but more restrictive barriers are encountered after the item is processed into yarn, textiles, or clothing (see Yeats 1987 for an analysis of the effects of such trade barrier escalation on the exports of developing countries). Uruguay Round MFN tariff cuts may reduce important preference margins for some fledgling African processing industries that have not yet achieved sufficient size to be included in Table 2. Reductions in tariff preferences for these items may remove an important incentive to the further development of African processing industries.

between 9,506 individual tariff lines) and that 25 of these items faced a zero MFN tariff. However, on 106 line items Angola received a zero preference rate (second column from the left) with the result that 131 or 98 percent of Angola's exports enter the EEC free of duty.⁸ In only two tariff lines (involving \$10,000 in total exports of fresh grapes and strawberries) did Angola *not* receive preferences and, as a result, paid the full MFN tariff. In short, Angola could experience trade gains from MFN tariff cuts on these two products and experience export losses on 131 tariff line items.

The data for other African exporters reveal a situation similar to that for Angola. Preferences result in at least 97 percent of each African country's exports entering the Community free of duty, and in two cases (Congo and Guinea) no duties are paid on any line item. Table 3 also shows how markedly the profile of protection against African countries' exports differs from that of Republic of Korea and Taiwan (China). Only four percent of the latter's exports (less than 200 tariff line items out of a total of over 4,000) have EEC duty free access -- not due to preferences but because of a zero MFN rate. These comparisons underscore the differences in strategies regarding tariffs in the Uruguay Round. The Asian NICs would clearly have a major interest in broad-based MFN tariff cuts, while African countries would want to limit MFN duty reductions to preserve their preferences.

⁸The picture is complicated somewhat by quotas or ceilings on some products receiving preferences. After these predetermined ceilings are exceeded further imports are taxed at the prevailing MFN rate. Comprehensive tariff line level information on how often these ceilings have been hit is not available, but aggregate statistics of preference utilization ratios provided by the EEC suggest that African countries' exports generally do not exceed ceilings.

Table 3. Sub-Saharan Export Products Facing MFN or Preferential Duties in the European Community (No. of tariff line items).

Exporting Country	Tariff Lines Facing a Zero MFN Duty	Zero Preference Rate Lines	Total Lines with Zero Duties ¹	Non-Zero Preference Rate Lines	Zero Duty or Preference Rate Lines ¹	Non-Zero MFN Duty Lines	Total Tariff Lines Exported
Angola	25	106	131 (98)	1	132 (98)	2	134
Botswana	33	94	127 (99)	0	127 (99)	1	128
Cameroon	95	411	506 (98)	4	510 (99)	4	514
Central African Republic	41	83	124 (98)	0	124 (98)	3	127
Chad	21	51	72 (97)	1	73 (99)	1	74
Congo	57	173	230 (100)	0	230 (100)	0	230
Cote d'Ivoire	121	595	716 (97)	6	722 (98)	14	736
Ethiopia	67	111	178 (98)	1	179 (99)	2	181
Gabon	55	261	316 (100)	0	316 (99)	1	317
Ghana	63	250	313 (99)	2	315 (99)	2	317
Guinea	50	109	159 (100)	0	159 (100)	0	159
Kenya	108	438	546 (98)	4	550 (98)	10	560
Liberia	57	84	141 (96)	1	142 (97)	5	147
Madagascar	63	278	341 (97)	2	343 (98)	8	351
Malawi	28	140	168 (98)	2	170 (99)	1	171
Mali	34	146	180 (99)	1	181 (99)	1	182
Mauritania	18	125	143 (99)	0	143 (99)	4	144
Mauritius	46	588	634 (99)	2	636 (99)	6	642
Niger	29	151	180 (99)	1	181 (99)	1	182
Nigeria	127	392	519 (99)	3	521 (99)	4	525
Senegal	90	375	465 (98)	4	469 (99)	6	475
Sierra Leone	30	78	108 (98)	0	108 (98)	2	110
Sudan	55	84	139 (99)	1	140 (99)	1	141
Swaziland	20	118	138 (98)	5	143 (96)	6	149
Togo	48	170	218 (96)	2	220 (97)	6	226
Uganda	25	60	85 (97)	0	85 (97)	3	88
United Republic Tanzania	79	219	298 (99)	1	299 (99)	2	301
Zaire	97	217	314 (98)	0	314 (98)	7	321
Zambia	48	125	173 (93)	8	181 (97)	5	186
Zimbabwe	91	451	542 (97)	8	550 (99)	6	556
MEMO ITEM							
Taiwan, China	192	0	192 (4)	0	192 (4)	4,080	4,272
Republic of Korea	153	0	153 (4)	0	153 (4)	3,350	3,503

¹ Figures in parentheses show the percentage of all tariff lines covered. The EEC customs schedule differentiates between some 9,506 line item products.

