

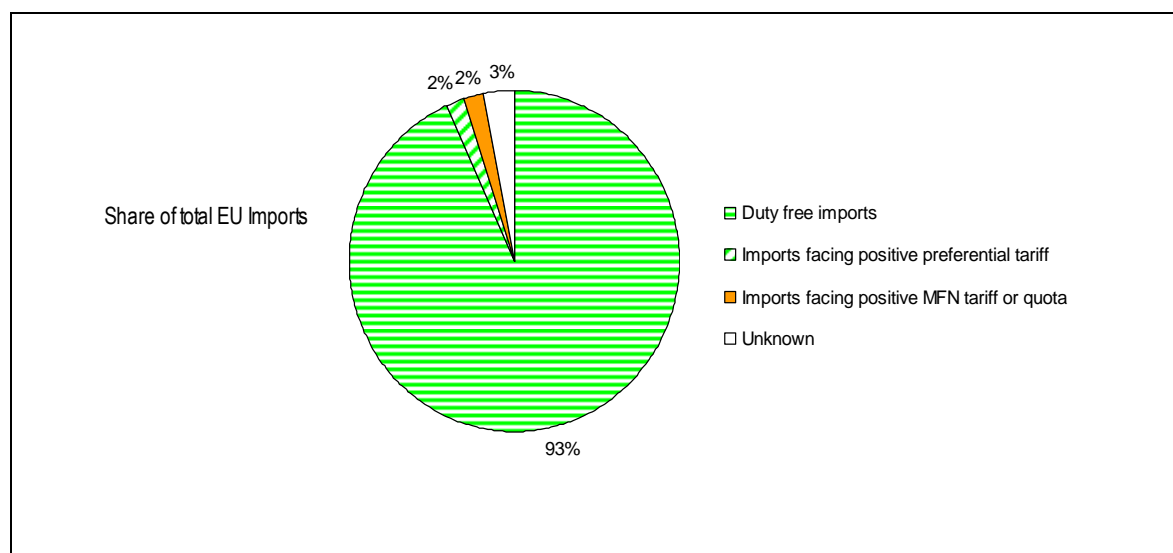
**External Trade comment to the study
"Trade Effects of the EU's Everything but Arms Initiative".**

The EU has a generous trade policy towards developing countries, offering significant preferential market access for developing countries in general and for the least developed countries (LDCs) in particular. Already in 1995, the EU granted all LDCs extensive market access within the special regimes of the Generalised System of Preferences (GSP). Furthermore, the African, Caribbean and Pacific (ACP) countries have long benefited from extensive preferential access to the EU market through the trade provisions of the Lomé Conventions and more recently the Cotonou Agreement. The most generous EU preferential access scheme is the Everything but Arms (EBA) initiative, introduced in 2001, which provides duty free and quota free access to the EU market for all products from LDCs, except arms. Hence, the EBA complemented a system of existing high levels of market access for LDCs.

A majority of the poorest beneficiaries of EU trade preferences are eligible for more than one preference scheme. Hence, in order to obtain a realistic picture of a country's overall use and impact of EU trade preferences, one should examine all schemes for which a country is eligible simultaneously. For instance, the OECD (2005) concludes that when one accounts for the fact that a product can be eligible for both the EBA and the Cotonou Agreement, the utilisation rate of the EBA initiative is high, at roughly 95% for the agricultural and food products.¹

To provide for a detailed overview on EU preferential trade, Eurostat will make a database publicly available in the autumn of 2006. This database will show, for example that about 93% of ACP exports and 80% of LDC exports entered the EU duty free in 2004 (see Figure 1 and Figure 2).²

Figure 1: Distribution of EU imports by tariff regime (2004) for the ACP countries, excluding South Africa (%)

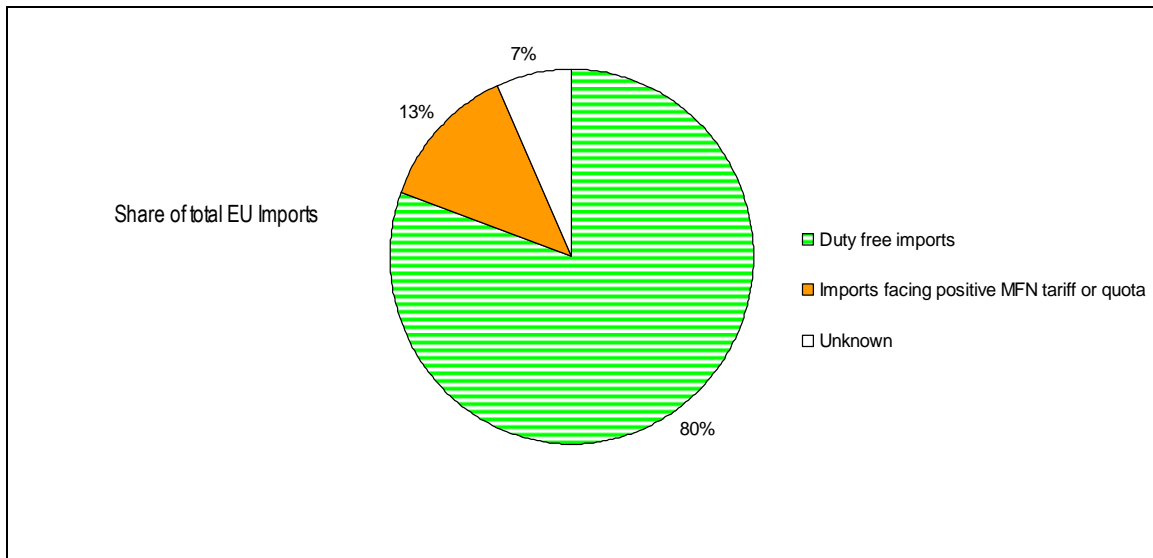


Source: COMEXT. *Note:* 'Unknown' represents imports for which it has not been possible to identify the tariff regime. Sugar imports under duty free quotas are considered as duty free imports.

¹ OECD (2005), Preferential Trading Arrangements in Agricultural and Food Markets: The case of the European Union and the United States, OECD, Paris. For more info, see http://www.oecd.org/document/6/0,2340,en_2649_33785_34687942_1_1_1_1,00.html.

² Bangladesh accounted alone for about a third of all LDC exports to the EU in 2004. Bangladesh's preference utilisation rate is relatively low at about 60%, which is probably related to EU rules of origin. The percentage of LDC exports entering the EU duty free excluding Bangladesh is 90%.

Figure 2: Distribution of EU imports by tariff regime (2004) for the LDCs, excluding Myanmar (%)



Source: COMEXT. *Note:* Excluding Myanmar for which preferences have been suspended. 'Unknown' represents imports for which it has not been possible to identify the tariff regime. Sugar imports under duty free quotas are considered as duty free imports.

The study "Trade Effects of the EU's Everything but Arms Initiative" consists of detailed and thorough work and provides for interesting reading on this very specific element of EU trade policy vis-à-vis LDCs. It analyses the extent to which the EBA improved market access for LDCs, it examines subsequent changes in LDCs' exports at detailed product level and identifies the main beneficiaries of the scheme in the first two years (up to 2003). First indications are that significant increases in exports have taken place in those tariff lines which were liberalised. The study also suggests some measures to be taken to help LDCs make use of the full potential of the EBA.

DG Trade hopes that you will find the study interesting and informative.

Economic Analysis in Support of Bilateral and Multilateral Trade Negotiations

**THE TRADE EFFECTS OF THE EU'S EVERYTHING BUT
ARMS INITIATIVE**

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THE TRADE EFFECTS OF THE EU'S EVERYTHING BUT ARMS INITIATIVE

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GLOSSARY

ACP: Africa, Caribbean, Pacific
AGOA: African Growth Opportunity Act (unilateral trade agreement between the USA and Africa)
AMAD: Agricultural Market Access Database
Andean Community: Bolivia, Colombia, Ecuador, Peru and Venezuela
BACI: Analytical Database of International Trade (CEPII)
BEC: Broad Economic Categories (United Nations classification)
BFA: Banana Framework Agreement (EU, 1995)
CAP: Common Agricultural Policy
CEPII: Centre d'Etudes Prospectives et d'Informations Internationales
CN: Combined Nomenclature (statistical classification)
COMTRADE: Commodity Trade Statistics Database
CTH: Change in Tariff Heading
EBA: Everything But Arms
EBA Products: Products with an EBA advantage
EC: European Communities
EU: European Union
FAO: Food and Agriculture Organization
GATT: General Agreement on Tariffs and Trade
GSP: Generalised System of Preferences
GSPA: Generalised System of Preferences for Agricultural products and LDCs
GSPC: Generalised System of Preferences for other products and LDCs
GTAP: Global Trade Analysis Project
HS: Harmonised System (harmonised commodity description and coding system)
INRA: Institut National de la Recherche Agronomique
LDC: Least developed countries
MFN: Most-Favoured Nation
ODC: Other duties and charges (in addition to customs duties)
OECD: Organisation for Economic Co-operation and Development
SAD: Single Administrative Document
SITC: Standard International Trade Classification
SPS: Sanitary and phytosanitary
SSA: Sub-Saharan Africa
STD: Standard deviation
SPG: Système de préférences généralisées
TARIC: Integrated Tariff of the European Communities
TRQ: Tariff rate quota
TSA: Tout sauf les armes
UN: United Nations
UNCTAD: United Nations Conference on Trade and Development
UR: Uruguay Round
US(A): United States (of America)
USDA: US Department of Agriculture
USITC: United States International Trade Commission
WCO: World Customs Organisation
WTO: World Trade Organisation

EXECUTIVE SUMMARY

On February 26 2001, the European Union (EU) approved the European Commission's "Everything but Arms" (EBA) initiative to eliminate quotas and duties on all products, except arms, from the world's least developed countries (LDCs), as defined by the United Nations. The decision meant that the EU became the world's first major trading power to commit itself to opening its market fully to the world's poorest countries. The package of measures is intended to improve trading opportunities for LDCs, while giving time for EU countries to adapt to changes required in the Common Agricultural Policy (CAP).

Duty and quota elimination for essentially all products took effect in March 2001, but the full liberalisation of sugar, rice and bananas will be phased in during a transition period³. To smooth the transition before complete liberalisation for these products, the EU has offered immediate market access to LDCs through the creation of duty-free quotas for sugar and rice. The EBA has been incorporated into the Union's Generalised System of Preferences (GSP) regulation. The GSP regulation foresees that the special arrangements for LDCs should be maintained for an unlimited period of time and not be subjected to a periodic renewal of the system.

The general objectives of this study are to assess the trade effects of the EU's EBA initiative and to put forward recommendations that would facilitate the beneficiaries' full use of the opportunities offered by the scheme.

The first part of the study is devoted to the rich economic literature dedicated to the European EBA initiative. As part of the more general debate on non-reciprocal preferential agreements granted to developing countries, the analysis of the EBA opposes the advocates of the point of view that preferential agreements limit the development of multilateral trade to those, presently more numerous, who criticize these agreements as being on the contrary insufficient. Indeed, a review of the literature shows that the initiative is the subject of contradictory criticisms which emphasize either the very limited impact of the EBA or, on the contrary, the important risks of trade diversion effects it represents. It has to be noted that only a small number of studies have relied on original measures and satisfactory data. The majority of these believe that the main effects of the EBA are to be found only in a few sectors, and in particular sugar.

The ex-post analysis undertaken here benefits from only a limited period of implementation of the EBA initiative⁴. An assessment of the EBA's functioning over the first years is not fully

³ Duties on fresh bananas will be reduced by 20% annually starting on 1 January 2002 and eliminated at the latest on 1 January 2006. Duties on rice will be reduced by 20% on 1 September 2006, by 50% on 1 September 2007 and by 80% on 1 September 2008 and eliminated at the latest by 1 September 2009. Duties on sugar will be reduced by 20% on 1 July 2006, by 50% on 1 July 2007 and by 80% on 1 July 2008 and eliminated at the latest by 1 July 2009.

