CHAPTER 4

Regional Analyses

East Asia and the Pacific[1]

EAP is one of the most dynamic regions, according to most trade performance indicators (see table 4.1). Based on simple (unweighted) cross-country averages, the region is one of the most integrated in terms of trade to GDP and has had a relatively high real growth in total trade since the mid-1990s. The regional average trade integration ratio (trade share in GDP) has risen from 92 percent in 1995 to 116 percent in 2007, the second highest in every year between 1995 and 2007 behind the high-income non-OECD country group. At 210 percent, Malaysia's trade integration is the highest in the region, followed by Vietnam at 168.1 percent. However, this indicator is not available for the majority of the Pacific islands, many of which would likely have high openness ratios. Indonesia's trade integration at 56.7 percent is the lowest of the EAP countries and customs territories and is also much lower than the global average (98.2 percent).

Real growth of trade in goods and services was estimated at 8.6 percent in 2007, well above the global average, while the mean export concentration index has remained relatively unchanged (at 38.3 in 2006 on a scale of 0 to 100, highest) since the late 1990s and in line with the global average. Among the economies in the region, trade performance varies greatly. Although outpaced in 2004–6 by Vietnam, China reclaimed the highest growth in total trade within the region in 2007 (at 21.7 percent). Cambodia has also consistently registered double-digit real trade growth this decade. These three countries acceded to the WTO in 2001, and their corresponding adoption of more open policies required for accession has probably helped to boost their recent trade performance. The other Association of Southeast Asian Nations (ASEAN) countries (with the exception of Laos) exhibit much lower trade growth rates. Papua New Guinea has the slowest growth rates in trade (−0.3 percent and 0.9 percent in 2006 and 2007, respectively).

Table 4.1. EAP Key Trade-Related Indicators

EAP region	Country	TTRI, 2006	Applied tariff trade weighted, 2007	MA-TTRI, 2006	ROW applied tariff trade weighted, 2006	Ease of doing business, 2007	LPI, 2006	Real growth trade, 2007	Real growth export, 2007	Export concentration index, 2006
Pacific Island States		**1.7**	**12.1**	**0.7**	**3.1**	**72.5**	**2.2**	**2.6**	**1.1**	**57.4**
	American Samoa	..	..	..	1.5	..	..	..	..	..
	Fiji	..	..	..	2.4	36.0	..	2.6	2.7	29.5
	Kiribati	..	..	..	2.7	73.0	..	..	..	45.4
	Marshall Islands	..	..	..	0.4	89.0	..	..	..	..
	Micronesia, Federated States	..	..	..	4.5	112.0	..	..	..	91.7
	Northern Mariana Islands	..	..	..	12.6	..	..	..	..	..
	Palau	..	..	..	3.4	82.0	..	..	..	..
	Papua New Guinea	1.7	2.4	0.7	0.4	84.0	2.4	0.9	−3.4	39.2
	Samoa	..	..	..	0.5	61.0	..	..	..	65.1
	Solomon Islands	..	11.8	..	0.4	79.0	2.1	..	..	76.6
	Tonga	..	..	..	4.8	47.0	..	..	..	40.0
	Vanuatu	..	22.2	..	4.1	62.0	..	4.3	4.0	71.5
Southeast Asia / WTO Accession		**9.1**	**10.3**	**11.1**	**5.2**	**133.3**	**2.5**	**13.2**	**14.0**	**32.0**
	Cambodia	9.1	10.9	11.1	8.7	145.0	2.5	9.8	10.6	36.4
	Lao PDR	..	8.3	..	1.4	164.0	2.3	12.5	15.6	37.4
	Vietnam	..	11.7	..	5.4	91.0	2.9	17.2	15.8	22.4
Other ASEAN		**4.7**	**3.3**	**3.5**	**2.2**	**73.8**	**2.9**	**6.5**	**6.8**	**24.3**
	Indonesia	4.5	3.0	4.3	2.9	123.0	3.0	7.9	8.3	12.9
	Malaysia	3.8	3.6	2.4	1.4	24.0	3.5	4.2	3.2	18.6
	Myanmar	..	3.8	..	1.8	..	1.9	..	..	45.8
	Philippines	3.8	2.8	2.7	1.4	133.0	2.7	6.0	6.5	34.6
	Thailand	6.6	..	4.5	3.3	15.0	3.3	7.8	9.0	9.5
Others										
	China	5.3	4.7	3.7	3.6	83.0	3.3	21.7	23.0	11.0
	Korea, Democratic People's Republic of	..	..	..	6.0	..	..	..	..	8.6
	Mongolia	4.3	5.2	1.6	1.7	52.0	2.1	..	..	43.7
	Timor-Leste	..	..	..	1.6	168.0	1.7	..	..	26.0
EAP		**4.9**	**7.5**	**3.9**	**3.2**	**86.2**	**2.6**	**8.6**	**8.7**	**38.3**

There is substantial variation among individual countries in terms of their export structure (small island economies relying on tourism or a few key products affect the regional unweighted average). The countries with the highest export product concentration in both 2005 and 2006 were the Federated States of Micronesia (92 out of 100) and the Solomon Islands (77), while those with the most diversified exports included Thailand and the Democratic People's Republic of Korea (both around 9) and China (11). If the smaller islands are not included, the average export concentration index is a low 26.

On average, and relative to most other regions, the EAP countries have increasingly adopted more open trade policies over the last decade. The MFN applied tariff (simple average) for the region declined from 19.5 percent in 1995–99 to 9.6 percent in 2007, and the regional MFN TTRI was 4.9 percent compared to the global average of 15.8 percent. Within the region, the Federated States of Micronesia had the lowest tariff average (4.5 percent in 2006), followed by Mongolia (4.5 percent and 5 percent in 2006 and 2007, respectively). China almost halved its MFN tariff (simple average) from 18.9 percent to 10 percent between 1995–99 and 2007 due to the reforms it undertook in preparation to and following its WTO accession. Its trade-weighted tariff dropped even more, from 16.4 percent to 5 percent, over the same time period. With respect to services, the region's average GATS commitment restrictiveness index was 78 in 2007 (on a scale of 0 to 100, best), several points higher than the next best-scoring region (ECA with 49), the high-income countries, and also the MNA (71) region.