Table 4 extends the foregoing analysis by examining the average preference margins current EEC tariffs provide African countries over other exporters and also gives similar information for the United States and Japan. The table shows the average nominal duty African countries paid on exports to each of these three markets and also indicates their average margin of preference -- a negative figure indicates the number of percentage points the African duty was below the average tariff facing other countries. For example, on its exports to the EEC Angola faced tariffs that averaged three-tenths of one percent, a rate 3.2 percentage points below the average duty facing other exporters of the same products.⁹ Similar statistics for Taiwan (China) and the Republic of Korea have again been included to contrast the African situation with that of more "industrialized" countries.

In the EEC, the average tariff facing African exporters typically ranges from zero to three-tenths of a percent with Uganda recording a high of 0.6 percent -- due mostly to a tariff of 18 percent on its exports of fresh grapes. The preference margins these tariffs provide African countries are typically in the two to four percentage point range and reach a high of 4.9 points for Swaziland.¹⁰ Although the margins vary, every one of the 30 African countries

⁹The duties shown in Table 4 are the unweighted averages of tariffs applied to the African country's exports and the unweighted average paid by competitors. The tariff facing "other" exporters is the unweighted average of the MFN, GSP, Least Developed, ACP, or regional preference tariff applied to imports from all other suppliers of the same goods. Some industrial and advanced developing countries may face duties that are considerably higher than suggested by these African preference margins if there are significant imports from other Sub-Saharan countries, or if other preferences (GSP, EFTA-EEC, Least Developed, regional arrangements, etc.) cover a high share of trade and these rates are considerably below MFN duties.

¹⁰Swaziland exports mandarin and other oranges to the EEC and pays a full MFN duty of 4 percent on these shipments -- as it does on exports of a several fresh agricultural products including asparagus, lemons and other citrus. Outside the agricultural sector, Swaziland faces a MFN tariff of 8.5 percent on coal exports to the Community of about \$1.6 million.

Table 4. The Incidence of OECD Tariffs on Sub-Saharan Countries' Non-Oil Exports (all figures in percent).

Exporting Country	OECD Average		European Community		Japan		United States	
	African Tariff	Preference Margin ¹	African Tariff	Preference Margin ¹	African Tariff	Preference Margin ¹	African Tariff	Preference Margin
Angola	0.2	-1.5	0.3	-3.2	1.8	0.0	0.1	-0.4
Botswana	0.3	-2.8	0.1	-2.9	0.0	-2.1	3.5	-1.1
Cameroon	0.4	-2.5	0.1	-2.8	0.0	0.0	2.1	-1.1
Central African Republic	0.2	-2.2	0.2	-2.3	0.0	0.0	0.0	-1.1
Chad	0.4	-2.7	0.2	-2.9	2.5	0.0	1.6	0.0
Congo	0.1	-1.4	0.0	-2.2	0.0	0.0	0.3	-0.6
Cote d'Ivoire	0.7	-3.1	0.3	-3.3	1.2	-0.5	3.3	-2.0
Ethiopia	0.7	-1.3	0.1	-1.9	1.5	-1.3	2.0	0.4
Gabon	0.6	-2.0	0.0	-2.7	0.0	0.0	2.9	0.7
Ghana	1.0	-2.2	0.1	-3.1	2.3	0.0	2.6	-0.9
Guinea	0.6	-2.3	0.0	-2.9	1.8	-1.9	1.9	-1.0
Kenya	0.5	-3.3	0.2	-3.5	2.4	-1.1	3.1	-2.3
Liberia	0.6	-1.7	0.3	-1.9	0.0	-0.3	2.5	-1.1
Madagascar	0.5	-2.0	0.4	-2.7	0.8	-0.2	0.8	-1.0
Malawi	1.1	-2.4	0.1	-3.5	0.0	-0.1	5.4	-0.6
Mali	0.4	-3.4	0.2	-3.5	0.0	-1.6	3.1	-2.2
Mauritania	1.7	-2.3	0.2	-3.9	3.6	-0.4	1.2	-1.6
Mauritius	1.3	-3.1	0.2	-3.4	4.8	-1.1	6.4	-1.8
Niger	0.1	-3.0	0.0	-3.0	0.0	0.0	3.3	-1.6
Nigeria	2.7	-0.9	0.1	-2.6	3.7	-0.8	5.2	0.7
Senegal	0.5	-3.3	0.3	-3.5	3.6	0.1	4.9	-1.2
Sierra Leone	0.5	-3.1	0.0	-4.0	2.6	-0.7	2.3	-0.2
Sudan	0.1	-1.5	0.1	-1.9	0.0	0.0	0.7	-1.0
Swaziland	0.8	-4.4	0.5	-4.9	6.7	-3.0	3.5	-1.9
Togo	0.3	-2.8	0.2	-2.8	9.8	-0.8	0.2	-2.8
Uganda	0.9	-2.4	0.6	-3.0	0.0	0.0	2.1	-0.3
United Republic Tanzania	0.1	-2.3	0.0	-2.5	1.4	-1.0	0.0	-2.4
Zaire	0.3	-2.1	0.1	-2.4	0.0	-0.5	1.3	-1.1
Zambia	0.3	-1.7	0.5	-2.9	0.0	-0.6	1.4	-1.4
Zimbabwe	0.9	-2.5	0.2	-3.3	1.2	-1.0	4.0	-1.0
MEMO ITEM								
Taiwan, China	6.1	0.9	7.5	4.0	2.5	-2.2	6.8	0.7
Republic of Korea	6.0	0.6	7.8	4.2	2.7	-2.2	7.1	0.7