⁴ A preferential agreement's full potential is only realized after a more or less long period of investments or of suppliers getting used to the operating patterns. As an illustration, importers allege that the implementation of the GSP-Drug had taken 4 to 5 years. (source: interviews of importers conducted by the authors for the study on EU and US non reciprocal preferences, see OECD 2005).

conclusive, because it only enables to take into account trade flows which are progressively being implemented. However, an initial evaluation is necessary, for future improvements.

Implemented in 2001, the EBA intervenes in a context where the EU already granted to LDCs the benefit of very advantageous preferences. These were granted since 1995 within the framework of the GSP's special regimes. In addition, the African and Caribbean LDCs could also benefit from the Lomé agreement (and then Cotonou) reserved for ACP countries. Exploiting the EU's tariff database (TARIC) enables to specify, given the initial preferences granted to LDCs, the products that really benefit from an increased preferential advantage with the EBA initiative. For the sake of clarity, these products which are at the heart of this study will be named here "EBA products". They include 1224 products (at the 10-digit level of the EU's tariff nomenclature) for which the EBA actually generated a more favourable access to the European market for LDCs than what existed under previous agreements. These "EBA products" are mainly sensitive agricultural and food processing products insofar as they were not included in the preferences granted to LDCs prior to the EBA initiative

Due to initial preferences more favourable to African LDCs under Cotonou, the advantage generated by the EBA is more important for Asian LDCs. Asian countries only benefited previously from the GSP, which granted fewer advantages than the Cotonou agreement in terms of preferential margin and product coverage. As a result, the EBA initiative provides extra preferential margins on 1224 products for Asian LDCs, and 1095 products for African LDCs. The extra preferential margin averages 30.1% for Asian LDCs and 28.2% for African LDCs, on these "EBA products".

The EBA initiative and LDC exports

The trade of LDCs represents a small share of world trade (0.4% in 2003). The challenge is precisely to reduce the obstacles so as to allow an increase of their exports. The EBA initiative has pursued this aim by facilitating even more access to the EU market for a certain number of products, precisely those that we have previously identified and named "EBA products" in this study. In the following sections we shall particularly focus the analysis on this "EBA products" category, for it allows to see the effects of the agreement independently of other preferences that already existed.

The "EBA products", for which the EBA introduces a preferential advantage, represent 1.8% of the LDCs' total exports. This figure includes exports to the EU (0.4% of LDCs' total exports), intra-LDC trade (0.4%) and exports towards other countries of the world (1%). Thus, the EBA only facilitates access for products which presently represent only a small share of the total exports of LDCs.

However, the advantage generated by the EBA for LDCs concerns above all the domain of agricultural and food-processing product exports. This is, for LDCs, an essential point if we consider what agricultural development represents for these countries. The share of EBA products in the LDCs' total agricultural and food-processing exports to the EU is of 11% in 2003. This situation corresponds, for these agricultural products benefiting from an additional preferential advantage generated by the EBA, to a doubling in the volume of exports to the EU during the implementation phase of the initiative.

In some cases, though, the EU has become a substantial market for "EBA products". Exports to the EU now represent more than half of the value of "EBA products" exported worldwide for some countries such as Malawi (56%), Zambia (78%), Bangladesh (51%) or Burkina Faso (59%). In other cases, in spite of the tariff exemptions introduced by the EBA, some countries still export very little to the EU. Countries such as Sudan direct only 14 % of their exports of "EBA products" to the EU. The figure is 10% for Togo, and only 3% for Yemen, 2% for Niger, and 0% for Somalia.

It is also noteworthy that if the EBA generated for LDCs an additional preferential advantage for the "EBA products" defined above, the EU has in 2003, for these same products, a balance of trade surplus in relation to LDCs. That is, the risk that the setting of a zero tariff without quantitative restrictions for LDCs result in a surge of imports and a collapse of the corresponding EU production sectors seem non-existent, since the EU still exports more to these countries than it imports from them. There could be some relative specialization of the EU and LDCs within the same intra-sectoral trade, though. Indeed, the study reveals that cross-trade flows between the EU and LDCs concern different "EBA products" (the detailed analysis relies here on the Grubel and Llyod index). Since 1995 it is roughly the same EBA products that the EU exports to LDCs (wheat flour and milk). On the contrary, the evolution of the structure of LDC exports to the EU reveals, and particularly after 2000, important changes in the nature of the products exported.

Considering this situation, further investigation was carried out regarding the development of LDC exports. Again, we focus on products where access to the EU market has been significantly improved by the EBA, using in particular the BACI database (CEPII)⁵. We distinguished four aspects, in order to characterize LDC exports in EBA products:

- In a first section, called "*LDC exports to the EU*", we analyze the changes in LDC exports to the EU since the introduction of the EBA initiative;
- In a second, section called "*A comparative analysis of LDC exports to the EU*", we compare the changes of LDC exports to the EU with the changes in exports to the EU originating from a suitable reference group of countries (non-LDC ACP countries);
- In a third section called "*LDC exports to destinations other than the EU*". The analysis of the changes in LDC exports towards major trading partners other than the EU.
- In a fourth section, called "*Intra-LDC exports*", we assess whether an easier access to the EU market has resulted in diverting trade between LDCs.

LDC exports to the EU. In this section of the study, we characterize how the EU imports originating from LDCs have changed after the implementation of the EBA. Amongst the 48 LDCs, a group of 14 of them are at the origin of more than 95% (in value) of "EBA products" exports to the EU. In practice, the EBA initiative has therefore opened markets only for a limited number of LDCs. These are mainly African countries, at the head of which we find Malawi (25.1% of the value of "EBA products" exports to the EU), Zambia (16.5%) and Sudan (11.6%). For these three countries, the value of exports to the EU is rising sharply since the EBA was implemented (it tripled for Malawi and Zambia). It can be noted that some LDCs, who exported few if any "EBA products" to the EU before the implementation of the initiative, are significantly developing their exports of these products to the EU, apparently thanks to the new preferences that the EBA granted for this selection of products, which was until then protected. These countries are, notably, Burkina Faso, Ethiopia, Togo and Nepal on the side of the Asian countries.

Despite the preferential advantage introduced by the EBA initiative, certain EBA products, which represented a significant share of LDC exports to the EU between 1995 and 2000, are no longer, if little, exported to the EU in 2003. These are, more specifically, live poultry or bovine meats which nevertheless enjoy a preferential margin under the EBA of respectively 10% and 91%, and also bananas which were exported for 85.9% to the EU in 1996 and only for 4% in 2003. Factors external to the EBA are of course involved, such as the competition from Latin American or Asian countries that generates market share losses for LDCs despite their tariff advantages. This factor suggests that the EBA does not suffice to compensate the competitive handicaps of LDCs for certain products. Moreover, with the reduction of customs duties within the multilateral framework, it is foreseeable that the advantages granted by the EBA will be eroded.

⁵ The BACI database notably corrects a certain number of shortcomings in the trade source data of COMTRADE. It also enables a harmonization of bilateral trade flows between countries.

On the other hand, LDC cane sugar exports have been multiplied by three between 2000 and 2003. This product represents 64% of LDC exports in "EBA products" to the EU in 2003, against 44% in 2000 and 34% in 1996. This evolution, even though the EBA limits LDC exports during a transition period, leads to think that the improvement in European market access for sugar will eventually allow significant imports from LDCs.

Amongst the products that have benefited from an advantage with the EBA initiative, cane sugar is the most important item in value terms in the exports of LDCs. The EU represented an outlet for only a third of their sugar exports prior to the EBA, and represents two thirds of these in 2003. The second important item of "EBA products" exported to the EU concerns the "other vegetables, fresh or chilled". This item now represents 15% of the value of LDC exports to the EU. The export flows from LDCs have doubled since 2000.

A comparative analysis of LDC exports to the EU. In this section of the study, we attempt to assess the trends EU imports originating from LDCs to imports from other origins, so as to isolate the role of the EBA. As a reference, the LDC exports of "EBA products" to the EU have been compared to the exports of these products from other (non LDC) African, Caribbean and Pacific countries. Between 1996 and 2000, the exports of non LDC African countries to the EU have decreased at a rate relatively close to that of the fall in LDC exports (a fall of 19% for exports of "EBA products" from non-LDC ACP countries, a fall of 16% for LDC exports). On the other hand, after 2000 the growth of LDC exports to the EU is very clear, and contrasts with those of other ACP countries: exports of "EBA products" from African LDCs double, those of Asian LDCs triple and those of non-LDC ACP countries only increase 25%.

Nevertheless the EBA has not generated a significant trade diversion to the detriment of non-LDC ACP countries, as some authors had feared with the implementation of the EBA. Indeed, a detailed analysis by products shows that non-LDC ACP countries' exports to the EU concern "EBA products" which are hardly exported by LDCs such as bananas, chocolate preparations, pineapples and pineapple juice and also oranges. There is therefore no apparent conflict between the new preferences granted to LDCs and the historic preferences granted to ACP countries. On the contrary, the competition from ACP countries on "EBA products" remains strong for LDCs. It can be observed that in the "other vegetable products" category, the non-LDC ACP countries increase their EU outlets without taking market shares from LDCs, for example.

The exception is sugar, where there could be some competition between LDCs and other ACP countries, if there were no quantitative management of the imports. If exports to the EU still mainly originate from non-LDC ACP countries, the share of the latter in EU imports has declined, corresponding to an increase of imports from LDCs. More precisely, the sugar exports of non-LDC ACP countries originate mainly from Mauritius (89% of exports from non LDC countries in 2000 and 2003). Overall, LDC exports to the EU which represented 10% of the export value of other ACP countries in 2000, represents 17% in 2003. It is the only apparent example where the EBA initiative could lead, potentially to trade diversion effects with regards to ACP countries (non-LDCs). Nevertheless, at this stage the imports from LDCs have added themselves to (and not replaced) those from other ACP countries, because of the quotas granted to the two groups of countries. Furthermore, given the ongoing changes in the case of sugar (outcome of the World Trade Organization conflict, ongoing reform of the European regime), the EBA is only a minor element in the changes that are going to affect the ACP countries benefiting from the sugar protocol within the framework of Cotonou.

LDC exports to destinations other than the EU. In this section of the study, we compare the exports from LDCs to the EU and to other destinations, still focusing on the "EBA products" defined above. The share of LDC exports in "EBA products" destined to other (non-LDC) countries than the EU has sharply declined between 2000 and 2003. It was 73% in 2000, and falls

to 54% of exports destined to countries other than the EU in 2003. In addition to sugar (10% of exports), exports mainly concern live sheep. This product represents 26% of LDC exports of "EBA products" to countries other than the EU. Sheep and goat meat carcasses represent 11% and live bovines 8%. Thus the section on live animals and meats represents, in 2003, nearly 46% of LDC exports in "EBA products" to destinations other than the EU. The destination markets are first Saudi Arabia (34% of LDC exports to countries other than the EU, mainly live sheep) and other African countries.

The group of live animals and meats is therefore an important export category for LDCs. And yet these products are not exported to the EU in 2003, despite the fact that the EBA has granted them a preferential advantage on this market (MFN duties are high). The reasons are to be found most probably in the framework of non tariff measures (problems of hygiene, certification, and traceability).

Meats are not the sole categories for which the EBA has not resulted in additional export flows to the EU despite the preferential tariffs offered. For other products than meat, however, the LDC export flows to third markets are more limited, suggesting that their export capacity or their degree of competitiveness are also limited. An exception is rice is still hardly exported to the EU and yet represents a significant volume of LDC exports to third countries (5% of exports to non-EU countries in 2003). In this case, the restrictions linked to the EBA transition period might explain the weak increase in exports to the EU, even if the competition with rice from other regions (sometimes subsidized) is strong. In the case of bananas (3% of LDC exports to third countries in 2003), the LDC export capacity is probably limited, and the competition with the other ACP (which benefits also from preferential access) and Central American countries remains strong.