Countries in the region face more favorable market access than the average for the low-income group but worse than the average for middle-income countries. The trade-weighted average of the rest-of-the-world applied tariff (including preferences) for the region is 3.2 percent, slightly higher than for all other regions but SAS. The two countries facing the highest tariffs are Northern Mariana Islands (12.6 percent) and Cambodia (8.7 percent), while the ones enjoying the lowest tariff rates are Papua New Guinea, the Marshall Islands, the Solomon Islands, and Samoa. As for import barriers, the subregion facing the lowest market access barriers is the non–WTO accession ASEAN countries. When factoring in nontariff measures, however, Cambodia stands out as the country facing the most unfavorable export environment. Its MA-OTRI value of 46 percent, which places it at the very bottom of the ranking on this indicator among 125 countries, reflects both a high rest-of-the-world tariff and much higher nontariff barriers and a low value of preferences. MFN-0 duty exports represented 39 percent of regional exports in 2006 (this share exceeded 70 percent for Papua New Guinea, Timor-Leste, and Malaysia, and was under 5 percent for the Marshall Islands, Palau, and Cambodia). A similar share of exports (38 percent) was channeled toward FTA partners, although some of it overlapping with the MFN-0 share of exports. The utilization rate of EU and U.S. preferences is very low at 60 percent, and their value (reflecting the narrow margins between MFN and preferential tariffs) is only equivalent to about 3 percent of total exports to the EU and the United States.

Large exchange rate movements (on a real, effective basis) have been few in 2007, with Papua New Guinea's currency depreciating 4.9 percent and the Philippines' and China's currencies appreciating 9.6 percent and 5 percent, respectively. Even with a depreciating currency, export growth in Papua New Guinea was negative (−3.4 percent) and in the Philippines and China it was positive (6.5 percent and 23 percent, respectively), suggesting that other policy and institutional factors or international market developments were more important in affecting trade performance in this period.

Overall, the EAP region ranks (or scores) near the world average on business environment indicators, but lags behind in governance, including rule of law and control of corruption, and in logistics and other trade facilitation performance. Countries with the highest ranking on most of these dimensions include Malaysia and Thailand, while Myanmar and Timor-Leste score the lowest. Nonetheless, the average export and import per container costs (US$952 and US$1,106, respectively) are lower than in any other region (these figures, unsurprisingly, are highest for land-locked Mongolia, while they are lowest for China and Malaysia). China's logistics performance is better than the regional mean, but its scores on the business and institutional environment indicators are only average. Malaysia and Thailand noticeably outperform the regional average on both the business environment and trade facilitation indicators; yet their recent trade growth is below average. But these two countries were already among the region's economies with the highest trade integration ratio, and both experienced (real effective) exchange rate appreciation beginning in 2005. Among those countries that did not do as well as others in the region on trade outcomes, Timor-Leste and Myanmar are also considerably below the regional averages in trade facilitation and business and institutional environment indicators.

Europe and Central Asia

Overall, ECA has witnessed a sharp improvement in trade integration, as illustrated by the selected indicators presented in table 4.2. The region also exhibits the second highest trade openness ratio (105 percent in 2007, up from 87 percent in 1995–99) in the developing world and the most diversified export structure with an export concentration index of 26, compared with the global average of 38. By now the economies of the ECA regions are among the most integrated with the world economy. The ECA region also scores quite well on trade logistics. Many ECA countries and customs territories are among the top 20 performers in various categories and very few in the bottom 20. The region had the highest average real growth of trade of goods and services (9.5 percent) of any regional group in the early 2000s (11.5 percent). In 2007, the ECA countries sustained their high trade and export growth rates. Over half of the countries with available trade data show double-digit real trade growth rate in 2007 (compared to one-fourth in 1995–99). As a result, its average trade world market share grew by 5.7 percent, evenly distributed between exports and imports.

Table 4.2. ECA Key Trade-Related Indicators

ECA region	Country	TTRI, 2006	Applied tariff trade weighted, 2007	MA-TTRI, 2006	ROW applied tariff trade weighted, 2006	Ease of doing business, 2007	LPI, 2006	Real growth trade, 2007	Real growth export, 2007	Export concentration index, 2006
EU Accession		**5.7**	**2.1**	**3.6**	**2.8**	**41.9**	**3.0**	**13.3**	**11.7**	**13.4**
	Bulgaria	5.9	2.1	2.0	1.3	46.0	2.9	11.9	10.8	15.4
	Hungary	3.8	2.1	4.4	2.6	45.0	3.2	12.0	13.4	13.8
	Latvia	3.8	2.1	4.4	2.9	22.0	3.0	13.8	9.3	10.8
	Lithuania	3.8	2.1	4.4	3.4	26.0	2.8	11.1	10.0	18.9
	Poland	3.8	2.1	4.4	3.7	74.0	3.0	13.5	12.1	8.2
	Romania	14.8	2.1	1.5	0.9	48.0	2.9	13.9	8.0	11.5
	Slovak Republic	3.8	2.1	4.4	5.0	32.0	2.9	16.9	18.0	15.2
Former Yugoslavia		**4.6**	**2.8**	**3.6**	**0.9**	**67.8**	**1.9**	**6.1**	**7.3**	**10.0**
	Bosnia and Herzegovina	..	5.9	..	0.4	105.0	2.5	−0.1	13.7	14.2
	Croatia	4.6	1.5	3.6	1.5	97.0	2.7	6.5	7.1	11.9
	Macedonia, FYR	..	6.9	..	1.2	75.0	2.4	14.0	16.5	17.3
	Montenegro	..	..	..	..	81.0	2.3	..	..	..
	Serbia	..	..	..	..	86.0	2.3	3.7	5.7	10.6
Caucasus and Central Asia		**3.6**	**3.2**	**2.5**	**1.9**	**81.4**	**1.8**	**6.1**	**8.6**	**41.4**
	Armenia	..	3.5	..	0.4	39.0	2.1	14.1	9.1	28.6
	Azerbaijan	5.3	3.6	0.9	0.2	96.0	2.3	11.8	21.1	62.8
	Georgia	..	1.2	..	0.4	18.0	..	9.1	11.8	16.7
	Kazakhstan	2.1	6.1	1.7	0.9	71.0	2.1	9.4	9.3	60.0
	Kyrgyz Republic	3.5	1.3	4.9	2.3	94.0	2.3	4.9	5.0	27.5
	Tajikistan	..	3.6	..	3.2	153.0	1.9	0.6	6.4	76.9
	Turkmenistan	..	..	..	0.6	..	..	..	..	60.5
	Uzbekistan	..	6.7	..	8.0	138.0	2.2	7.0	6.5	26.8
Eastern Europe / WTO Accession		**5.5**	**7.0**	**3.5**	**1.8**	**111.8**	**2.4**	**8.9**	**7.0**	**24.5**
	Belarus	8.4	8.5	1.0	1.2	110.0	2.5	7.3	8.2	31.3
	Moldova	2.9	1.9	6.5	1.6	92.0	2.3	8.9	7.8	17.7
	Russian Federation	6.6	10.4	1.7	1.1	106.0	2.4	11.2	5.6	34.7
	Ukraine	4.2	..	4.8	3.3	139.0	2.6	8.1	6.3	14.3
Others										
	Albania	7.6	6.3	0.8	1.0	136.0	2.1	8.6	8.8	26.7
	Turkey	1.5	1.8	2.1	2.1	57.0	3.2	7.5	8.8	47.2
ECA		**5.1**	**3.8**	**3.1**	**2.1**	**79.4**	**2.5**	**9.4**	**10.0**	**27.2**