¹Negative values show the average preferential tariff margins (in points) that the African exporter has over all other exporters of the same goods. Positive values indicate that the exporter faces a higher than average tariff due to preferences other countries receive. All tariffs shown above are the simple average (unweighted) of duties paid on the country's exports.

listed in Table 4 faces tariffs that are, on average, below those paid by other exporters. For some individual products these preferential tariff margins are 20 percentage points or more. This situation is markedly different from that of the Asian NICs. Taiwan (China) pays an average tariff of 7.5 percent on the goods it exports -- a rate that is 4.0 percentage points **higher** than that facing all other exporters of the same items. EEC tariffs facing Korea average 7.8 percent -- 4.2 points higher than that facing other exporters (many of which receive preferences) of the same goods. Again these comparisons accent the major differences these countries have toward tariff negotiations -- preference receivers would want their privileged status preserved while other countries would want to secure maximum possible reductions in MFN tariffs.

Table 4 shows that African countries also receive important preference (due to the GSP) in the United States and Japan, but the situation differs somewhat from that in the EEC. First, the average U.S. and Japanese tariff is often higher than in Europe (i.e., an average 9.8 percent duty is paid on Togo's exports to Japan; the tariffs on Mauritius' exports to the United States average 6.4 percent) and the margins of preference are often lower.¹¹ In several cases, the US-Canadian and US-Israel FTAs, or US Caribbean Basin Initiative (CBI) result in zero tariffs being applied to competitors' products with the result that African exporters pay a higher-than-average tariff.¹² For this reason further analysis is needed to determine

¹¹The high Japanese average is largely due to a tariff of 25 percent on Togo's exports of prepared and preserved tomatoes. The results for Mauritius are due to US tariffs of up to 35 percent on a number of textile and clothing products including men and boys shirts, babies blouses, and sweaters.

¹²Adverse African tariff differentials are largest for Gabon and Nigeria because US customs regulations preclude the extension of GSP tariffs to OPEC members. As a result, textile and clothing exports from these countries face a U.S. MFN duty of over 20 percent while U.S. FTA or GSP tariffs are in the range of zero to four percent. Ethiopia also had GSP treatment withdrawn due to US opposition to the government's policies.

whether African countries would experience net trade gains or losses in the US and Japan.

The Trade Effects of MFN Tariff Cuts

The previous analysis showed a EEC MFN tariff liberalization would have adverse consequences for all African countries' exports due to preference erosion, and many could also experience net trade losses in the United States and Japan. This raises the key question of how large would the overall OECD displacement be, and which African countries would be most seriously affected? For answers, a trade projection model developed by the World Bank was used to simulate the effects of MFN tariff cuts (and preference erosion) on African exports. A full description of the model (named SMART -- Software for Market Analysis and Restrictions on Trade) can be found in World Bank (1992) or Erzan and Yeats (1992).¹³

Table 5 summarizes projections of the effects of a full removal of MFN tariffs on goods exported by African countries to the EEC, Japan and United States.¹⁴ The table

¹³An extensive literature exists on the empirical modelling of trade preferences. The study most often cited is Baldwin and Murray (1977). Other frequently referenced studies include Ahmad (1978), Clague (1971), Pomfret (1986) and Sapir and Baldwin (1983). The SMART model incorporates many features of the models used in these analyses. One important point to note is that none of these models account for the effects of linkages between the export sector and other supporting sectors of the economy. As such, they understate the importance of export changes on overall changes in the level of economic activity. An offsetting factor, which also is not accounted for, is that a liberalization of OECD trade barriers should accelerate economic growth in these countries. This, in turn, would increase the demand for African exports.

¹⁴Although the precise magnitude of the Uruguay Round tariff cuts are not yet known, it is expected that they might lower existing MFN tariffs by as much as 50 percent. In this case, the African countries' EEC trade losses would be about one-half the figures reported in Table 5. A roughly proportional relationship exists between the depth of the eventual Uruguay Round tariff cuts and the projections for the EEC shown in the table. That is, if the Round were to liberalize tariffs by (say) 30 percent the African trade losses would be about one-third those reported. This relation does not hold for the United States and Japan where a 50 percent MFN tariff reduction might produce larger African losses than those shown in the table -- see footnote 16 for an explanation of why this occurs.