Intra-LDC exports. In this section of the study, we attempt to assess whether an easier access to the EU market has resulted in diverting trade between LDCs. Intra-LDC trade represents an important share of exports for "EBA products". The value of exports to other LDCs is as large as the value of exports to the EU. . The products traded between LDCs are predominantly cereals or come from flour-milling: they represent close to 57% of exports in 2003 for intra-LDC trade. They are, more specifically, corn and wheat flour as well as rice. Sugar exports are also substantial (11%) but they are clearly on the decrease since 2000.

On the whole, intra-LDC trade increases considerably between 2000 and 2003. The share of LDC to LDC exports for "EBA products" represents 13% of their total exports in 1996 and 2000. This share reaches 22% in 2003 and corresponds to a doubling of the value of intra-zone trade between 2000 and 2003. The markets of Bangladesh (corn, rice and sugar), Benin (wheat flour), Malawi (wheat flour and corn), and Zambia (corn) are the ones which supply themselves the most, for these products and in 2003, in other LDCs. Even though we have little evidence to reach a definite conclusion on this level, it seems in the end that the EBA has not generated trade diversion effects between LDCs. On the contrary, the EBA seems to have revitalized trade between LDCs, or facilitated this revitalization. It perhaps did so by facilitating foreign investments (the case of sugar, where South-African investments in LDCs so as to benefit from preferences granted under the EBA has been observed) or simply the setting up of administrations or structures enabling a better integration in world trade.

A decomposition of the various components of the changes in LDC exports to the EU

The previous analyses have shown that the EBA had an impact on trade flows to the EU, albeit limited in volume and restricted to a limited number of products, using different benchmarks, such as EU imports from other origins, or LDCs exports to other destinations. In this section of the study, we attempt to decompose the changes that have taken place in exports of "EBA products" from the LDCs to the EU.

Methodology. In order to emphasize what, in the trade analysis, can be attributed to the influence of the EBA initiative, the pre-EBA initiative period (1995-2000) is compared to that of its implementation (2000-2003)⁶. For these two periods, the study introduces a breakdown of the export growth in several cumulative effects (Constant Market Share analysis). To simplify, the demand effect of this model corresponds to the difference between the exports that should have taken place if the market shares had remained the same between two periods (with constant market share). The improvement or deterioration of the performance is measured by comparing the exports that should have taken place if the initial market share had remained the same with what it effectively became at the end of the period (with constant market value). We then distinguish in the evolution of LDC exports what can be due to the influence of the European market demand, what can be based on the performance of LDCs in terms of market share gains, or what can be owed to the export redirection effects.

The components of the changes in exports from LCDs to the EU. The pre-EBA initiative period (1995-2000) is marked by an important decline in LDC exports of "EBA products" to the EU (-30% of the value of 1996 exports). This situation is due to two effects: on the one hand a decline in the EU's demand, all origins included, for these products (-26%), and on the other hand a redirection trend of certain LDC exports towards other destinations than the EU (-16%). The market share component does offset the negative effects linked to the decline of EU demand and of diversification undertaken by LDCs. That is, the overall effect is a decrease in LDC exports of "EBA products" to the EU. The decline of exports of Madagascar, Sudan and Somalia are particularly large during this period. .

The decline of LDC exports to the EU for "EBA products", during the period prior to the initiative's implementation, concerns mainly bananas, bovine meats, sugar cane molasses and grain sorghum. It is the market conditions of European demand that explain this decline in exports of sugar cane molasses and grain sorghum, whereas for bananas and bovine meats it is the redirection of LDC exports to other destinations.

During the 2000 to 2003 period, corresponding to the implementation of the EBA, LDC exports of "EBA products" to the EU increase by nearly 81%. This increase in exports is based on LDC market share gains (27%), on new shifts in outlets towards the EU carried out by certain countries (28%) and on a favourable growth in European demand (25%).

It is Zambia and Malawi which contribute the most to the increase in exports of "EBA products" to the EU during this period. For these countries, this result is mainly obtained by an increase in export market shares to the EU. This influence of the EBA also matters in allowing the opening of the European market in EBA products to certain countries. Thus, the increase in LDC exports to the EU is also explained by a shift towards the EU in the outlets of Nepal, Ethiopia, Mozambique and Burkina Faso.

The increase in exports of EBA products, after the implementation of the initiative, concerns mainly cane sugar (60% of the value of LDC exports in 2000) and fresh or chilled vegetables (10%). For sugar, this increase benefits from the EBA initiative as it allows LDCs to gain European market shares but also as it opens up more widely this market to other LDC exporters. Accordingly, the performance effects that explain the increase in sugar exports are due to Malawi and Zambia and the diversification effects are due to the introduction of new exports originating from Ethiopia, Mozambique, Nepal and Burkina Faso. For fresh vegetables, LDC exports benefit from the growth of European demand and from an effect also due to a market share gain.

⁶ The growth of exports is here reduced by the adopted smoothing method which retains the average of the years 1996-2000 and 2002-2003.

Overall, the EBA initiative, through its effects on market share gains and the redirection of LDC outlets towards the EU, explains well the growth of LDC exports between 2000 and 2003. The growth in exports of "EBA products" is largely due to those of sugar. An examination of the utilization of sugar quotas shows that the volume exported by LDCs goes from 70 473 tonnes in 2000 to 146 832 tonnes in 2003, of which 85 313 tonnes come under the utilization of the EBA quota. It can be noted that Malawi, Zambia and Tanzania indeed cumulate the advantages of all three quota schemes during the 2000-2003 period: quotas opened within the framework of the Cotonou sugar protocol, quotas opened within the framework of the "special preferential sugar" and finally those of the EBA.

An assessment of the EBA's utilization

The assessment of the "Everything But Arms" initiative previously undertaken from the point of view of LDCs' trade potential and exports supposes that the operators actually utilize the EBA regime. However, imports can be entirely realized under a preference regime granted to the originating country or on the contrary can be only partially realized within this framework, to the benefit of either another preferential regime available to this country, or even outside the preferential regime. In this latter case the importer forgoes the advantage of the preference and adopts the multilateral duty of the Most Favoured Nation (MFN). If it seems logical that a country chooses the most favourable preferential tariff, it might not necessarily be the case due to administrative obstacles, specific conditions of eligibility or rules of origin requirements. The assessment of the EBA utilization rate has been undertaken by the study for the year 2003 through the mobilization of data from the Single Administrative Document (SAD-Eurostat) and from the TARIC (DG-Taxud) database.

In 2003, 39% of EU imports originating from LDCs are not subjected to a duty (0% MFN duty) and as such do not concern the activity of a preferential regime. The apportionment of "dutiabale products" imports shows that the utilization rate of the EBA is 38% for all the products, if we define this rate as the ratio between imports that actually took place under the EBA regime, and the volume of imports that were eligible to the EBA.

This figure does not give a complete image of the use of preferences. Indeed, a product eligible to the EBA can be exported, also without any customs duties, under another regime. Thus, while all imports (except arms) originating from LDCs are eligible for the EBA, it can be noted that 24% of them are achieved under the Cotonou agreement, most of the time with a zero duty. In the end, it is only for 39% of the value of LDC exports that the importer prefers to give up the EBA advantage and use the MFN regime. It is only in this case that there is an actual non-utilization of the preference. In the remaining 61% of the cases, LDC exports subject to a positive MFN duty actually enter the EU market duty free or with very small duties, either under the EBA or under a competing preferential regime such as Cotonou.

This rate of 39% is however fairly high. It suggests that, in numerous cases, technical obstacles (rules of origin, or other eligibility requirements of the EBA regime) or compliance costs (administrative costs, certification costs, etc.) mean that the importer cannot (or does not wish to) use the EBA regime but is obliged (or chooses) to pay customs duties. A careful assessment of the concerned products shows that products with a non-zero MFN duty, which are imported from LDCs under the MFN clause, are mainly products of the textile industry. The requirements of the rules of origin compliance for these products (content in local added value) are probably the main cause. They can be explained by the difficulty for certain LDCs to supply themselves in local raw materials, despite adjustments granted by the EU within the framework of regional agreements and derogatory regimes.

If we consider only the products for which the EBA initiative has introduced a preferential advantage ("EBA products"), the EBA utilization rate is only 22%, if, as before we define this

utilization rate as the ratio of actual imports under the EBA to actual imports eligible to the EBA. Once again, this low utilization rate is misleading as a major share of imports takes place under the another preferential regime which provides similar tariff exemptions, the Cotonou regime (56%). In the end, it is therefore only some 22% of EBA eligible imports that are achieved under the MFN regime. That is, 88% of the exports for which the EBA brought some actual extra market access now enter the EU under a one or the other preferential regime, most of the time duty free.

It is nevertheless enlightening that in many cases, when they have the choice, the Cotonou regime is preferred by exporters even when they could use the EBA regime. The low preferential margin differential between the EBA and Cotonou, a more systematic use by ACP countries of the "Eur 1" administrative forms, or the cumulation of origin rules can be advanced to explain this situation. Concerning the "EBA products" which enter under the MFN clause, it is mainly sugar cane from Malawi and Ethiopia. We could put forward the hypothesis that these countries resort to the MFN duty because they have fully utilized the quota volumes opened under Cotonou and the EBA, but it is not unlikely that this situation results from an error in the statistical sources (SAD-Eurostat).

The explicative factors for the utilization of the EBA. In the end, the utilization of the EBA depends mainly on the decision of the operators (importers, exporters, and their customers). The study has undertaken the formalization of this decision based on the main economic factors that can explain the use of the EBA. The first of them being naturally the level of preferential duties granted under the EBA. In other words, the preferential margin which is expressed in the difference between the MFN duty and the preference granted can be an important incentive for using the EBA. However, if the margin is expressed in relation to another preference, it can also explain the choice of turning away from one regime to the benefit of another one. Such is the possible case offered to the African LDCs benefiting from Cotonou. The other factors likely to explain the utilization or non-utilization of the EBA regime concern the origin of products. One can also think that the rules of origin requirements are less demanding for commodities originating from the country than for processed products. In a general way, this level of requirement within the framework of the preferential rules of origin compliance will probably play an important role in the decision of operators.

Taking into account these considerations, the formalization of the decision to use the EBA (Probit model) shows the positive influence of the preferential margin on the use of the EBA. This influence is the most important quantitatively amongst the factors retained for explaining the use of the EBA. Thus in many cases, when importers choose not to use the EBA regime but to pay MFN customs duties, it is because these duties are low for the product in question. Importers arbitrate between the preferential margin and the administrative cost required for eligibility to the regime. On the other hand, the small volume of transactions has effectively a negative influence on the use of the EBA. In other words, for small consignments, importers prefer to pay customs duties rather than be subjected to fixed administrative costs for their consignment to be eligible to the preferential regime. The double eligibility of countries (and products) to the Cotonou and EBA regimes has also a negative influence on the use of the EBA, since these regime *de facto* compete. Finally, the fact that the import concerns rather a processed product also has a negative effect on the use of the EBA. This can indicate that the rules of origin (which mainly concern processed products containing several raw materials) play a negative role in the use of the EBA. The influence of these explicative factors suggests certain considerations in view of improving the utilization of the EBA by beneficiary countries.

Prospects for improving the EBA

The prospects for improving the use of the EBA can be put forward either in the sense of reinforcing the factors that have a positive influence on the utilization of the EBA, or in the sense of searching to reduce the negative effects of the factors which on the contrary impede its

utilization. On this basis, the results obtained with the above modelling can give possible leads for a better use of the regime.

The importance of the EBA's preferential margin will assert itself on the three categories of products (rice, sugar and bananas) for which the progressive elimination of customs duties is scheduled for the years 2006 and 2009. In the meantime, the fact that African LDCs resort to the Cotonou agreement rather than to the EBA could also diminish with the assimilation of administrative rules ("A" form rather than "Eur 1" form).