Within the region, trade performance is very heterogeneous. There is a marked difference between the policies and performance of the EU accession countries on the one hand and those in South-Eastern Europe and the CIS countries on the other. Most of the countries with fast trade growth are those that have recently joined the EU and have implemented policy reforms in the context of their accession. The Slovak Republic saw the highest trade growth of nearly 17 percent in 2007, its third consecutive year of double-digit growth following its 2004 accession to the EU.[2] However, trade, export, and import growth in the Kyrgyz Republic fell to just 4.8–5 percent in 2007, with export performance up from negative figures in 2005–6 (−5.7 percent) and import growth sharply down from a record 22.6 percent in the same period. Other ECA countries with relatively weak trade growth include Croatia, Bselarus, Ukraine, and Uzbekistan—all countries with poor trade facilitation scores.

ECA countries have the highest average ranking on most trade policy indicators and second highest average ranking on trade restrictiveness indices in the developing world. The region's trade-weighted tariffs in 2006–7 of 5.2 percent (on an MFN basis) or 3.7 percent (including preferences) are very low; only the high-income OECD group has lower tariffs. With a few exceptions, ECA countries on average have tariff structures more in line with those of OECD countries than other developing countries, reflecting the fact that many have recently acceded to the WTO (such as Georgia, the Kyrgyz Republic, Moldova, and Ukraine) and others aspire to accede to the EU. In the case of Georgia, a very high 86 percent of its tariff lines exhibit MFN-0 duties. Moldova has the highest GATS commitment (liberalization) index. However, Turkey and other former CIS and central Asian countries score relatively low on many trade policy indicators. Uzbekistan, Russia, Belarus, and Turkey, for instance, have MFN tariffs over 10 percent on either a simple average or trade-weighted basis.

ECA exports face relatively low market access barriers, with only the Czech Republic, Lithuania, Poland, the Slovak Republic, Tajikistan, Ukraine, and Uzbekistan experiencing a rest-of-the-world weighted average applied tariff of more than 3 percent. Moreover, over 43 percent of the region's exports on average are with FTA partners, more than any other regional group average. Over all subperiods during the last decade, the ECA countries' currencies, on average and on a real, trade-weighted basis, have appreciated in the range of 3.2–5.7 percent annually. Large exchange rate appreciations (on a real, effective basis) have been experienced by Armenia (14.9 percent), Hungary (12.2 percent), the Slovak Republic (10.8 percent), Romania (9 percent), and to smaller extent by Bulgaria and Russia. Despite the exchange rate appreciation, export growth ranged from 18 percent to 5.6 percent, suggesting that other policy and institutional factors, generally good economic performance, or international market developments were more important in affecting trade performance.

In business environment, institutional, and logistics performance, the EU accession countries stand out as the best performers. Most new EU member states are in fact catching up to OECD countries on some measures of logistics performance, and all rank in the top 50 with the exception of Lithuania (ranked 58th on the LPI). Like other indicators, the institutional indicators reflect the dichotomy between two sets of countries: transition economies in the CIS (for example, Tajikistan, Kazakhstan, and Uzbekistan) are in the bottom two deciles of rankings on both Ease of Doing Business indices (Ukraine also falls in this category) and on trade facilitation. Their LPI scores suggest that customs and border management are among their biggest weaknesses. In logistics, Russia also scores significantly below the average for upper-middle-income countries.

Latin America and the Caribbean

After experiencing a high 9.4 percent real growth of total trade in goods and services in 2005–6, the LAC region's performance slowed down to 7.6 percent in 2007, though it was still well above the level of the previous decade. Export growth also slowed to 6.3 percent from 7.6 percent in the mid-2000s, in line with its historical performance. LAC's average trade share of GDP increased from 86 percent in 1995–99 to 91 percent in 2007, a smaller increase compared to that of most other regions.

As shown in table 4.3, which presents selected indicators for the region, the countries with the highest level of export growth belong to the Central American and Caribbean subregions. Despite doing much worse relative to the rest of the region on all policy and institutional dimensions other than market access, República Bolivariana de Venezuela experienced a rebound in export growth (6 percent) in 2007 from stagnation in the mid-2000s (it also led the LAC countries' import growth with 11 percent). Facing a strong demand (and higher prices) for its copper exports and expanded market access through recent bilateral FTAs, Chile's trade grew at 8.7 percent in 2007, boosting its integration ratio (trade as share of GDP) to 73 percent from 54 percent in the late 1990s. Mexico, well above the regional averages on many dimensions of policy and institutions, except when nontariff measures are considered (see below), experienced a sharp reduction of trade growth in 2007 to 3.9 percent, but its trade growth rate since 1995 (after North American Free Trade Agreement [NAFTA] and a subsequent financial crisis) has been around 10 percent, with export growth being even higher.