Table 5. Estimated Trade Effects of an Elimination of Tariffs on African Exports to the EEC, .

	European Economic Community			Japan			United States		
		Projected Change			Projected Change			Projected Change	
Exporting Country	Imports (\$000)	Value	Percent	Imports (\$000)	Value	Percent	Imports (\$000)	Value	Percent
Angola	219,927	-3,653	-1.7	82	0	0.0	67,419	156	0.2
Botswana	49,079	-1,307	-2.7	616	-6	-1.0	17,029	1,712	10.1
Cameroon	849,450	-16,520	-1.9	17,993	0	0.0	71,629	351	0.5
Central African Republic	95,824	-1,372	-1.4	528	0	0.0	2,974	-15	-0.5
Chad	51,651	-88	-0.2	4,116	4	--	151	7	4.6
Congo	208,750	-466	-0.2	17,515	0	--	37,915	154	0.4
Cote d'Ivoire	1,851,834	-57,344	-3.1	20,032	-32	--	243,294	-29	--
Ethiopia	167,375	-6,368	-3.8	57,708	74	--	74,569	525	0.7
Gabon	638,525	-2,414	-0.4	30,198	0	0.0	26,616	343	1.2
Ghana	572,527	-3,929	-0.7	77,504	690	0.9	133,863	33	--
Guinea	285,975	-1,283	-0.4	1,122	55	4.9	160,839	1	--
Kenya	588,086	-26,354	-4.5	16,238	519	3.2	72,462	1,215	1.7
Liberia	799,920	-129	--	32,504	0	0.0	114,039	-1	--
Madagascar	191,899	-5,599	-2.9	42,801	868	2.0	39,737	-34	-0.1
Malawi	130,268	-6,056	-4.6	37,227	-1	--	38,055	3,281	8.6
Mali	67,460	-254	-0.4	782	-1	-0.1	7,253	-125	-1.7
Mauritania	214,899	-2,743	-1.3	185,614	-7,505	-4.0	11,921	-1	--
Mauritius	702,792	-24,539	-3.5	2,746	131	4.8	171,863	71,849	41.8
Niger	282,886	-619	-0.2	2	0	0.0	2,274	-10	-0.4
Nigeria	583,662	-3,657	-0.6	5,114	153	3.0	197,587	1,127	0.6
Senegal	445,680	-17,625	-4.0	18,594	639	3.4	41,227	-29	--
Sierra Leone	137,376	-1,329	-1.0	373	14	3.8	62,508	716	1.1
Sudan	232,888	-706	-0.3	59,445	-1	--	20,629	36	0.1
Swaziland	141,390	-3,741	-2.6	6,053	-14	-0.2	30,524	816	2.7
Togo	142,732	-1,478	-1.0	1,431	7	0.5	3,395	-8	-0.2
Uganda	235,135	-9,374	-4.0	9,992	0	0.0	43,539	3	--
United Republic Tanzania	201,517	-5,233	-2.6	24,956	168	0.7	32,563	873	2.7
Zaire	1,077,133	-7,872	-0.7	72,007	-242	-0.3	177,455	-57	--
Zambia	336,079	-796	-0.2	391,199	-6,520	-1.7	24,481	19	--
Zimbabwe	659,153	-22,366	-3.4	155,472	-3,320	-2.1	133,049	5,916	4.4
ALL ABOVE COUNTRIES	12,161,872	-235,214	-1.9	1,290,704	-14,320	-1.1	2,060,959	88,824	4.3
MEMO ITEM									
Taiwan, China	8,789,887	2,382,770	27.1	8,535,813	392,961	4.6	25,512,280	5,455,217	21.3
		562	32.3	11,685,190	658,820	5.6	20,559,967	4,399,442	21.4

shows the total value of non-oil exports to each of these three markets and provides two measures of the change expected to occur under a MFN tariff liberalization. The first measure indicates the value of the projected trade change under zero MFN tariffs while the second expresses this change as a percentage of the existing export base. Negative values for these two measures indicate that the displacement of African exports would be greater than the positive trade creation effects. Once again, similar data for the Republic of Korea and Taiwan (China) are presented for comparison with the African results.

Table 5 indicates a complete EEC liberalization of MFN duties would produce *annual* African trade losses of over one-quarter billion dollars (note that Table 5 argues annualized figures conceal the true importance of the losses). The Côte d'Ivoire accounts for about one-fourth of the African losses (\$57 million of this country's annual exports are displaced), with Mauritius and Kenya each recording declines of about \$25 million.¹⁵ For Kenya this implies annual export losses of about 4.5 percent -- a figure that is only surpassed by the 4.6 percent decline for Malawi. Overall, the projected EEC losses for all 30 African countries comes to about 2 percent of current trade values.