The restrictions, which might apply more to the rules of origins' terms of application in relation to processed products, could in this respect be simplified. In this respect, the frequent use of the Cotonou regime rather than the EBA, when importers have the choice, suggests that the geographical cumulation rules for intermediate consumption are important (an ingredient originating from another country benefiting from the agreement is considered as being of domestic origin under Cotonou, which is not the case with the GSP and the EBA in particular). Nevertheless, it is probable that a cumulation between LDCs will not generate any actual advantages for countries that have difficulties in finding ingredients on their national territory. Such a case would require a cumulation extended to non-LDC countries, or a lower local added value threshold. Obviously, there is the risk that a low threshold results in the simple reexportation of products from third origin, bringing little benefits to the economy of LDCs, or even bogus reexpedition (cases of ships passing through LDC territorial waters).

Following the Green Paper on the future of rules of origin in preferential trade regimes, the Commission put forward a certain number of proposals in order to improve and simplify the determination of origin concerning "sufficiently worked or processed" products. The Commission would favour, as a starting point for this simplified procedure, the recourse to a method for assessing this "sufficient processing" based on a "value added criteria". This proposal, which is yet to be evaluated, corroborates a reduction of the negative effects, which have been identified here, concerning the use of processed products within the framework of the EBA.

The improvement perspectives for the functioning of the rules of origin can be complemented by taking into account the fact that import transactions concerning small flows do not use as much the EBA regime. The rules of origin compliance costs would be, for the consignments in question, more penalizing for LDCs. As it has been assessed, small sized transactions (below 20 000 euros) represent close to 65% of the number of transactions observed and have a negative effect on the utilization of the EBA. There are in the regulations facilities granted to this type of imports when they are below 6000 Euros. These facilities do not affect the rules of origin compliance requirements, but allow to dispense oneself from obtaining the certificate (form "A" of the GSP) by replacing it with the presentation of a simple invoice. Raising significantly this threshold to 20 000 Euros could be envisaged.

Finally, a more detailed investigation of the reasons underlying the fact that certain EBA products exported by LDCs enter the EU market in small proportions deserves to be followed through. This investigation (in relation to local and European operators), which is beyond the allotted time for this study, would allow to specify the underlying factors that distinguish the non-export situations from those relating to small exports to the EU. Products that are not exported to the EU (such as meats) may depend rather on local constraints for modernizing standards (hygiene). These may not be directly attributable to the operation of the EBA insofar as these products also do not enter under the MFN clause. On the other hand, products entering in small proportions on the EU market may on the contrary be more sensitive to the EBA's functioning.

In conclusion

In the end, the EBA initiative seems to have enabled a significant development of trade from certain countries (Zambia, Malawi) towards the EU, and a limited integration for some others (Nepal, Ethiopia, Mozambique, Burkina Faso) on this market. For products which have benefited from an effective additional market opening, the EBA initiative has actually reversed the decline of LDC export flows to the EU, which was observed before the implementation of this initiative. The effect is particularly clear for Asian LDCs.

However, until now, the majority of new trade flows have only concerned certain products. These are, in the first place sugar, and to a lesser extent fresh food products. The export flows under the EBA remain very limited and still represent only a minute share of European imports. Products for which LDCs appear to have export potentials have not experienced significant export flows towards the EU, despite new possibilities to export them at a zero duty rate. In some cases the reasons are probably to be found with non-tariff problems (animals, meats). In others, the competitiveness and production potential of LDCs do not seem sufficient, at least on the short term, to allow them to compete with other exporters, even if these do not benefit from tariff advantages (bananas, rice).

The fears one could have concerning trade diversion, with LDCs taking market shares from other developing countries, have not materialized, even if in the case of sugar an increase in LDC exports to the EU can be observed while other ACP countries see their exports limited to existing quotas. One can think that in the future LDCs could take market shares from other developing countries in this sector. However the potentially negative effects of the EBA for non-LDC ACP countries only adds to the uncertainty regarding the volume and the rents of preferential sugar exports from these countries, given the likely decrease in MFN tariffs, the recent decision of the Appellate Body of the World Trade Organization and the ongoing reform of the common market organization. Neither has EU market access diverted trade flows between LDCs. The EBA initiative even appears to have stimulated these, by a spillover effect that may be due to the establishment of a more efficient export potential which aimed at first the European market.

Only a limited percentage of products eligible to the EBA regime are imported under the MFN regime, that is to say subjected to customs duties. This mainly concerns textiles, a sector for which it is likely that the benefit of the EBA is limited by rules on the origin of products and on the content of local added value. For the other sectors, the utilization rate of the EBA regime is high, if we take into account the fact that, when this regime is not utilized, it is because of its redundancy with the preferences granted within the framework of Cotonou. The non-utilization of the EBA regime (that is to say the cases where LDCs export under the MFN regime) is mainly explained by low MFN customs duties on certain products. Another frequent case where imports forgo the preference is that of small sized consignments, which probably do not justify, in the eyes of the importer, fulfilling the necessary formalities for obtaining the preference. Adjustments to the rules of origin, notably for processed products, and a higher threshold for the exemption of certain administrative documents would probably generate more export flows and increase the impact of the EBA initiative.

RESUME EXECUTIF

Le 26 Février 2001, l'Union européenne (UE) a adopté l'Initiative "Tout sauf les armes" (TSA) proposée par la Commission, pour éliminer les quotas et les droits de douane sur tous les produits (sauf les armes) en provenance des Pays les moins avancés (PMA), tels que définis par les Nations Unies. De par cette décision, l'UE devenait la première des grandes puissances commerciales à s'engager dans l'ouverture de son marché intérieur aux exportations des pays les plus pauvres. L'ensemble de mesures proposées avait pour objectif d'améliorer les possibilités pour les PMAs de s'insérer dans le commerce mondial, tout en donnant à certains secteurs de l'économie européenne le temps de s'adapter, en particulier aux nécessaires réformes de la politique agricole commune.

L'élimination des quotas et des droits de douane pour la quasi-totalité des produits a pris effet en mars 2001, mais la libéralisation totale du marché du sucre, du riz et des bananes ne sera mise en place qu'au terme d'une période de transition⁷. Afin de permettre la libéralisation l'ouverture progressive de ces marchés avant la libéralisation totale, l'UE a offert un accès immédiat aux PMAs à travers la création de quotas à droit de douane nuls pour le sucre et le riz. L'initiative TSA a été incorporée au Système de préférences généralisées (SPG) de l'UE. La réglementation spécifie que les provisions spécifiques pour les PMAs seront valides sans limitation de temps, et ne seront pas sujettes aux révisions périodiques du SPG.

Les principaux objectifs de cette étude sont d'évaluer les effets de l'initiative TSA sur les échanges, et d'avancer quelques recommandations pour permettre aux pays bénéficiaires d'en utiliser pleinement les opportunités commerciales.

Une première partie de l'étude est consacrée à l'abondante littérature économique dont l'initiative européenne TSA a fait l'objet. Prétexte au débat plus général concernant les accords préférentiels non réciproques avec les pays en développement, l'analyse de TSA oppose les tenants du point de vue selon lequel les arrangements préférentiels limitent le développement des échanges multilatéraux à ceux qui, plus nombreux aujourd'hui, reproche à ces accords d'être, au contraire insuffisants. L'examen de la littérature montre en effet que l'initiative est l'objet de critiques contradictoires soulignant soit un impact très limité de TSA ou, à l'opposé, les risques important des effets de déviation de commerce. Force est de constater que seul un petit nombre d'études s'est appuyé sur des mesures originales et des données satisfaisantes. La majorité de celles-ci avance que les effets principaux de TSA doivent être trouvés pour quelques secteurs seulement et notamment celui du sucre.

L'analyse ex-post entreprise ici repose sur période encore réduite⁸. L'examen du fonctionnement de TSA sur les premières années permet seulement de prendre en compte des flux d'échanges qui se

⁷ Les droits de douane sur les bananes fraîches sont réduits tous les ans de 20% depuis le premier janvier 2002 et seront éliminés au plus tard le premier janvier 2006. Les droits sur le riz seront réduits de 20% au premier septembre 2006, de 50% au premier septembre 2007, et de 80% au premier septembre 2008, puis éliminés au plus tard au premier septembre 2009. Les droits sur le sucre seront réduits de 20% au premier juillet 2006, de 50% au premier juillet 2007, et de 80% au premier juillet 2008, et éliminés au plus tard au premier juillet 2009.

⁸ Le fonctionnement à maturité d'un accord préférentiel intervient après une période d'investissement ou de rodage des routines de fonctionnement des fournisseurs. À titre d'illustration, les importateurs avancent que la mise en place du Système de préférences généralisées spécifique pour les pays luttant contre le trafic de stupéfiants aurait pris 4 à 5 ans

mettent progressivement en place. Une première évaluation est pourtant nécessaire, pour de futures améliorations.

Mis en place en 2001, TSA intervient dans un contexte où l'UE accordait déjà aux PMAs le bénéfice de préférences très avantageuses. Celles-ci étaient octroyées depuis 1995 dans le cadre des régimes spéciaux du SPG. En outre, les PMAs africains et caraïbes pouvaient bénéficier des accords de Lomé (puis de Cotonou) réservées aux pays ACP (Afrique, Caraïbe et Pacifique). L'exploitation de la base tarifaire de l'UE (TARIC) permet de déterminer précisément, compte tenu des préférences initiales accordées aux PMAs, les produits bénéficiant réellement d'un surcroît d'avantage préférentiel avec l'initiative TSA.

Pour simplifier, ces produits, qui sont au coeur de l'étude, seront dénommés ici "produits TSA". Ce sont ainsi 1224 produits (au niveau 10 chiffres de la Nomenclature tarifaire européenne -TARIC) qui sont concernés. Ces produits sont ceux pour lesquels TSA apporte réellement un accès plus favorable au marché européen que les accords précédents, pour les PMAs. Il s'agit majoritairement de produits agricoles et agroalimentaires sensibles dans la mesure où ils n'étaient pas inclus dans les préférences concédées aux PMAs avant l'initiative TSA.

En raison de préférences initiales plus favorables aux PMAs africains sous Cotonou, l'avantage apporté par TSA est plus important pour les PMAs asiatiques, ces dernières ne bénéficiant préalablement que du SPG, qui donnait des avantages moindres en termes de marge préférentielle et de couverture des produits, que l'accord de Cotonou. Ainsi le bénéfice de l'initiative TSA va, pour les PMAs asiatiques, porter sur 1224 produits. Le nombre de "produits TSA" est plus faible, 1095 lignes tarifaires, pour les PMAs africains. Le gain de marge préférentiel sera en moyenne de 30,1% pour les PMAs asiatiques et de 28,2% pour les PMAs africains.

L'initiative TSA et les exportations des PMAs

Le commerce des PMAs représente une faible part de l'activité mondiale (0,4% en 2003). Le défi est justement de réduire les entraves qui permettent le développement de leurs débouchés. L'initiative TSA poursuit cet objectif en facilitant encore plus l'accès au marché de l'UE pour un certain nombre de produits (ceux justement que nous avons identifiés précédemment et nommés "produits TSA" dans cette étude). Dans les sections qui suivent nous allons centrer particulièrement l'analyse sur cette catégorie de "produits TSA", car elle permet de voir les effets de l'initiative, indépendamment d'autres préférences qui existaient auparavant.

Les "produits TSA", pour lesquels l'initiative apporte un avantage tarifaire par rapport à la situation passée, représentent 1.8% de la valeur des exportations des PMAs. Ce chiffre comprend les exportations vers l'UE (qui représentent 0.4% des exportations totales des PMAs), les échanges entre PMAs (0.4%), et les exportations vers les autres pays (1%). On voit donc que TSA facilite réellement l'accès au marché pour des produits qui ne représentent qu'une faible partie des exportations totales des PMAs.

Cependant, EBA apporte un avantage aux PMAs surtout dans le domaine des exportations de produits agricoles et agroalimentaires. Il s'agit pour les PMAs d'un point essentiel si on considère ce que représente le développement agricole pour ces pays. La part des produits EBA, dans le total des exportations agricoles et agroalimentaires des PMAs destinés à l'UE, est de 11% en 2003. Cette situation correspond, pour ces produits agricoles bénéficiant de l'avantage préférentiel supplémentaire apporté par EBA, à un doublement du volume des exportations vers l'UE. Durant la période de mise en place de l'initiative.