The export structure of countries in the region is relatively diversified, with an average export product concentration index of 36 in 2006, in line with the average for middle-income countries. República Bolivariana de Venezuela is the country with the highest product concentration in the region (91 out of 100), due to its dominant oil exports. Brazil and Mexico, despite being major oil and commodity exporters, have diversified and have low levels of export concentration (9 and 15, respectively).

On average, LAC countries exhibit a relatively open trade regime, with protection indicators in line with both global and middle-income countries' averages. These indicators have improved from their historical levels. The region's MFN TTRI of 8 percent is lower than the 10.9 percent level of the

Table 4.3. LAC Key Trade-Related Indicators

LAC region	Country	TTRI, 2006	Applied tariff trade weighted, 2007	MA-TTRI, 2006	ROW applied tariff trade weighted, 2006	Ease of doing business, 2007	LPI, 2006	Real growth trade, 2007	Real growth export, 2007	Export concentrration index, 2006
CARICOM		**13.4**	**5.9**	**3.0**	**1.6**	**60.9**	**2.2**	**5.3**	**5.2**	**33.1**
	Belize	..	12.9	..	3.3	59.0	..	6.8	7.3	38.2
	Dominica	..	7.4	..	4.0	77.0	..	3.3	2.6	39.8
	Grenada	..	10.1	..	1.7	70.0	..	..	..	33.0
	Guyana	13.4	8.0	3.0	2.6	104.0	2.0	5.5	4.0	29.3
	Haiti	..	2.9	..	10.5	148.0	2.2	13.5	12.2	70.5
	Jamaica	..	10.5	..	1.3	63.0	2.2	4.1	2.9	57.6
	St. Kitts and Nevis	..	12.1	..	0.2	64.0	..	..	..	49.9
	St. Lucia	..	5.3	..	0.2	34.0	..	6.5	7.3	34.5
	St. Vincent and the Grenadines	..	8.1	..	0.5	54.0	..	7.2	9.8	33.7
	Suriname	..	12.2	..	0.5	142.0	..	..	..	55.2
MERCOSUR		**7.9**	**5.4**	**2.6**	**2.4**	**106.2**	**2.8**	**8.1**	**5.7**	**34.5**
	Argentina	11.2	5.4	3.0	2.7	109.0	3.0	9.3	6.4	13.0
	Brazil	9.4	7.0	3.8	4.1	122.0	2.8	11.3	5.6	9.1
	Chile	6.0	1.2	1.2	0.9	33.0	3.3	8.7	6.7	39.3
	Paraguay	5.7	4.8	2.3	2.8	103.0	2.6	3.5	3.9	32.0
	Uruguay	6.3	3.2	3.8	4.1	98.0	2.5	7.1	5.7	22.8
	Venezuela, R.B. de	8.7	10.9	1.3	0.2	172.0	2.6	8.6	6.0	91.1
Andean Group		**8.4**	**5.9**	**2.4**	**1.0**	**98.0**	**2.5**	**9.6**	**6.3**	**35.0**
	Bolivia	8.4	4.0	1.5	0.4	140.0	2.3	11.8	5.8	40.3
	Colombia	12.7	8.0	2.3	0.9	66.0	2.5	12.3	6.2	20.7
	Ecuador	5.3	6.5	3.8	1.3	128.0	2.6	5.3	3.4	53.2
	Peru	7.4	5.2	1.9	1.3	58.0	2.8	8.8	9.6	25.6
Central America–Dominican Republic		**6.6**	**6.2**	**5.6**	**4.8**	**96.6**	**2.5**	**7.1**	**7.0**	**23.4**
	Costa Rica	5.3	3.4	2.3	0.7	115.0	2.6	9.7	9.7	22.6
	Dominican Republic	..	..	..	3.6	99.0	2.4	5.0	4.0	16.1
	El Salvador	6.5	4.6	7.2	8.4	69.0	2.7	5.5	3.3	15.0
	Guatemala	7.2	6.4	5.5	4.8	114.0	2.5	6.6	10.0	17.4
	Honduras	7.5	7.9	6.0	6.6	121.0	2.5	4.2	5.3	27.7
	Nicaragua	6.0	5.4	5.6	5.1	93.0	2.2	8.4	8.9	28.8
	Panama	7.0	9.5	6.8	4.2	65.0	2.9	10.4	7.9	36.0
Others										
	Cuba	..	9.1	..	10.8	..	..	..	..	29.8
	Mexico	12.9	2.5	0.6	0.5	44.0	2.9	3.9	2.6	15.3
LAC		**8.2**	**6.9**	**3.4**	**3.0**	**91.6**	**2.6**	**7.5**	**6.3**	**34.4**

early 2000s, but remains higher than in ECA and EAP (4.9 percent and 5 percent, respectively). The LAC region, however, has fewer and weaker services liberalization commitments under the GATS than is the case with respect to middle-income countries and global averages. However, these countries may have liberalized more than is indicated by this measure through their FTAs.

Tariff dispersion is very low, with Chile topping the list given its quite uniform tariff structure. The region's maximum tariff rate of 130 percent is also the lowest when compared to all other regions. However, LAC countries make more frequent use of nontariff barriers than other regions. According to the OTRI, the largest middle-income countries in the LAC region like Brazil and Mexico tend to be the most restrictive when factoring in nontariff measures (20.1 and 18.0, respectively). Given the preferences imports from its neighbors and other distant countries enjoy under NAFTA and a host of other FTAs, it is surprising that Mexico's data would reflect such a high restrictiveness index. It is possible that the import-restricting effect of the nontariff measures considered in the OTRI trumps the import-expanding impact of the extensive preferences the country grants. Across most indicators, Chile stands out as the best performer in the region, with the lowest OTRI of 3 percent and a high ranking in ease of doing business and trade facilitation.[3] Central American and Caribbean countries are the least restrictive, even considering nontariff measures.

Mexico and República Bolivariana de Venezuela face the best market access conditions due to low barriers on their oil exports and, in the case of the former, various free trade agreements. Some of the Central American countries (Guatemala, Nicaragua, Honduras, and El Salvador) had the worst market access through 2006 despite pre–Central American Free Trade Agreement (CAFTA) preferences granted by the United States and other countries, according to the MA-TTRI indicator[4] and experienced lower trade growth than the regional average in 2007. Market access indicators for 2007 are not yet available, but they are expected to be more favorable for these countries, reflecting the deeper preferences granted by the United States under CAFTA. Countries that experienced large exchange rate depreciations (with a – [minus] sign) included the Netherland Antilles (−7.5 percent), Ecuador (−5.8 percent), and Belize (−3.8 percent). Countries experiencing large exchange rate appreciations were Colombia (11.8 percent) and República Bolivariana de Venezuela (10.6 percent). In spite of these appreciations, their export growth rates ranged from 3.4 percent to 6.2 percent, suggesting that other factors (oil in the case of República Bolivariana de Venezuela) boosted these countries' short-term trade performance.