Table 5 shows that a complete liberalization of MFN tariffs would generate annual African trade losses of \$14.3 million in Japan (1.1 percent of total exports) and trade gains of

¹⁵Two tariff line products with large EEC tariff preferences account for about one-third of Côte d'Ivoire's projected trade losses. Exports of skipjack and tuna (\$82 million) have a zero preference duty while the MFN tariff is 24 percent. On \$55 million in banana exports the spread between MFN and the Côte d'Ivoire preference duty is 20 percentage points.

\$89 million in the United States.¹⁶ Mauritius accounts for over 80 percent of the latter total due to the relatively high U.S. MFN tariffs (in the range of 15 to 30 percent) that are applied to its textile and clothing exports. Aside from Mauritius, however, the US gains are roughly offset by export losses in Japan. Overall, the trade effects in the EEC predominate and, aside from Mauritius, African countries are projected to experience combined annual losses of \$208 million in the three OECD markets. This situation differs markedly from that of Taiwan (China) and the Republic of Korea where trade gains of 20 percent or more are projected in the EEC and US markets. Lower export gains are estimated in Japan -- due mainly to the erosion of some GSP preferences Japan gives these two countries -- but the MFN tariff liberalization still increases Taiwan (China) and Korea's exports by 5 to 6 percent.

An important point to note concerning the annual projections in Table 5 is that these trade changes will occur, *ceterus paribus*, in each and every year after the MFN tariff cut takes place. Table 6 provides a different perspective on these projections by showing each country's annual net gains or losses in the three OECD markets combined, as well as the present

¹⁶A crucial factor influencing trade gains and losses in the United States is the depth of the MFN tariff cut, since some preferential duties are set at relatively high levels (see, for example, the statistics for Botswana and Cote d'Ivoire in Table 5). As US MFN rates are reduced down to the level of the non-zero preferential tariff, African countries will experience trade diversion. However, further reductions in MFN rates will produce trade creation (gains) that will start to offset the previous losses. This explains why, for example, a U.S. trade gain is projected for Botswana in Table 5 even though the average preferential margin on this country's exports is 1.1 percentage points. If US MFN duties were cut in half (and not completely liberalized) many of the African countries showing trade gains in Table 5 would record trade losses.

Table 6. The Annual and Present Value of Projected Changes in African Countries' Exports due to a Liberalization of EEC, Japanese and US Most-Favored-Nation Tariffs.

	Projected Change in Exports to EEC, Japan and US		Total (net) ODA Aid Flows (\$million)	Long-Term Outstanding Debt (\$million)
Exporting Country	Annual Total (\$000)	Present Value (\$million)		
Angola	-3,497	-69.9	87.9	4,670
Botswana	399	8.0	120.0	544
Cameroon	-16,169	-323.4	300.6	4,186
Central African Republic	-1,387	-27.7	99.3	653
Chad	-77	-1.5	128.1	377
Congo	-312	-6.2	79.1	3,218
Cote d'Ivoire	-57,405	-1,148.1	260.1	12,147
Ethiopia	-5,769	-115.4	377.8	6,860
Gabon	-2,071	-41.5	121.0	2,482
Ghana	-3,206	-64.1	350.4	3,346
Guinea	-1,227	-24.5	191.7	2,054
Kenya	-24,620	-492.4	620.6	5,652
Liberia	-130	-2.6	38.5	1,425
Madagascar	-4,765	-95.3	175.4	3,415
Malawi	-2,776	-55.5	181.6	1,340
Mali	-380	-7.6	300.6	2,187
Mauritania	-10,249	-205.0	160.3	1,747
Mauritius	47,441	948.8	50.0	826
Niger	-629	-12.6	199.7	1,545
Nigeria	-2,377	-47.5	309.8	27,305
Senegal	-17,015	-351.7	536.3	3,663
Sierra Leone	-599	-12.0	72.2	552
Sudan	-671	-13.4	434.3	8,665
Swaziland	-2,939	-58.8	11.6	255
Togo	-1,479	-29.6	108.0	1,036
Uganda	-9,371	-187.4	158.9	1,619
United Republic Tanzania	-4,192	-83.8	687.6	4,029
Zaire	-8,171	-163.4	432.9	7,924
Zambia	-7,297	-145.9	314.2	4,922
Zimbabwe	-19,770	-395.4	227.5	2,731
All Above Countries	-160,710	-3,225.4	7,136.0	121,375
Excluding Mauritius	-208,151	-4,174.2	7,086.0	120,549

Source: Long-term debt and aid statistics are taken from UNCTAD, Handbook of International Trade and Development Statistics, 1991 (Tables 5.6 and 5.14). Aid disbursements include ODA flows, other official flows, and official and private export credits.

value of the annual export changes.¹⁷ In order to put the latter figures in perspective, the table also shows each country's external debt and its recent ODA aid receipts.