Dans certains cas, cependant, l'UE est devenue un marché substantiel pour les "produits TSA". Les exportations vers l'UE représentent maintenant plus de la moitié de la valeur des "produits TSA"

(source: interviews réalisées par les auteurs dans le cadre de l'étude des régimes préférentiels américains et européens, voir OECD, 2005).

exportés par la Zambie (78%), le Burkina Faso (59%), le Malawi (56%) ou le Bangladesh (51% de la valeur des exportations de "produits TSA"). Dans d'autres cas, malgré les exemptions tarifaires introduites par TSA, des pays continuent à n'exporter qu'une faible partie de ces produits vers l'UE. Ainsi, le Soudan ne dirige que 14% de ses exportations de "produits TSA" vers l'UE. Le chiffre est de 20% pour le Togo, de 3% pour le Yémen, de 2% pour le Niger et de 0% pour la Somalie.

Il convient également de souligner ici que si TSA apporte pour les PMAs un avantage préférentiel supplémentaire aux "produits TSA" défini ci-dessus, la balance commerciale des PMAs pour ces produits est déficitaire vis-à-vis de l'UE en 2003. Ainsi, il paraît difficilement envisageable que les préférences accordées aux PMAs présentent le risque d'une compétition susceptible de mettre à genoux les secteurs européens en question. On observe plutôt une certaine spécialisation entre l'UE et les PMAs à l'intérieur des échanges intra-branche. L'étude montre en effet que les échanges croisés entre l'UE et les PMAs portent sur des "produits TSA" différents (l'analyse détaillée repose ici sur l'indice de Grubel et Lloyd). Ce sont depuis 1995 sensiblement les mêmes produits TSA que l'UE exporte vers les PMAs (farine de blé et lait). En revanche, l'évolution de la structure des exportations des PMAs vers l'UE montre, des changements importants dans la nature des produits exportés, notamment depuis la mise en place de TSA.

Compte tenu de cette situation, l'étude s'est attachée à préciser le développement des exportations des PMAs. Là encore, l'analyse reste centrée sur les produits pour lesquels TSA a introduit un accès au marché qui n'existait pas auparavant, les "produits TSA" définis plus haut. Une investigation sur les données statistiques disponibles a été nécessaire et le traitement s'est appuyé sur la base BACI (CEPII)⁹. L'analyse des exportations des PMAs en produits TSA a privilégié quatre orientations :

- L'analyse de l'évolution des exportations des PMAs vers l'UE depuis l'introduction de TSA (section "*Les exportations des PMAs vers l'UE*");
- La comparaison de l'évolution des exportations des PMAs vers l'UE avec l'évolution des exportations d'un groupe de pays de référence (les pays ACP non PMAs) vers l'UE (section "*Analyse comparative des exportations des PMAs à destination de l'UE*");
- L'analyse de l'évolution des exportations des PMAs vers les autres partenaires commerciaux significatifs que l'UE (section "*Les exportations des PMAs vers des destinations autres que celles de l'UE*");
- L'analyse des effets possibles de diversion des échanges entre PMAs, qui aurait pu se produire du fait de l'ouverture du marché européen (section "*Les exportations intra-PMAs*").

Les exportations des PMAs vers l'UE. Parmi les 48 PMAs, un groupe de 14 d'entre eux est à l'origine de plus de 95% (en valeur) des exportations de "produits TSA" vers l'UE. L'initiative TSA a donc en pratique ouvert des marchés à un nombre restreint de PMAs. Ce sont principalement des pays africains, au premier rang desquels on trouve le Malawi (25.1% de la valeur des exports de "produits TSA" sur l'UE), la Zambie (16.5%) et le Soudan (11.6%). Pour ces trois pays, la valeur des exportations sur l'UE est en forte augmentation depuis la mise en place de TSA (elle triple pour le Malawi et la Zambie). On note que certains PMAs, qui exportaient peu ou pas de "produits EBA" vers l'UE avant la mise en place de l'initiative, développent significativement les exportations de ces produits vers l'UE, apparemment grâce aux nouvelles préférences qu'a apporté l'EBA pour cette liste de produits jusqu'au préalable protégés. Ce sont notamment le Burkina Faso, l'Ethiopie, le Togo ou le Népal du côté des pays asiatiques.

⁹ La base BACI du CEPII corrige notamment un certain nombre d'insuffisances dans les données sources du commerce de COMTRADE des Nations Unies. Elle apporte par ailleurs une harmonisation des flux bilatéraux des échanges entre les pays.

Malgré l'avantage préférentiel introduit par l'initiative TSA, on note pourtant que certains produits TSA, qui représentaient une part significative des exportations des PMA vers l'UE entre 1995 et 2000, ne sont plus exportés, ou sont toujours très peu exportés vers l'UE en 2003. Ce sont notamment les volailles vivantes ou la viande bovine qui bénéficient pourtant d'une marge préférentielle sous TSA respectivement de 10% et 91%. C'est aussi le cas des bananes, qui étaient exportées pour 85.9% sur l'UE en 1996, et ne le sont plus que pour 4% en 2003. Des phénomènes extérieurs à TSA sont bien évidemment en cause, comme la concurrence de pays d'Amérique latine ou d'Asie, qui fait perdre des parts de marchés aux PMA malgré leurs avantages tarifaires. Ce phénomène suggère que TSA ne suffit pas à compenser les handicaps de compétitivité des PMA, sur certains produits. Avec la baisse des droits de douane dans le cadre multilatéral, il est d'ailleurs prévisible que les avantages accordés par TSA vont être érodés.

En revanche, les exportations de sucre de canne par les PMA ont été multipliées par trois entre 2000 et 2003. Ce produit représente 64% des exportations des PMA en "produits TSA" sur l'UE en 2003, contre 44% en 2000. Cette évolution, alors même que TSA limite les exportations des PMA pendant une période de transition, laisse penser que l'amélioration de l'accès au marché européen sur le sucre va permettre à terme des importations significatives en provenance des PMA.

Parmi les produits qui ont bénéficié d'un avantage avec l'initiative TSA, le sucre de canne est le poste en valeur le plus important dans les exportations des PMA. L'UE ne représentait un débouché que pour seulement un tiers de leurs exportations de sucre avant TSA, elle représente les deux tiers de celles-ci en 2003. Le deuxième poste important des "produits TSA" exportés vers l'UE concerne les "autres légumes frais et réfrigérés". Ce poste représente désormais 15% de la valeur des exportations des PMA sur l'UE. Les flux d'exportation en provenance des PMA ont doublé depuis 2000.

Analyse comparative des exportations des PMA à destination de l'UE. Les conditions d'accès au marché de l'UE concernant les "produits TSA" ont été comparées à celles de l'ensemble des pays africains en développement (non PMA). Entre 1996 et 2000, les exportations de ces pays vers l'UE ont diminué, à un rythme assez proche de la baisse des exportations des PMA (baisse de 19% pour les exports de "produits TSA" provenant des pays ACP non PMA, baisse de 16% des exportations des PMA). En revanche, après 2000, la croissance des exportations des PMA vers l'UE est très nette, et contraste avec celle des autres pays ACP : En effet, les exportations des PMA africains doublent, celles des PMA asiatiques triplent et celles des pays ACP non PMA augmentent seulement de 25%.

Ce n'est pas pour autant que TSA a engendré un détournement des échanges significatif au détriment des pays ACP non PMA, comme certains auteurs ont pu le craindre à la mise en place de TSA. En effet, une analyse détaillée par produit montre que les exportations vers l'UE des pays ACP non PMA portent sur des "produits TSA" qui sont faiblement exportés par les PMA comme les bananes, les préparations de chocolat, les ananas et le jus d'ananas ou encore les oranges. Il n'y a donc pas un net conflit entre les nouvelles préférences accordées aux PMA et les préférences historiques accordées aux ACP. Au contraire, la concurrence des pays ACP sur les "produits TSA" reste forte, pour les PMA. On observe par exemple que dans la catégorie des "autres produits végétaux", les ACP non PMA augmentent leurs débouchés vers l'UE.

L'exception est le sucre, où la concurrence entre les PMA et les autres pays ACP pourrait être directe, si les flux d'importations de l'UE n'étaient soumis à une gestion quantitative. Si les exportations vers l'UE sont encore principalement le fait des pays ACP non PMA, ceux-ci voient leur part dans les importations européennes décroître, corrélativement à la croissance des exportations des PMA. Plus précisément, pour l'essentiel les exportations de sucre des pays ACP non PMA proviennent de Maurice (89% des exportations de ce groupe ACP non PMA en 2003). Les exportations des PMA vers l'UE qui représentaient 10% de la valeur des exportations des autres pays ACP en 2000, représentent 17% en 2003. C'est le seul exemple où l'initiative TSA semble comporter des risques de déviation de commerce vis-à-vis des pays ACP (non PMA).

Néanmoins, les importations en provenance des PMA se sont ajoutées (et n'ont pas remplacé) à celles en provenance des autres ACP, du fait des quotas attribués à chaque groupes de pays. D'autre part, il est clair que, étant donné les changements en cours dans le cas du sucre (issue de la dispute à l'Organisation mondiale du commerce, réforme du régime européen en cours), TSA n'est qu'un élément minoritaire dans les changements qui vont affecter les pays ACP bénéficiaires du protocole sucre dans le cadre de Cotonou.

Les exportations des PMA vers des destinations autres que celles de l'UE. La part des exportations des PMA en "produits TSA" destinée vers les pays non PMA et autres que l'UE se réduit fortement entre 2000 et 2003. Celle-ci était de 73% en 2000 respectivement, elle passe à 54% des exportations destinées aux destinations autres que l'UE en 2003. En plus du sucre (10% des exportations), les exportations concernent principalement des ovins vivants. Ce produit représente 26% des exportations des PMA en "produits TSA" à destination des pays autres que l'UE. Les carcasses de viandes de moutons et de chèvres en représentent 11% et les bovins vivants 8%. La rubrique des animaux vivants et des viandes représente ainsi, en 2003, près de 46% des exportations des PMA en "produits TSA" vers les destinations autres que l'UE. Les marchés de destinations sont en premier lieu l'Arabie Saoudite (34% des exportations des PMA vers les pays autres que l'UE, essentiellement des ovins vivants) et d'autres pays africains.

Le groupe des animaux vivants et viande est donc une catégorie d'exportations importante pour les PMA. Or, ces produits ne sont pas exportés vers l'UE en 2003, alors que TSA leur a apporté un avantage préférentiel sur ce marché (les droits MFN sont élevés). Les raisons sont très probablement à chercher dans le cadre des mesures non tarifaires (problèmes sanitaires, de certification, de traçabilité).

Les viandes ne sont pas les seules catégories pour lesquelles TSA ne s'est pas traduit par des flux d'exportation supplémentaires vers l'UE malgré les avantages tarifaires accordés. Mais pour les autres produits, les flux d'exportations des PMA sur les marchés tiers sont plus limités, ce qui suggère que leurs capacités d'exportation ou leur degré de compétitivité sont aussi plus faibles. On peut cependant citer le cas du riz, toujours peu exporté vers l'UE, alors qu'il représente des volumes significatifs exportés par les PMA sur les pays tiers (5% des exportations vers les pays non UE en 2003). Dans ce cas, les limitations liées à la période de transition de TSA pourraient expliquer la faible croissance des exportations vers l'UE, même si la concurrence avec du riz d'autres origines (parfois subventionné) est forte. Dans le cas de la banane (3% des exports des PMA vers les pays tiers en 2003), la capacité d'exportation des PMA est sans doute limitée, et la concurrence là aussi aiguë avec les pays d'Amérique centrale et les autres pays ACP (dans le cadre de quotas qui leur sont attribués).

Les exportations intra-PMA. Dans cette section de l'étude, le but était d'analyser si l'accès rendu plus facile aux marchés européens, avait conduit à y rediriger des échanges entre PMA. Les échanges intra-PMA en "produits TSA" représentent un débouché aussi important en valeur que celui de l'UE. Les produits exportés dans ce cadre sont majoritairement des céréales ou de produits issus de la minoterie : ils représentent près de 57% des exportations des échanges intra-PMA en 2003. Ce sont notamment du maïs et de la farine de froment (blé) mais également du riz. Les exportations de sucre sont également conséquentes (11%) mais elles sont en nette diminution depuis 2000.