Peru's bilateral trade with the United States will fall under an FTA from January 2009. Colombia stills enjoys preferences under an existing trade agreement with the United States (the Andean Pact Trade and Drug Enforcement Agreement [APTDEA]) through December 2008, but if a recently signed FTA with the United States is not ratified this year by their respective legislatures, its trade and export growth may be negatively affected. Whether the extension of APTDEA, which offers U.S. preferences also to Ecuador and

Bolivia as well, will be extended, is uncertain. However, the value of claimed U.S. (and EU) preferences for these two countries is only a tiny fraction of bilateral exports and is not critical to their export performance. An FTA between Panama and the United States is also awaiting U.S. congressional ratification.

Middle East and North Africa

Trade growth accelerated to an average of 7 percent in 2005–7 in the MNA region, which has historically experienced sluggish trade growth. On average, its trade growth had been 3 percent in the late 1990s (during which time no country or customs territory in the region achieved rates of trade growth of 10 percent or higher) and 5.6 percent in 2000–4. Trade integration, as measured by the share of trade in GDP, has improved consistently and considerably from about 70 percent in the mid- and late 1990s to 98 percent in 2007, as country policies have become more open—both toward the rest of the region and the world.

The countries of the MNA region have had varied performance in trade growth in 2007 (see table 4.4 for selected trade-related performance indicators). Poorly diversified fuel exporters exhibited slower real growth in trade of goods and services, while countries with a more diversified export base (for example, Jordan, Egypt, Morocco, and Tunisia) have experienced impressive growth rates. Tunisia had the fastest real trade growth in 2007 at 17.8 percent (up from 2.8 percent in the mid-2000s) with Morocco coming second at 17.5 percent. Notwithstanding the severe drought that afflicted countries in the Maghreb region, Tunisia, Morocco, and Egypt had excellent export performance, considerably stronger than that of the average MNA and middle-income country averages. This may be due to strong demand from European markets as well as recently initiated reforms to improve the business climate and the competitiveness of the export sector. Djibouti and Jordan (the latter with a relative low trade-weighted tariff, when including preferences) also registered real trade growth of more than 10 percent in 2007. These same countries are the ones with the most improved trade integration ratios between the late 1990s and 2007. Algeria is the only country in the region with a negative real growth in trade (at −4.2 percent in 2007), partly attributed to a fall in its hydrocarbon exports. Its nonoil export sector, moreover, does not appear to have benefited from a sustained annual real exchange depreciation of more than 2 percent since 1995.

The countries with integration ratios higher than the regional average are small and include oil exporters such as Libya and Oman, as expected, but also include nonoil exporters such as Jordan, Lebanon, and Tunisia. Given the importance of oil exports for many countries in the region, the average export concentration index of around 50 percent is one of the highest among developing regions and has hardly changed between the late 1990s and 2007. But this average masks a much higher degree of concentration for hydrocarbon

Table 4.4. MNA Key Trade-Related Indicators

MNA region	Country	TTRI, 2006	Applied tariff trade weighted, 2007	MA-TTRI, 2006	ROW applied tariff trade weighted, 2006	Ease of doing business, 2007	LPI, 2006	Real growth trade, 2007	Real growth export , 2007	Export concentration index, 2006
Euro-Mediterranean		**12.4**	**8.3**	**2.7**	**1.3**	**110.9**	**2.4**	**7.4**	**8.4**	**27.3**
	Algeria	12.7	11.2	0.7	0.5	125.0	2.1	−4.2	−6.3	60.6
	Egypt, Arab Rep. of	5.6	9.3	3.9	2.0	126.0	2.4	8.1	6.7	35.6
	Jordan	9.0	5.6	4.2	2.4	80.0	2.9	10.7	13.3	14.5
	Lebanon	5.5	5.8	4.0	1.3	85.0	2.4	4.9	6.2	12.0
	Morocco	21.4	9.3	2.2	1.1	129.0	2.4	17.5	18.4	15.9
	Syrian Arab Rep.	..	..	..	0.8	137.0	2.1	2.9	0.2	34.0
	Tunisia	20.4	..	1.0	0.6	88.0	2.8	17.8	18.3	18.7
	West Bank and Gaza	..	..	..	..	117.0	..	1.8	10.2	..
Others										
	Djibouti	..	..	..	4.2	146.0	1.9	11.2	2.8	19.1
	Iran, Islamic Rep. of	13.1	19.2	1.6	1.4	135.0	2.5	8.4	1.3	78.2
	Iraq	..	..	..	0.7	141.0	..	..	..	92.4
	Libya	..	..	..	0.1	..	..	..	..	79.9
	Oman	13.2	3.6	1.6	1.0	49.0	2.9	5.8	1.9	74.9
	Yemen, Republic of	..	5.8	..	0.6	113.0	2.3	−0.7	−4.3	85.2
MNA		**12.6**	**8.7**	**2.4**	**1.3**	**113.2**	**2.4**	**7.0**	**5.7**	**47.8**

exporters (more than 75 percent for most of them) and much lower indices for all other countries in the region with a diversified export base.

The MNA region's performance on trade-related policy and institutional dimensions is one of the weakest among all regions, though it is highly differentiated among countries. The MFN applied tariff simple average at 16.2 percent is the highest among all regions. Partly reflecting the importance of preferential trade agreements,[5] the trade-weighted applied tariff (including preferences) is about half that level, at 8.3 percent, but still higher than that of the EAP, ECA, and LAC regions. Agricultural tariffs tend to be much higher in the region relative to nonagricultural products, especially in Egypt, Morocco, and Tunisia. Nonetheless, thanks to continuing reform efforts, which have intensified in the last couple of years, the region has experienced substantial improvement in its trade policy indicators. For instance, while still high compared to other regions, its average Trade (MFN) Tariff Restrictiveness Index dropped from 16.4 percent in the early 2000s to 11.7 percent by 2006. Nontariff measures are particularly restrictive, as the region has the highest average OTRI (including nontariff measures) of 24 percent and second highest nontariff measures frequency ratio of 26 percent among all regions.[6] Exceptions in terms of their comparative levels of overall trade restrictiveness are Jordan, Lebanon, and Saudi Arabia, which are more open than their neighbors. The region fares better in its overall GATS commitment index, at 29, than the average middle-income country and most of the other regions in the developing world (except for the ECA region that scores 51).