Overall, the present value of the 30 African countries' combined export losses are approximately \$3.2 billion with five countries, namely, Cameroon, Côte d'Ivoire, Kenya, Senegal and Zimbabwe accounting for almost 85 percent of this total. However, the \$3.2 million loss estimate understates the impact on most countries due to the results for Mauritius where a projected trade gain of \$948 million occurs -- largely due to reduced MFN tariffs this country faces on textile and clothing exports to the United States. Excluding Mauritius, the projected losses for the 29 other African countries are \$4.2 billion -- a figure that is just under half their annual ODA assistance.

Nontariff Measures Facing African Exports

Although the previous analysis demonstrated that African exporters would experience trade losses if tariff preferences were eliminated, the possibility exists that they may still experience net gains from a general trade liberalization. Apart from tariffs, African exports may encounter nontariff measures and, in some sectors -- particularly textiles, clothing and temperate zone agriculture -- these restrictions have an important retardating effect on some developing countries' exports (see Laird and Yeats, 1991). Could the potential African trade gains from an NTM liberalization be sufficient to offset the projected losses associated with

¹⁷These present value calculations are based on a discount rate of 5 percent which approximates the current spread between internationally-competitive interest rates and rates of inflation in OECD countries. This figure was chosen under the assumption that the future value of increased African exports will rise in line with general rates of inflation.

MFN tariff cuts?

Table 7 provides relevant information by tabulating the value of African non-fuel exports to all OECD countries and the share (percentage) of this trade subject to a nontariff measure. Similar data for the EEC, Japan and United States is also shown separately.¹⁸ As indicated, about 18 percent of the \$16.8 billion of African exports encounter nontariff measures, but there is considerable variation in this share across OECD markets and over African countries. For example, only about 10 percent of African exports to the United States encounter NTMs (implying about \$163 million in affected trade) while the corresponding trade coverage ratios for Japan and the EEC are between 22 to 23 percent.

An examination of the statistics in Table 7 shows that a relatively few countries may encounter important non-tariff measures. Almost 65 percent of Mauritius' exports encounter NTMs -- largely variable import levies on sugar and Multifiber Arrangement (MFA) quotas on textile and clothing. Mauritius is exceptional in that it (and to a much lesser extent Nigeria) is the only Sub-Saharan country whose exports are restricted by the MFA (see Table

¹⁸These tabulations utilize an inventory of nontariff trade measures maintained by the UNCTAD Secretariat in Geneva. For a description of the inventory and how it is compiled see Laird and Yeats (1991, chapter 4). One weakness of NTB coverage ratios reported in Table 7 is that they are computed using "own" trade weights. As such, products facing restrictive NTMs enter the calculation of the overall coverage ratio with relatively low (or zero) weights. Also, the inventory data (and Table 7) tell nothing about the restrictiveness or ad valorem equivalents of different NTBs (i.e., quotas, variable import levies, licensing requirements, "voluntary" export restraints, etc.), but merely indicate whether a measure is present or not. In spite of these limitations, however, NTM inventories have been widely used in research and analysis of trade barriers. See Laird and Yeats (1989), Walter (1969)(1972), or World Bank (1993) for illustrative applications.

Table 7. The Incidence of OECD Nontariff Measures on Major Sub-Saharan African Countries' Non-Fuel Exports

Exporting Country	Value of African Exports (\$million)				NTB Trade Coverage Ratios (%)			
	OECD	EEC	USA	Japan	OECD	EEC	USA	Japan
ALL SUB-SAHARAN AFRICA	16,836.1	12,682.0	1,618.2	1,369.8	18.1	22.2	10.1	23.4
Angola	251.0	219.9	26.4	0.8	3.3	3.7	0.0	0.0
Botswana	na	na	na	na	na	na	na	na
Cameroon	908.6	894.4	24.7	18.0	19.6	20.8	0.0	0.0
Central African Republic	99.3	94.3	2.6	0.5	5.0	5.1	0.0	0.0
Chad	57.2	51.1	0.1	4.1	9.4	10.3	0.0	0.0
Congo	237.5	208.7	5.7	17.5	42.6	46.5	0.0	0.0
Cote d'Ivoire	2,140.6	1,844.9	200.4	20.0	20.6	21.6	4.4	17.5
Ethiopia	312.2	167.4	68.5	57.7	15.9	26.5	0.0	0.0
Gabon	714.8	638.5	20.6	30.2	54.9	60.8	0.9	8.9
Ghana	806.4	570.7	117.2	77.5	18.8	10.7	0.0	88.9
Guinea	443.2	286.0	132.4	1.1	1.1	1.3	0.0	95.2
Kenya	728.8	588.1	65.6	16.2	21.7	23.2	0.2	26.7
Liberia	1,491.9	791.6	105.9	32.5	8.3	15.5	0.1	0.0
Madagascar	282.4	191.9	37.4	42.8	18.3	12.0	7.9	58.8
Malawi	223.6	130.3	30.7	37.2	14.8	19.4	13.6	0.0
Mali	84.6	67.4	7.2	0.8	10.4	12.8	0.6	0.3
Mauritania	402.9	207.0	10.2	185.6	47.9	4.5	0.0	98.8
Mauritius	898.7	702.6	157.4	2.7	64.6	61.9	80.3	58.5
Niger	300.0	282.9	4.7	—	4.5	1.1	6.4	—
Nigeria	693.6	583.4	88.6	5.1	22.8	25.1	4.1	88.9
Senegal	471.1	445.7	3.3	18.6	30.3	29.3	0.6	57.9
Sierra Leone	200.7	137.4	52.6	—	0.8	0.3	0.0	—
Sudan	322.9	232.9	19.3	59.4	18.9	24.6	0.0	2.3
Swaziland	na	na	na	na	na	na	na	na
Tanzania	276.8	201.5	33.6	25.0	11.0	11.5	0.0	18.7
Togo	191.1	142.7	1.8	1.4	7.0	7.3	3.8	0.1
Uganda	295.1	235.1	39.8	10.0	7.6	7.1	0.0	0.0
Zaire	1,351.5	1,077.1	182.8	72.0	2.5	3.1	0.0	0.1
Zambia	774.7	336.1	23.9	391.2	1.3	1.9	0.0	0.1
Zimbabwe	981.6	656.2	118.3	155.5	24.6	33.2	8.5	4.6
MEMO ITEM								
All Developing Countries	247,734.9	145,254.1	63,406.3	26,702.0	21.8	43.6	21.7	22.3