Globalement, les échanges intra-PMA augmentent considérablement entre 2000 et 2003. La part des exportations des PMA vers les PMA en "produits TSA" représente 13% du total de leurs exportations en 1996 et 2000. Cette part atteint 22% en 2003 et correspond à un doublement de la valeur des échanges intra-zone entre 2000 et 2003. Ce sont les marchés du Bangladesh (maïs, riz et sucre), du Bénin (farine de blé), du Malawi (farine de blé, maïs) et de la Zambie (maïs) qui en 2003 se fournissent le plus, pour ces produits, auprès d'autres PMA. Bien que l'on dispose de peu d'évidences pour tirer une conclusion certaine sur ce plan, il semble donc que TSA n'a pas entraîné de diversion des échanges entre PMA. Au contraire, TSA semble avoir dynamisé le commerce entre PMA, ou au moins agi en facteur facilitant ce dynamisme, peut être en facilitant les

investissements étrangers (cas du sucre, où des investissements sud-africains dans des PMA ont été observés, pour bénéficier des préférences accordées par TSA), ou simplement la mise en place d'administrations ou de structures permettant une meilleure insertion dans le commerce mondial.

La décomposition des différentes composantes de l'évolution des exportations des PMA vers l'UE

Les analyses précédentes ont montré qu'il y avait croissance relative des flux d'exportations des PMA vers l'UE depuis la mise en place de l'EBA, bien que ceux-ci restent limités en volume, et que cette croissance ne touche qu'un nombre restreint de produits, en utilisant différentes références, comme les importations de l'UE en provenance d'autres origines, ou les exportations des PMA vers d'autres destinations. Dans cette section de l'étude, nous tentons de décomposer l'évolution de ces échanges vers l'UE en plusieurs mécanismes. Nous centrons toujours l'analyse sur les "produits TSA" que nous avons définis ci-dessus.

Méthodologie. Afin de dégager ce qui, dans l'analyse des échanges, peut être attribué à l'influence de l'initiative TSA, la période antérieure à TSA (1995-2000) est comparée à celle de sa mise en place (2000-2003)¹⁰. Pour ces deux périodes, l'étude propose une décomposition de la croissance des exportations en plusieurs effets additifs sur la base de part de marchés de référence (*Constant Market Share Analysis*). Pour simplifier, l'effet demande de ce modèle correspond à la différence entre les exportations qui auraient eu lieu si les parts de marché étaient restées les mêmes entre deux périodes (à part de marché constante). L'amélioration ou la détérioration de la performance est mesurée en comparant les exportations qui auraient dû se réaliser si la part de marché initiale était restée la même et ce qu'elle est effectivement devenue en fin de période (à valeur de marché constant). On distingue alors dans l'évolution des exportations des PMA ce qui peut être dû à l'influence de la demande du marché européen ou bien s'appuyer sur la performance des PMA en termes de gains de part de marché ou bien encore tenir à des effets de réorientation des exportations.

Les différentes composantes de l'évolution des exportations des PMA vers l'UE. La période antérieure à l'initiative TSA est marquée par un déclin important des exportations en "produits TSA" des PMA vers l'UE (-30% de la valeur des exportations de 1996). Cette situation tient globalement à deux effets : d'une part une diminution de la demande de l'UE, toutes origines confondues, pour ces produits (-26%) et d'autre part, un mouvement de réorientation de certaines exportations des PMA vers d'autres destinations que l'UE (-16%). Le gain lié à l'effet "part de marché" durant cette période (+12%) ne permet pas de compenser les effets négatifs liés à la baisse de la demande européenne et de la diversification des débouchés opérée par les PMA. Ce sont les réductions d'exportations de Madagascar, du Soudan et la Somalie qui sont les plus importantes durant cette période.

La décroissance des exportations des PMA vers l'UE en "produits TSA", durant la période précédant la mise en place de l'initiative, concerne essentiellement les bananes, les viandes bovines, les mélasses de canne à sucre et le sorgho à grain. Ce sont les conditions du marché de la demande européenne qui explique ce déclin des exportations pour la mélasse de canne à sucre et le sorgho. Alors que, pour les bananes et les viandes bovines ce sont des réorientations des exportations des PMA vers d'autres destinations.

Durant la période 2000 à 2003, correspondant à la mise en place de TSA, les exportations des PMA vers l'UE augmentent de près de 81%. Cette croissance des exportations des "produits TSA" s'appuie sur le gain de part de marché des PMA (27%) et de nouvelles orientations des débouchés effectués vers l'UE par certains pays (28%) et une croissance favorable de la demande européenne (25%)

¹⁰ La croissance des exportations est ici atténuée par la méthode de lissage adoptée ici qui retient la moyenne des années 1996-2000 et 2002-2003.

Ce sont la Zambie et le Malawi qui contribuent le plus à la croissance des exportations des "produits TSA" vers l'UE durant cette période. Ce résultat, pour ces pays, est obtenu essentiellement par une augmentation des parts de marché à l'exportation vers l'UE. Cette influence de TSA joue également en permettant l'ouverture du marché européen des produits TSA à certains pays. Ainsi, la croissance des exportations des PMA vers l'UE s'explique aussi par une réorientation des débouchés vers l'UE, du Népal, de l'Ethiopie, du Mozambique et du Burkina Faso.

La croissance des exportations en "produits TSA" après la mise en place de l'initiative, concerne majoritairement le sucre de canne (60% de la valeur des exportations des PMA de 2000) et les légumes frais ou réfrigérés (10%). Pour le sucre, l'initiative TSA a deux effets. Elle permet aux PMA de gagner des parts du marché européen, mais elle ouvre également plus largement ce marché à de nouveaux exportateurs PMA. Ainsi, les effets de performance expliquant la croissance des exportations en sucres sont le fait du Malawi et de la Zambie. Les effets de diversification sont dus à l'introduction des nouvelles exportations en provenance d'Ethiopie, Mozambique, Népal et Burkina Faso. Pour les légumes frais, les exportations des PMA bénéficient de la croissance de la demande européenne et d'un effet de gain de part de marché.

Globalement l'initiative TSA, par ces effets sur le gain de part de marché et la réorientation des débouchés de PMA vers l'UE, explique bien la croissance des exportations PMA entre 2000 et 2003. Pour beaucoup la croissance des exportations en produits TSA repose sur celle du sucre. L'examen de l'utilisation des contingents sucres montre que le volume exporté par les PMA passe de 70 473 tonnes en 2000 à 146 832 tonnes en 2003 dont 85 313 tonnes relèvent de l'utilisation du quota TSA. On constate que le Malawi, la Zambie et la Tanzanie cumulent effectivement durant la période 2000-2003 les usages de trois systèmes de contingents : les contingents ouverts dans le cadre du protocole sucre de Cotonou, les contingents ouverts dans le cadre du "sucre préférentiel spécial" et enfin ceux de TSA.

Evaluation de l'utilisation du régime TSA

L'évaluation de l'initiative TSA menée précédemment du point de vue du potentiel commercial et des exportations des PMA suppose que les opérateurs utilisent effectivement le régime en question. Cependant, les importations peuvent se réaliser entièrement sous le régime d'une préférence accordée au pays d'origine. Elles peuvent au contraire ne se réaliser que partiellement dans ce cadre au profit, soit d'un autre régime préférentiel possible pour ce pays, soit encore en dehors du système préférentiel. Dans ce dernier cas l'importateur renonce au bénéfice de la préférence pour adopter le droit multilatéral de la Nation la plus favorisée (MFN). S'il semble logique que le pays choisisse le tarif préférentiel le plus favorable, cela ne serait pas nécessairement le cas du fait d'obstacles administratifs, de conditions particulières d'éligibilité ou des règles d'origine à respecter. La mesure du taux d'utilisation d'TSA a été abordée par l'étude pour l'année 2003, en mobilisant les données provenant des Documents administratifs unique (DAU- Eurostat) et celles de la base TARIC (DG-Taxud).

En 2003, 39% des importations de l'UE en provenance des PMA ne sont pas soumis à une taxe (droits MFN à 0%) et de ce fait ne concernent pas l'exercice d'un régime préférentiel. La répartition des importations des produits soumis à un droit MFN non nul montre que le taux d'utilisation de TSA serait de 38% pour l'ensemble des produits

Ce taux d'utilisation apparent, qui rapporte les flux observés sous le régime TSA aux flux d'importation de produits éligibles à TSA, ne donne pas une image complète de l'utilisation des préférences. En effet, le produit éligible peut être exporté, également sans droit de douane, sous un autre régime. Ainsi, alors que toutes les importations en provenances des PMA sont, sauf les armes, éligibles à TSA, on constate que 24% d'entre elles se font sous l'accord de Cotonou. Au total, c'est seulement pour 39% de la valeur des exportations des PMA que l'importateur préfère renoncer au bénéfice de TSA et utiliser le régime MFN. C'est dans ce seul cas qu'il y a une réelle

non-utilisation de la préférence, puisque dans le cas d'imports sous un autre régime préférentiel, les flux d'échange se font également à droit nul, la plupart du temps.

Ce chiffre de 39% est néanmoins élevé. Il suggère que, dans de nombreux cas, des obstacles techniques (règles d'origine, ou autre clause d'éligibilité au régime TSA) ou encore des coûts de conformité (coûts d'administration, de certification, etc.) font que l'importateur ne peut (ou ne souhaite pas) utiliser le régime TSA mais est contraint (ou choisit) de payer des droits de douane. Un examen attentif des produits concernés montre que les produits à droit MFN non nul, qui sont importés en provenance des PMA sous la clause MFN, sont principalement des articles du textile. Les contraintes du respect des règles d'origine pour ces produits (contenu en valeur ajoutée locale) sont sans doute la cause principale. Ils peuvent s'expliquer par la difficulté de certains PMA à se fournir en matière première locale, et ce malgré des aménagements concédés par l'UE dans le cadre d'accords régionaux et de régimes dérogatoires.

Si l'on considère les produits pour lesquels l'initiative TSA a introduit un avantage préférentiel, on constate que le taux d'utilisation de TSA ne serait que de 22% (si l'on définit ce taux de nouveau comme le ratio des importations réalisées sous TSA sur les importations réalisées qui étaient éligibles à TSA). Là aussi, ce faible taux d'utilisation est trompeur, car une grande partie des importations se fait sous le régime Cotonou (56 %). Au total, ce n'est donc que quelque 22% des importations éligibles à TSA qui se font sous le régime MFN. Pour le reste, 88% des importations éligibles à TSA entrent sous un régime préférentiel quelconque, pour l'essentiel à droit nul.

Il est néanmoins instructif que dans beaucoup de cas, le régime Cotonou soit préféré par les exportateurs, qui pourraient utiliser le régime TSA, lorsqu'ils ont le choix. La faible différence de marge préférentielle entre TSA et Cotonou, l'usage plus systématique des formulaires administratifs "Eur 1" des pays ACP, ou les règles de cumuls d'origine peuvent être avancés pour expliquer cette situation. En ce qui concerne les "produits TSA" qui entrent sous la clause MFN, ce sont majoritairement du sucre de canne en provenance du Malawi et de l'Ethiopie. On pourrait avancer l'hypothèse que ces pays ont eu recours au droit MFN car ils ont pleinement utilisé les volumes des contingents ouverts sous Cotonou et TSA, mais il n'est pas impossible que cette situation relève d'une erreur dans les sources statistiques (DAU-Eurostat).