Since many of the MNA countries are oil and gas exporters, the region's exports on average faces very few barriers in international markets, as is typical for commodity exporters. In fact, the regional averages for the MA-TTRI (including preferences) at 2.3 percent as well as the rest-of-the-world trade-weighted tariff at 1.3 percent are the lowest among all developing regions. Similarly, the average share of duty-free exports (45.1 percent of total exports) is one of the highest among all regions. As is the case for other indicators, the range is very wide across countries, with high shares for hydrocarbon exporters like Libya (79.5 percent) and very low shares for other countries like Morocco (18.5 percent). The currencies of Bahrain and Saudi Arabia depreciated by 6.9 percent and 3.8 percent, respectively. Nonetheless, their export growth ranged from negative in the case of Bahrain (−4.3 percent) to sluggish for Saudi Arabia (3.2 percent). The Islamic Republic of Iran experienced both stagnation in export performance (1.3 percent) and a large currency appreciation (5.8 percent), probably due to the revenue windfall from higher oil prices.

South Asia

Growth in trade has been the highest among all regions and income groups in the SAS region this decade. Its 2007 average growth rate of 10.8 percent followed a 2005–6 growth of almost 12 percent. This performance was driven by impressive trade and export growth in India (11.5 and 9.7 percent, respectively) and Bhutan (30.4 and 22.9 percent, respectively). India's trade growth reflects strong export performance in chemicals, pharmaceuticals, iron and steel, and information technology services. However, growth in traditional sectors like textiles and apparel remained stagnant, possibly partly due to the currency's substantial appreciation on a real, trade-weighted basis and competition from others in world markets. Bhutan's trade growth is related to India's increasing demand for its hydroelectricity and cement exports. The slowest trade growth rates were for Pakistan and Sri Lanka (less than 1 percent and 6 percent, respectively). Rising food prices in Pakistan related to developments in international markets, and shortages in domestic supplies led the government to restrict exports of wheat and rice. This had a significant impact on Pakistan's trade performance (see table 4.5 for selected trade-related performance indicators for the region).

Notwithstanding the recent strong performance on trade growth, the region's integration ratio of 73 percent in 2007, though higher than that of the late 1990s ratio of 65 percent, is the lowest among developing regions. Nonetheless, India's integration ratio of 45 percent is high for an economy its size. Nepal, Bhutan, and the Maldives have high export concentration, typical of smaller economies. Trade relations with India are central for these countries. Of the large economies in the region, Bangladesh also exhibits high export concentration, reflecting the dominance of textiles and apparel in its exports.

Despite its recent strong performance, SAS still has the most restrictive trade policy among all regions, as exemplified by its high Trade (MFN) Tariff Restrictiveness Index of 13 percent. The MFN applied tariff (simple average) for the region is 14.4 percent, the second highest after MNA, but down from an average of 26 percent a decade ago. The large regional gap between the applied trade-weighted average tariff rate (11.6 percent, including preferences) and the share of import duties to total merchandise imports (this gap is especially high in some countries like Nepal and Sri Lanka) suggests leakage due to either customs exemptions or other practices. This gap is of particular importance to the region, which obtains a quarter of its central government fiscal revenues from trade taxes. As in all regions, agricultural tariff (applied) averages tend to be much higher relative to nonagricultural products. SAS countries tend to maintain high levels of protection in relation to each other, often more than the level of protection with respect to the rest of the world, and thus intraregional trade is less than 2 percent of GDP, compared to more than 20 percent for East Asia.

On average, SAS has one of the worst business environments across all regions. None of its countries is in the top 50 in the ease of doing business rankings, and only two are in the top 100, Maldives (ranked 60th) being the region's best performer and Pakistan (76th). For some of the smaller countries in the region like Nepal, Bhutan, and Sri Lanka, political instability continues to be a problem, especially for foreign direct investment, new business development, and growth in their important tourism sector.

Policy and institutional performance varies greatly among the countries and customs territories in the region. Sri Lanka is still doing much better than its neighbors on all trade policy indicators and is also less protectionist

Table 4.5. SAS Key Trade-Related Indicators

SAS region	Country	TTRI, 2006	Applied tariff trade weighted, 2007	MA-TTRI, 2006	ROW applied tariff trade weighted, 2006	Ease of doing business, 2007	LPI, 2006	Real growth trade, 2007	Real growth export , 2007	Export concentration index, 2006
	Afghanistan	..	6.2	..	9.4	159.0	1.2	..	..	..
	Bangladesh	14.1	13.2	3.7	4.5	107.0	2.5	9.3	10.5	39.8
	Bhutan	..	14.8	..	0.6	119.0	2.2	30.4	22.9	38.4
	India	15.0	7.8	3.7	4.8	120.0	3.1	11.5	9.7	14.2
	Maldives	..	..	..	3.7	60.0	..	..	..	76.7
	Nepal	16.4	14.6	18.3	2.8	111.0	2.1	6.9	7.5	14.6
	Pakistan	12.3	15.1	7.3	6.8	76.0	2.6	0.9	0.4	23.0
	Sri Lanka	7.2	9.5	3.5	5.3	101.0	2.4	5.9	7.1	22.3
SAS		**13.0**	**11.6**	**7.3**	**4.7**	**106.6**	**2.3**	**10.8**	**9.7**	**32.7**

than in the late 1990s. Its MFN TTRI of 7.2 percent is much lower than its SAS counterparts. It also has a better business environment and trade facilitation than its neighbors. But other indicators suggest that it has increased import tariff barriers this decade and retains one of the weakest commitments under the GATS to services trade liberalization, relative to the regional or lower-middle-income country averages. Sri Lanka has had consistently lower trade growth rates than the regional averages. This may be partly explained by relatively weak performance in its clothing export sector since the lifting of the multi-fiber quotas that shielded this sector from international competition and by continuing political instability in the country. Another factor that may help explain its poorer performance is the relatively low value of preferences it receives from the EU and the United States, amounting to 2.6 percent of its exports to those two countries compared with 5.4 percent for Bangladesh.[7] Its trade policy and market access indicators were not particularly favorable to trade expansion over the period considered, but textiles and apparel exports have grown consistently, supporting high trade growth. No country in the region experienced large exchange rate fluctuations in 2007 on a real, trade-weighted basis.