Source: World Bank-UNCTAD SMART Data Base. The Sub-Saharan Africa totals include several countries not listed in the table.

8). Gabon has an NTM coverage ratio of over 50 percent, largely due to various environmental standard certifications required on tropical timber exports, while the Congo and Mauritania have coverage ratios that exceed 40 percent.¹⁹ However, only 7 of the 29 African countries have NTM coverage ratios that exceed the "all developing country" average (see the memo item).

Are the types of nontariff measures facing African exports generally among those considered to be highly restrictive, or are they likely to be merely nuisances to trade? Table 8 provides relevant information by tabulating the OECD coverage of African exports by all NTMs and by specific types of measures (i.e., licensing requirements, MFA restrictions, other quotas and quantitative restrictions, etc.).²⁰ Although there are exceptions -- like the variable import levies on sugar from Mauritius, and MFA quotas on this country's textile and clothing exports -- Table 8 shows that most of the OECD measures facing African exports are types not thought to have important trade restrictive effects. Licensing requirements and various non-commercial regulations (largely eco-labeling requirements) predominate with the

¹⁹These certifications are required under the Washington Convention on International Trade in Species of Wild Flora and Fauna Threatened by Extinction. They must state that the exported product has been produced in accordance with established international environmental standards aimed at preservation of the species in question. See Varangis et. al. (1993) for a discussion of the rationale for, and effects of, these measures. These requirements, which almost certainly do not have a major restrictive effect on trade, largely account for the Congo's relatively high NTB coverage ratio. Mauritania's exports of fish to Japan are subject to quotas and this accounts for the OECD coverage ratio of 48 percent.

²⁰Several points should be noted with regard to these tabulations. First, the UNCTAD inventory does not record a single instance where an African country was subject to a "voluntary" export restraint. These VERS are often among the most restrictive types of nontariff measures applied to exports (Laird and Yeats, 1991). Second, the sum of the trade coverage ratios for individual types of NTMs may exceed the combined coverage ratio for all measures. This is due to "stacking" or the multiple application of more than one nontariff measure on a single product. For example, US raw sugar imports are subject both to quotas and variable import levies.

Table 8. Analysis of the Different Types of OECD Nontariff Measures Facing Sub-Saharan African Countries Non-Fuel Exports