Les facteurs explicatifs de l'usage de TSA. En définitive, l'utilisation de TSA dépend essentiellement de la décision des opérateurs. L'étude a abordé la formalisation de cette décision à partir des principaux facteurs économiques pouvant expliquer l'usage du régime TSA. Le premier d'entre eux est naturellement le niveau des droits préférentiels accordés. Ainsi la marge préférentielle qui s'exprime dans l'écart entre le droit MFN et la préférence concédée est une incitation importante à l'usage de TSA. Cependant, si la marge s'exprime relativement à une autre préférence, elle peut aussi expliquer le choix de se détourner d'un régime au profit d'un autre. Ceci étant le cas possible offert aux PMA africains bénéficiant de Cotonou. Les autres facteurs susceptibles d'expliquer l'usage du régime TSA ou non, concernent l'origine des produits. On peut aussi penser que les règles d'origine à respecter sont moins exigeantes pour les produits de base originaires du pays que pour les produits transformés. D'une manière générale, ce niveau d'exigence dans le cadre du respect des règles d'origine préférentielles va sans doute jouer un rôle important dans la décision des opérateurs.

Tenant compte de ces considérations, la formalisation de la décision d'utiliser TSA (modèle Probit) montre l'influence positive de la marge préférentielle sur l'usage de TSA. Cette influence est quantitativement la plus importante, parmi les facteurs retenus pour expliquer l'utilisation de TSA. Ainsi, dans de nombreux cas, lorsque les importateurs choisissent de ne pas utiliser le régime TSA mais de payer les droits de douane MFN, c'est parce que ceux-ci sont faibles pour le produit en question. Les importateurs arbitrent alors entre la marge préférentielle et le coût administratif nécessaire à l'éligibilité au régime. En revanche, le faible volume des transactions a effectivement une influence négative pour l'utilisation de TSA. C'est à dire que, pour des petites cargaisons, les importateurs trouvent préférable de payer plutôt des droits de douane que de subir les coûts fixes des démarches administratives pour que leur cargaison soit éligible au régime préférentiel. La

double appartenance des pays (et des produits) au régime de Cotonou et à TSA a une également influence négative sur l'utilisation de TSA. Enfin, le fait que l'importation concerne plutôt un produit transformé a aussi un effet négatif sur l'usage de TSA. Ceci peut signifier que les règles d'origine (qui concernent surtout des produits élaborés comprenant plusieurs matières premières) jouent un rôle négatif dans l'utilisation du régime. L'influence de ces facteurs explicatifs suggère certaines orientations en vue d'améliorer l'utilisation du régime TSA par les pays bénéficiaires.

Les perspectives d'amélioration du régime TSA

Les perspectives d'amélioration de l'utilisation de l'initiative TSA peuvent être avancées soit dans le sens d'un renforcement des facteurs qui ont une influence positive sur le taux d'utilisation, soit dans le sens d'une recherche de la réduction des effets négatifs des facteurs qui freinent au contraire son usage. A ce titre, les résultats obtenus avec la modélisation ci-dessus peuvent donner des pistes possibles pour une meilleure utilisation du régime.

L'importance de la marge préférentielle de TSA va s'affirmer sur les trois catégories de produits (riz, sucres et bananes) pour lesquels l'élimination progressive des droits de douanes est programmée à l'horizon 2006 et 2009. Dans l'intervalle, le recours des PMAs africains à l'accord de Cotonou plutôt qu'à TSA pourrait également se réduire par l'effet d'apprentissage des règles administratives (formulaire "A" plutôt que "EUR 1").

Les contraintes qui porteraient sur les modalités d'applications des règles d'origine relative aux produits transformés pourraient être simplifiées. A ce titre, l'utilisation fréquente du régime Cotonou, plutôt que TSA lorsque les importateurs ont le choix, suggère que les règles de cumulation géographique des consommations intermédiaires est important (un ingrédient originaire d'un autre pays bénéficiaire de l'accord est traitée comme étant d'origine domestique sous Cotonou, ce qui n'est pas le cas dans le GSP et sous le régime TSA en particulier). Néanmoins, il est probable qu'une cumulation entre PMAs n'apporterait pas d'avantages réels à des pays qui ont des difficultés à trouver tous les ingrédients sur leur territoire national. Il faudrait dans ce cas une cumulation étendue à des pays non PMAs, ou un seuil de valeur ajoutée locale plus faible. Ce dernier point est cependant délicat, car au delà d'un seuil minimal de valeur ajoutée locale, les PMAs pourraient servir seulement de plateforme locale de réexportation, sans que cela ne contribue significativement à leur économie (voire de réexportation factice, avec simple traversée des eaux territoriales).

À la suite du Livre vert sur l'avenir des règles d'origine dans les régimes commerciaux préférentiels, la Commission a avancé un certain nombre de propositions afin d'améliorer et simplifier la détermination de l'origine concernant les produits "suffisamment ouverts ou transformés". La Commission favoriserait, comme point de départ de cette procédure simplifiée, le recours à une méthode d'évaluation de la "transformation suffisante" basée sur un "critère de valeur ajoutée". Cette proposition qui doit faire l'objet d'une évaluation, va dans le sens d'une réduction des effets négatifs qui ont été ici identifiés concernant l'usage des produits transformés dans le cadre de TSA.

On peut compléter ces perspectives d'amélioration du fonctionnement des règles d'origine par la prise en compte du fait que les opérations d'importations portant sur de petits flux utilisent moins le régime TSA. Les coûts fixes des opérations du respect des règles d'origine seraient pour les cargaisons en question, plus pénalisants pour les PMAs. Ainsi, on a pu évaluer que les opérations de petite taille (inférieure à 20000 euros) représentent près de 65% du nombre des transactions observées et ont un effet négatif sur l'usage de TSA. Il existe bien dans la réglementation des facilités offertes à ce type d'importations lorsqu'elles sont inférieures à 6000 Euros. Ces facilités n'affectent pas les contraintes à respecter les règles d'origine, mais permettent seulement de s'affranchir de l'obtention du certificat (formulaire "A" du SPG) en le remplaçant par la présentation d'une simple facture. Il pourrait être envisagé de relever significativement ce seuil à 20 000 Euros.

Enfin, une investigation plus approfondie des motifs qui font que certains produits TSA exportés par les PMA entrent dans de faibles proportions sur le marché de l'UE mériteraient d'être poursuivie. Cette investigation (auprès des opérateurs locaux ou européens) qui sort du temps imparti à cette étude permettrait de préciser les facteurs sous-jacents distinguant les situations de non-exportation de celles relatives aux faibles exportations vers l'UE. Les produits non exportés vers l'UE (comme les viandes) relèveraient plutôt de contraintes locales de mises aux normes (sanitaires). Elles ne seraient pas directement attribuables à l'exercice de TSA dans la mesure où ces produits n'entrent pas non plus sous la clause MFN. Par contre, les produits qui entrent dans de faibles proportions sur le marché de l'UE seraient au contraire plus sensibles au fonctionnement de TSA.

En conclusion

Au total, donc, l'initiative TSA semble avoir permis un développement non négligeable du commerce vers l'UE de quelques pays (Zambie, Malawi) et une insertion limitée de quelques autres (Népal, l'Ethiopie, Mozambique, Burkina Faso) sur ce marché. Pour les produits qui ont bénéficié d'une réelle ouverture supplémentaire du marché, l'initiative TSA a même inversé le déclin des flux d'exportation des PMA vers l'UE, que l'on observait avant la mise en place de cette initiative. L'effet est net, en particulier, pour les PMA asiatiques.

Mais jusqu'ici l'essentiel des flux d'échanges nouveaux a porté sur seulement quelques produits. Il s'agit en premier lieu du sucre, et dans une moindre mesure les légumes frais. Les flux d'exportation sous TSA restent très limités et ne représentent toujours qu'une infime part des importations européennes. Des produits sur lesquels les PMA semblent avoir des potentiels d'exportation n'ont pas fait l'objet de flux d'exportation significatifs malgré la possibilité nouvelle de les exporter à droit nuls vers l'UE. Dans certains cas ce sont sans doute des problèmes non tarifaires (animaux, viandes) qui sont en cause. Dans d'autres, la compétitivité et le potentiel de production des PMA ne semblent pas suffisants pour, au moins à court terme, permettre de concurrencer d'autres exportateurs, même si ceux-ci ne bénéficient pas d'avantages tarifaires (bananes, riz).

Les craintes que l'on pouvait avoir quant à la diversion du commerce, les PMA prenant des marchés à d'autres pays en développement ne se sont pas manifestées, même si dans le cas du sucre on observe une croissance des exportations des PMA vers l'UE alors que les autres pays ACP voient leurs exportations plafonnées aux quotas existant. On peut penser que, à l'avenir les PMA pourraient prendre des parts de marchés à d'autres pays en développement dans ce secteur. Mais les effets potentiellement négatifs de TSA pour les pays ACP non PMA ne sont qu'un élément d'incertitude supplémentaire, par rapport aux inconnues que sont les effets, sur les débouchés et les rentes préférentielles, d'autres phénomènes, comme la baisse des droits MFN dans le cadre de la négociation de Doha, la décision récente de l'Organe d'appel de l'Organisation mondiale du commerce et de la réforme en cours de l'organisation commune de marché. L'accès au marché de l'UE n'a pas non plus détourné les échanges entre PMA. L'initiative TSA semble même les avoir dynamisés, par un effet d'entraînement qui est peut être du à la mise en place d'un potentiel plus efficace d'exportation visant au départ le marché européen.

Seulement un faible pourcentage des produits éligibles au régime TSA est importé sous le régime MFN, c'est-à-dire en subissant des droits de douane. Il s'agit principalement du textile, secteur pour lequel il est probable que le bénéfice de TSA est limité par des clauses sur l'origine des produits et le contenu en valeur ajoutée locale. Pour les autres secteurs, le taux d'utilisation du régime TSA est élevé, si l'on tient compte du fait que, lorsque ce régime n'est pas utilisé, c'est parce qu'il est redondant avec les préférences accordées dans le cadre de Cotonou. La non-utilisation du régime TSA (c'est-à-dire les cas où les PMA exportent sous le régime MFN) s'explique principalement par des droits de douane MFN faibles pour certains produits. Un autre cas fréquent où les importateurs renoncent à la préférence est celui de cargaisons de petite taille, qui ne justifieraient pas sans doute, aux yeux de l'importateur, de remplir les formalités nécessaires à l'obtention de la

préférence. Des aménagements aux contraintes sur l'origine des produits, notamment pour les produits transformés, et un seuil plus élevé pour l'exemption de certains documents administratifs pourraient sans doute initier davantage de flux d'exportation et accroître la portée de l'initiative TSA.

I. A CRITICAL SURVEY OF THE VARIOUS ASSESSMENTS OF THE EVERYTHING BUT ARMS INITIATIVE¹¹

A quick look at the economic literature shows that the image of the Everything But Arms initiative (EBA) is mixed. The EBA is often criticized for various, and sometimes contradictory, reasons. Some authors criticize the limited impact of the EBA, while others stress the risk of significant trade diversion effects. The mixed comments of the EBA may be surprising, given the fact that the EBA is a broad-ranged and generous policy implemented by the European Union (EU) in spite of strong resistance from domestic interests. To this day, no other non reciprocal trade initiative has provided such a duty free and quota free access to such a large number of products.¹²

A closer look at the literature shows that there are indeed issues, either within the EBA (the rules of origin requirements) or outside the EBA (the requirements of the industry in terms of quality certification and traceability) that limit considerably the benefits for EBA eligible countries. However, some of the criticisms made to the EBA seem to rely on fragile evidence. Only a small number of studies actually rely on original measures and satisfactory data, while a larger number of studies only rely on second hand information and partial, or outdated, analysis.

In the sections below, we review the different assessments of the EBA and we present a critical survey of the results, presenting their main conclusions, but also the shortcomings of the different studies.

1.1. Some popular assessments of the EBA

We begin this survey by two recent books which have not focused on the EBA, but have dealt with this initiative within a broader context. Because of the large audience of these publications, they have played a large role in the perception of preferential trade agreements as a vector of development. Other studies, such as the one by Page and Hewitt, have also been quite influential, and are often quoted by non-governmental organizations.