Sub-Saharan Africa

In 2007, trade volume in the SSA region is estimated to have grown by 6.4 percent on a cross-country average basis, the lowest rate in the developing world and representing a decrease from the 7.9 percent growth exhibited in 2005–6.[8] Export growth was similarly low at 6.1 percent, down from 7.8 percent in 2005–6 and from more than 8 percent in the previous decade (see table 4.6).

Countries and customs territories across the region had very different trade outcomes; 3 out of the 44 countries with available estimates recorded negative real trade growth. For example, in Mauritania, the region's newest oil producer, disappointing export growth (−7.6 percent in 2007, down from 38.3 percent in 2005–6) was largely due to a halving of oil output tied to the installation of new oil exploration and extraction equipment acquired the prior year. Zimbabwe's economic mismanagement and political turbulence were at the root of its negative (officially recorded) trade growth (−2.4 percent). Chad's 2007 negative trade and export growth rate (−0.4 percent and −2.8 percent, respectively) is due to a decline in both oil and nonoil exports, indicating a large decrease from its 2000–4 export levels (56.0 percent) which were, at that time, caused by a jump in oil exports. Trade growth in Nigeria, the region's second largest economy, remained about the same—around 5 percent in both 2005–6 and 2007, with a large slowdown in import growth. Export growth was positive in 2007, albeit very low (2.1 percent), reversing the negative growth experienced in the period 2005–6 (−2.5 percent), which was largely caused by underperformance in the oil export sector.

However, exports in 2007 grew by more than 17 percent in four African countries, with nonpolicy, noninstitutional factors driving their trade and

Table 4.6. SSA Key Trade-Related Indicators

SSA region	Country	TTRI, 2006	Applied tariff trade weighted, 2007	MA-TTRI, 2006	ROW applied tariff trade weighted, 2006	Ease of doing business, 2007	LPI, 2006	Real growth trade, 2007	Real growth export, 2007	Export concentration index, 2006
ECOWAS & UEMOA		**11.1**	**11.7**	**7.4**	**5.1**	**149.5**	**2.3**	**7.0**	**7.2**	**53.5**
	Benin	11.4	16.5	16.3	12.8	151.0	2.4	13.3	19.2	62.3
	Burkina Faso	11.9	9.4	21.5	23.0	161.0	2.2	6.9	6.8	58.0
	Cape Verde	..	12.9	..	0.7	132.0	..	10.8	9.7	47.5
	Cote d'Ivoire	8.0	10.2	4.0	3.0	155.0	2.4	2.9	2.9	32.2
	Gambia, The	..	15.2	..	1.8	131.0	2.5	6.9	7.2	50.6
	Ghana	9.4	11.3	3.1	4.4	87.0	2.2	7.3	4.7	44.1
	Guinea	13.4	..	1.4	0.8	166.0	2.7	4.4	4.7	65.7
	Guinea-Bissau	..	10.9	..	3.2	176.0	2.3	4.7	5.1	74.9
	Liberia	..	..	..	0.6	170.0	2.3	..	..	..
	Mali	12.2	8.4	11.5	15.3	158.0	2.3	5.1	6.4	73.9
	Niger	11.6	11.2	0.9	2.9	169.0	2.0	5.7	5.9	47.2
	Nigeria	11.4	11.0	0.4	0.1	108.0	2.4	5.0	2.1	85.1
	Senegal	10.2	9.6	6.5	2.2	162.0	2.4	4.8	4.1	24.7
	Sierra Leone	..	..	..	0.9	160.0	2.0	14.3	17.1	53.9
	Togo	11.0	13.6	8.0	4.5	156.0	2.2	5.3	5.2	28.9
CEMAC		**17.5**	**12.8**	**1.5**	**0.7**	**164.7**	**2.2**	**4.2**	**2.4**	**71.8**
	Cameroon	14.6	12.5	2.8	2.1	154.0	2.5	5.1	3.9	51.2
	Central African Republic	21.8	10.3	0.8	0.3	177.0	..	5.7	5.5	46.9
	Chad	..	10.9	..	0.6	173.0	2.0	−0.4	−2.8	..
	Congo, Rep.	..	16.1	..	0.7	175.0	..	0.7	−3.1	86.9
	Equatorial Guinea	..	12.7	..	0.1	165.0	..	6.3	6.6	90.4
	Gabon	16.2	14.3	1.0	0.3	144.0	2.1	7.5	4.1	83.7
East African Community		**12.9**	**9.6**	**6.7**	**2.1**	**128.8**	**2.2**	**7.8**	**6.3**	**38.8**
	Burundi	12.4	11.2	5.0	1.6	174.0	2.3	7.6	6.3	60.7
	Kenya	8.1	9.9	5.1	2.6	72.0	2.5	6.6	6.1	18.8
	Rwanda	20.4	..	10.5	1.1	150.0	1.8	10.1	6.9	54.4
	Tanzania	9.0	8.1	6.0	2.4	130.0	2.1	6.6	6.1	35.3
	Uganda	14.7	8.9	7.0	3.0	118.0	2.5	8.3	5.9	25.1