Exporting Country	OECD Imports (\$ million)	Share of Total Non-Fuel Imports Subject to Non-Tariff Measures (%)						
		All NTMs	Licensing Requirements	MFA and Textile Quotas	Other Quantitative Restrictions	Product Specific Charges	Variable Import Levies	Misc. Non- Commercial Measures
ALL Sub-Saharan Africa	16,836.1	18.1	7.7	0.7	4.0	2.2	3.0	6.1
Angola	251.0	3.3	0.0	0.0	1.2	0.3	0.0	1.9
Botswana	na	na	na	na	na	na	na	na
Cameroon	908.6	19.6	0.1	0.0	3.7	0.1	0.0	15.7
Central African Republic	99.3	5.0	1.1	0.0	0.0	0.0	0.0	3.9
Chad	57.2	9.4	6.0	0.0	0.0	0.0	0.0	3.5
Congo	237.5	42.6	5.4	0.0	0.6	0.0	3.1	37.8
Cote d'Ivoire	2,140.6	20.6	1.6	0.0	11.9	1.7	1.0	4.8
Ethiopia	312.2	15.9	2.7	0.0	1.5	1.6	0.3	11.9
Gabon	714.8	54.7	36.5	0.0	1.5	0.0	0.0	16.8
Ghana	806.4	18.8	3.4	0.0	0.0	0.0	0.1	15.3
Guinea	443.2	1.1	0.3	0.0	0.2	0.0	0.0	0.6
Kenya	728.8	21.7	3.5	0.0	2.4	8.3	0.9	9.8
Liberia	1,491.9	8.3	0.0	0.0	0.0	0.0	0.0	8.3
Madagascar	282.4	18.3	12.6	0.0	3.9	0.5	4.3	1.3
Malawi	223.6	14.8	7.3	0.0	5.2	0.1	9.0	0.6
Mali	84.6	10.4	2.3	0.0	0.3	0.3	0.0	7.7
Mauritania	402.9	47.9	45.6	0.0	0.1	0.1	0.1	2.0
Mauritius	898.7	64.6	33.4	13.1	17.0	0.4	32.5	1.4
Niger	300.0	4.5	3.3	0.0	0.1	0.3	0.0	0.8
Nigeria	693.6	22.8	10.8	0.5	0.5	0.3	0.1	11.1
Senegal	471.1	30.3	3.8	0.0	13.2	6.1	0.7	7.1
Sierra Leone	200.7	0.8	0.5	0.0	0.0	0.1	0.0	0.3
Sudan	322.9	18.9	15.8	0.0	0.0	0.0	12.4	3.1
Swaziland	na	na	na	na	na	na	na	na
United Republic of Tanzania	276.8	11.0	7.1	0.0	0.9	0.1	3.2	2.8
Togo	191.1	7.0	4.8	0.0	0.2	0.1	0.2	1.7
Uganda	295.1	7.6	1.7	0.0	0.0	0.0	0.0	5.7
Zaire	1,351.5	2.5	0.1	0.0	0.0	0.0	0.0	2.2
Zambia	774.7	1.3	0.3	0.0	0.3	0.6	0.2	0.3
Zimbabwe	981.6	24.6	9.0	0.0	6.4	11.2	7.8	6.0

Note: There are no reported "voluntary" exports restraints in any OECD country involving Sub-Saharan Africa.

trade coverage by quantitative restrictions -- measures which general do have important trade constraining effects -- only exceeding 10 percent for three African countries, namely, Côte d'Ivoire, Mauritius and Senegal. All in all, the impression that emerges from Table 8 is that any general removal of these measures would probably be insufficient to offset African trade losses due to erosion of OECD tariff preferences.²¹

Summary and Conclusions

How much are OECD trade preferences worth to Sub-Saharan Africa? The empirical evidence developed in this study suggests \$4 billion in present value terms is an appropriate estimate, and that African export losses associated with an erosion of these preferences within a Uruguay Round agreement would likely exceed any gains from liberalization of nontariff measures. These observations suggest that African countries will probably experience net trade losses as a result of Uruguay Round tariff cuts, although the magnitude of these losses cannot be projected until the depth and structure of MFN tariff cuts are finalized. African export performance has consistently been below that of other countries (see World Bank, 1992) and this performance should worsen further relative to countries like Taiwan (China) and the Republic of Korea that will experience important positive trade gains as a result of the Uruguay Round.

In order for African countries not to experience net economic losses, offsetting policies

²¹This conclusion is based on a detailed survey of nontariff measures' estimated ad valorem equivalents published in Laird and Yeats (1991). In most cases, licensing requirements were found to have very low nominal equivalents -- probably just one to two percent for costs of compliance -- while Varangas et. al. (1993) indicate that eco-labeling requirements add less than 10 percent to the price of exports. Erzan and Svedberg (1991) come to much the same conclusion, i.e., that NTMs have only a relatively minor effect on African exports, in an independent analysis of the types of trade barriers facing African exporters.

will have to be adopted. It is unlikely that any measures relating to OECD tariffs could be effectively utilized since African countries now often face zero duties in these markets (see Table 3). This precludes any attempts to restore pre-Uruguay Round preferential tariff margins. OECD countries could, however, target those nontariff measures that are restricting African trade -- like the quotas and variable import levies on sugar -- for full and early removal. OECD countries could also increase assistance to Africa where such help is required for efficiency-increasing structural adjustment reforms.

Probably one of the most promising areas for compensatory reforms centers in the African countries' own trade regimes. Detailed statistics compiled by UNCTAD (1987) on developing countries trade barriers show that African tariffs are generally far higher than average, and that their trade regimes are often NTM-ridden. Extensive studies by the World Bank (see Thomas and Nash, 1991) document the important economic gains that can result from trade policy reform and it appears that such reform could have a major positive impact in Africa. In short, the best response to an erosion of trade preferences in foreign markets would appear to be an aggressive liberalization of African countries own trade barriers.

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