Other COMESA	**12.6**	**12.1**	**5.4**	**2.1**	**130.8**	**2.4**	**7.8**	**9.2**	**49.3**
Angola	..	6.4	..	0.3	167.0	2.5	18.4	21.9	95.5
Comoros	..	..	..	0.8	147.0	2.5	3.9	3.1	47.5
Congo, Dem. Rep. of	..	10.8	..	0.1	178.0	..	10.1	9.1	38.4
Eritrea	5.8	..	5.3	3.5	171.0	2.2	3.9	3.1	18.0
Ethiopia	13.7	12.6	1.3	1.9	102.0	2.3	6.3	5.9	43.2
Madagascar	12.0	7.9	2.9	3.2	149.0	2.2	6.1	4.4	19.6
Malawi	30.4	10.3	20.2	6.1	127.0	2.4	5.9	6.1	59.9
Mauritius	2.0	1.7	2.6	2.1	27.0	2.1	4.2	4.6	28.3
Seychelles	..	32.9	..	0.5	90.0	..	7.0	7.1	62.8
Sudan	16.1	..	1.5	1.2	143.0	2.7	25.2	38.7	87.2
Zambia	8.5	..	3.7	2.5	116.0	2.4	5.1	4.7	68.4
Zimbabwe	..	14.3	..	2.7	152.0	2.3	−2.4	2.1	22.3
SACU	**8.3**	**8.8**	**1.2**	**4.0**	**69.6**	**2.7**	**4.9**	**3.7**	**41.2**
Botswana	9.0	9.4	0.1	0.1	51.0	..	3.4	3.7	72.5
Lesotho	..	14.3	..	9.7	124.0	2.3	2.3	1.9	46.6
Namibia	10.1	7.9	0.5	2.1	43.0	2.2	11.1	9.9	30.0
South Africa	5.7	4.9	3.0	1.9	35.0	3.5	7.2	4.1	15.6
Swaziland	..	7.5	..	6.4	95.0	..	0.4	−1.2	41.5
Others									
Mauritania	7.8	10.9	1.6	0.6	157.0	2.6	−7.6	−16.9	74.0
Mayotte	..	1.9	..	1.7	..	..	..	..	..
Mozambique	6.1	7.1	7.0	0.9	134.0	2.3	8.1	7.4	57.4
São Tomé and Principe	..	..	..	0.2	163.0	2.9	..	..	86.9
Somalia	..	..	..	6.0	..	2.2	..	..	..
SSA	**11.8**	**11.0**	**5.4**	**3.0**	**135.8**	**2.3**	**6.4**	**6.1**	**52.7**

export growth. For instance, two countries, Sudan and Angola (ranked 2nd and 4th out of 160 countries on trade growth), are oil-producing countries that benefited from increased oil prices and exports. They achieved their highest export growth rates in almost 35 years (38.7 and 21.9 percent, respectively), with correspondingly huge increases in their foreign exchange earnings, allowing them to finance rapid real import growth. Benin was the region's third best exporter, with exports growing by 19.2 percent (−2.0 percent in 2005–6) and imports by 9.9 percent (4.9 percent in 2005–6). Benin's large jump in export and doubling of import growth (surprising for a low-income cotton producer) are largely due to increased re-exports to Nigeria, whose capacity to import (whether through official or unofficial channels) benefited from higher export earnings related to booming oil prices. Sierra Leone also registered a high export growth of 17.1 percent in 2007, largely as a result of the lifting of the diamond export ban following the civil war (diamonds account for nearly half of its total exports). All these countries had good trade performances related to international market developments or developments in partner countries affecting major exports, despite having poor scores on trade policy and institutional areas.

SSA's export bundle is the least diversified among all developing regions (with a regional average of 52.7 percent in 2006). The cumulative average country share of the top five export products is around 80 percent, also the highest among developing countries. Recently, some countries, including Ghana, Mozambique, Senegal, Tanzania, and Uganda, have slowly started to diversify their economies and exports. South Africa remains the most diversified economy in Africa.

On average, countries in the SSA region consistently score or rank relatively poorly on most trade-related policy categories compared to other regions. SSA is the second most trade-restrictive region, after SAS, with an applied tariff-weighted average of 11 percent (albeit improved compared to 15 percent in 1995–99). Comoros, Sudan, Zimbabwe, and the Seychelles are the most closed economies, having the highest restrictiveness indices and MFN tariffs (whether on a simple average or trade-weighted basis). SSA countries have the fewest and weakest services trade (liberalization) commitments in the GATS. The region on average also displays the worst rankings in business environment, governance, logistics, and other trade facilitation indicators.

Depending on the products they export, countries in the region face very different market access. For example, countries like Botswana, Sudan, and the Central African Republic face very low tariffs for their exports, but Burkina Faso, Benin, and Mali (all cotton exporters) face much higher tariffs for their products. The region does not score high relative to the other regions on market access (even taking preferences into account), despite the fact that most of the countries are low income.

Movements in real effective exchange rates do not seem to have had much impact on export growth rates, at least in the short run. A number of countries in the region experienced large real effective exchange rate depreciations in 2007. These included Zambia (13.9 percent, although this came after two years of even larger appreciations), Malawi (11.2 percent), South Africa (8.7 percent), and Burundi (6 percent). Countries that experienced large real appreciations included the Gambia (10.7 percent) and two oil producers, Equatorial Guinea (7.1 percent) and Gabon (5 percent). All these countries' export growth rates were positive, ranging from 4.1 percent to 7.2 percent, and at or below the global average.

Among the countries with the highest scores or rankings in policy indicators, Mauritius clearly outperforms the rest of the region, surpassing South Africa in most dimensions but logistics. It has also liberalized some services sectors, including telecommunications. It faces a relatively favorable market access environment (2.1 percent being the rest-of-the-world trade-weighted applied tariff compared to the SSA average of 3 percent) and has one the least-protected economies in the world: it ranks 6th of 125 countries on the Trade (MFN) Tariff Restrictiveness Index, with a trade-weighted applied tariff average of 1.7 percent, compared to the SSA average of 11 percent. Nevertheless, the country's trade growth was only 4.3 percent in 2007, lower than 6.9 percent in 2005–6.

South Africa has the region's second most open economy according to the MFN TTRI and the applied tariff-weighted average (5.7 percent and 4.9 percent, respectively) and is also the second best performing on most institutional and trade facilitation dimensions, with a very good business environment and logistics. Its recent trade growth rate, however, also slowed down, from a solid 10 percent in 2005–6 to 7.2 percent in 2007.

Other countries with relatively open services trade are Senegal, Ghana, Kenya, and Nigeria. Their liberalization commitments under the GATS, however, remain few and weak. Among the top 10 countries in the region ranked for Ease of Doing Business, Kenya and Ghana (72nd and 87th, respectively, out of 178, worst) were only in the middle of the group on both tariff policy and in trade and export growth.