The Copenhagen consensus. The Copenhagen consensus group dealing with trade and subsidies were asked to examine three types of proposals, including a multilateral reduction of tariffs and the adoption of the EBA-type proposal to eliminate on a non-reciprocal basis all rich country tariffs on exports from the least developed countries (Lomborg, 2004). The authors, and in particular Anderson (2004) who was in charge of the main contribution on the trade issue, but also Panagariya (2004), were very critical of the EBA and of its possible adoption by other developed countries. This proposal was not even ranked as relevant. The members of the panels mainly focused on the fact that it would harm other countries. This assessment, while getting considerable media coverage, does not rely on original data and analyses, but mainly used arguments from other sources such as Hoekman et al (2002), who use questionable data and elasticities in a very simple partial equilibrium model (see below). Thus, the conclusion that the adoption of EBA type measures by other developing countries than the EU is not worth of interest, and that, implicitly,

¹¹ This section, devoted to the economic literature relating to the EBA initiative, has been realized in collaboration with J.C. Bureau and A. Matthews

¹² The US African Growth Opportunity Act is often presented in a more positive way in the media. Even though it also covers products it is more limited and the imports generated by this agreement are mainly oil products, which face a very low non preferential tariff.

the drawbacks of the EBA offset its benefits, does not seem to result from a scientific assessment of the consequences of the agreement.

Cline (2004) assesses the impact of the EBA within the larger context of the Generalized System of Preferences (GSP) and non-reciprocal preferences in general. His analysis does not rely on original data, but on existing studies, in particular the preliminary work of the Commission prior to the EBA, as well as some assessments by UNCTAD, including Borat et al (2002). Overall, his assessment is that the EBA will have little impact. Although he is critical of preferential agreements in general, because of the trade diversion effects, he does not believe that the EBA will have large effects in this area. He points out that the LDCs account for only 1 percent of EU imports, that 99 percent of the imports from LDCs already paid no duty under the MFN regime or ACP preferences, that safeguard clauses could limit the benefits, and that sanitary and regulatory standards make a large increase in imports questionable. He also points out some positive aspects of the EBA, such as the removal of quota limits, the possibility for LDCs to engage in triangular trade by exporting their own production at high prices to the EU and importing their consumption from other sources. Cline also points out that (limited) regional cumulation eases the rules of origin constraints (even though his interpretation of the cumulation rules between LDCs outside regional agreements seem to be erroneous, see page 81).

Page and Hewitt (2002) present a very critical and widely-quoted assessment of the EBA. They devote a large section of their paper to the policy context in which the EBA was elaborated. They claim that the agreement was mainly motivated by short term political interests, that consultation was minimal, and that there was no prior evaluation of the consequences of the initiative. There is no original empirical assessment in their paper, however. It contains mainly suggestions of possible effects of the EBA, with little support from data or empirical evidence. The authors mainly fear that production in LDCs develops as a response to preferences, and that this results in significant trade diversion. They mention that some non LDC ACP countries, such as the Windward Islands, which were encouraged to produce bananas by EU countries, could suffer from this competition. So could poor countries such as Guyana in areas such as sugar and rice in which it has recently made major investments. Their prediction is also pessimistic for most island economies, in particular because of the competition from LDCs in the sugar sector.¹³

As we will see below, most of the other studies based on extensive statistical work and models contradict Page and Hewitt's (2002) point of view that the EBA will have a large negative impact on other developing countries. Most analysts believe that neither the scale of the potential boost to LDC exports nor the increased competition for other developing countries is likely to be large, and that, overall, the EBA is consistent with the Cotonou agreement (see Stevens and Kennan, 2001, for example). Modellers find that Page and Hewitt's concerns that the EBA will result in trade diversion and hurt other developing countries are excessive.

Finally, among some of the widely quoted studies, we can also mention *Topp (2003)*, who is particularly virulent against preferential regimes in general, and the EBA in particular. He sees the EBA as largely cosmetic, since LDCs already benefited from free access to the EU market for most products and because, again, sugar is excluded from the agreement. However, the study relies on minimal analytic work, and, again, the author's claims are supported by little empirical evidence.

¹³ According to Page and Hewitt (2002), St Kitts, Trinidad and Tobago and Jamaica will be forced out of sugar production by East Asian LDCs. Some of their predictions are indeed alarming ("*St Kitts will lose all production and is likely to become like Antigua but without the mass tourism, financial services industry or airline hub*", Jamaica is described as being on the verge of social unrest and political instability, etc). According to the authors, some Caribbean islands are in danger because they will even face competition from... Bangladesh rum.

1.2. Studies relying on statistical analyses

While the studies reviewed in the previous sections have a large media impact, it appears that they rely either on second hand estimates or on fragile data. We now turn to review a group of studies that has investigated the effects of the EBA in a more thorough way.

Studies relying on detailed data have recently been conducted by UNCTAD, by the Organisation for Economic Cooperation and Development (OECD) and the Centre d'Etudes Prospectives et d'Informations Internationales (CEPII). They complement earlier assessments made by the European Commission prior to the implementation of the EBA, and by Brenton (2003) at the very beginning of the EBA. The most persuasive studies rely on original data. This is either the information specific to the GSP compiled by the United Nations, which is used by UNCTAD. Or this is the EU customs data originating from importers' single unit declarations, which was matched to tariff data by the Institut National de la Recherche Agronomique (INRA) and by the CEPII (Centre d'Etudes Prospectives et d'Informations Internationales) in two independent efforts.

EU Commission (2000). The EU Commission conducted a preliminary assessment of the future effects of the EBA, before its implementation. The main findings of this study remain very relevant, and converge with the conclusions of authors who, later, used more refined databases and models. The Commission estimated that the EBA could increase LDC rice exports to the EU by 450,000 tons annually, representing some 270 million US Dollars at EU internal price (although this price has since gone down). The EBA could also boost LDC exports of sugar to the EU by 900,000 to 2.7 million tons, representing a gain of up to US\$1.6 billion (the highest figure in their range of estimates). The Commission estimates that the LDCs have a low level of competitiveness on bananas and that the EBA should not result in large export expansion. The Commission also foresees large exports of vegetables, especially tomatoes, and fruits, that could add between US\$780 million to US\$2.6 billion on trade (although sanitary and phytosanitary issues make the lower figure more likely).

Using the midpoint estimates of the quantitative assessment made by the European Commission (2000), the EBA would increase LDC exports to the EU by some 1.7 billion euros annually, i.e. roughly 20%. Given that imports from developing countries amount to 450 billion euros, this suggests that the EBA is unlikely to generate large trade diversion. The Commission also concludes that the LDCs targeted by the EBA do not have a very large potential to expand in sectors like bananas.

UNCTAD/Commonwealth Secretariat (2001). The joint study between UNCTAD and the Commonwealth Secretariat was coordinated by B. Borat, L. Cernat and A. Turrini, who also participated in other studies reviewed in this paper. Most of the data they used for the EU came from UNCTAD's database on imports under the GSP. However, their assessment of the EBA relied on forward-looking estimates, since their data is mainly from 1998. A part of this study presents simulations of the extension of preferences for LDCs relying on general equilibrium modelling, which we will not review here, since the authors have published more recent work on this topic (see below).

The UNCTAD/Commonwealth study estimates that the impact of the EBA will be a small increase in exports from LDCs. The largest increase in percentage terms is likely to be from Malawi, Tanzania and Zambia. Despite being the largest LDC exporter, the predicted change in the volume of exports from Bangladesh should remain small. Overall, the study finds that "*all of the LDCs examined in this study and the aggregate Sub-Saharan group will unambiguously gain from the EBA initiative*" and that "*the estimated impact on the EU from granting the preference is negligible in every respect. The only exception could be in sugar, but this impact has been qualified by the extended transition period. Negligible impacts are also expected for the rest of the developed countries*".

The UNCTAD/Commonwealth study stresses that the safeguard clause under the EBA (and GSP) is potentially more easily triggered than the one under the ACP agreements.¹⁴ While LDCs are more likely to lose their preferential treatment under the EBA initiative than under the Cotonou Agreement, the authors consider that the EU appears to be committed to restrict safeguard measures to cases of actual serious market disruptions and that the Community has seldom made use of safeguard measures so far.

Brenton (2003) is one of the most quoted studies regarding the EBA impact. His point of view can be summarized by the fact that, overall, the EBA will have no significant impact. According to him, most LDCs already had duty free access to the EU, and he presents figures, based on actual EBA exports rather than potential exports, which suggest that the EBA brought little additional market access. *"In general the amount of trade in products liberalized in 2001 is very small reaching at most one per cent of total exports to the EU for Haiti and amounting to three one-hundredths of one per cent of total LDC exports to the EU in 2001"*. Because *"exports to the EU of products liberalized in 2001 amounted to 3.7 million euro, a substantial decline from the exports of 10.7 million euro of such products in 2000"*, and because actual exports from non ACP countries are very small, he believes that the impact of the EBA can only be minimal.

Brenton (2003) also claims that EBA preferences are under-utilized. He provides anecdotal evidence, mainly from the textile sector, that this is caused by restrictive rules of origin. He also stresses that the products with larger export potential such as sugar have been temporarily excluded from the EBA. Basically, his assessment suggests that the EBA brings very little change compared to the situation that prevailed before 2001.

Brenton sees some potential for an increase in the exports of Malawi, Bhutan, Sudan and Zambia, and in products such as sugar, rice and bananas, but stresses that other LDCs are net importers of these products, and the benefits of the EBA are likely to be non-existent for most of them. He also mentions some positive changes, such as the stability and predictability for LDC exporters brought by the EBA, and that the EBA has triggered a movement to grant more generous preferences to LDCs in other countries, quoting the US African Growth and Opportunity Act (AGOA).

Brenton (2003) does not provide details on the data he used in his study (his tables refer to the "EU customs"). Based on our knowledge of what was available at the time, it is likely that he used the Single Administrative Declaration data of the EU customs to measure import flows under the EBA. However, these data gather information on the quantities for which access to the preferential regime was requested. While the situation has improved significantly after 2001, a very significant share of the declarations at that time consisted of erroneous applications (basically, importers requested access under the EBA for countries that were not eligible, or for goods that did not respect eligibility requirements). Using these declarations introduces a bias into the assessment, since the preferential access was later denied to the shipment. Correcting for such bias would have required considerable statistical work (which was later undertaken in the OECD 2005 study). It is unclear, that such a work could be done given the data available. In addition, Brenton draws some general conclusions from figures for the year 2001, while the EBA was not yet signed during the

¹⁴ The EBA clause only requires that an imported product originating from one of the GSP beneficiaries "cause(s) or threaten(s) to cause serious difficulties to a Community producer of like or directly competing products". The corresponding regulation in the Cotonou Agreement calls for imports "in such increased quantities and under such conditions as to cause or threaten to cause serious injury to its domestic producers of like or directly competitive products". The provision of the Cotonou Agreement further provides for "serious disturbances in any sector of the economy or difficulties which could bring about serious deterioration in the economic situation of the region" as alternative scenarios equally justifying the application of safeguard measures. Unlike the GSP safeguard scheme, the Cotonou rules do not expressly define the factors to be taken into account when examining "serious difficulties". Also unlike the GSP rules, the Cotonou Agreement does not provide for a temporary withdrawal of the preferential arrangements in the case of "criminal" activities or the infringement of certain rules (source UNCTAD/Commonwealth).

first months of the year, and while it was clearly a new agreement which the importers had to get used to.

Brenton made a strong point arguing that rules of origin requirements constrain LDC exports and explain the under-utilization of the preferences. His work was quite pioneering, and this finding has been largely admitted since then. However, while his argument is supported by evidence of the difficulties to comply with value added requirements in the textile sector, his more general conclusions about the under-utilization of EBA preferences is not confirmed by other studies. For example, Candau et al (2004) and OECD (2005), show that the utilization of preferences has been very high in the agricultural sector, when one takes into account the overlapping agreements (Candau et al however confirm Brenton's findings in the textile sector). Surveys of importers do not suggest either than rules of origin are a major issue in the agricultural and food sector, compared to other forms of non-tariff barriers (OECD, 2005).

Achterboch et al (2003) suggest that EBA will have a limited effect on export potential and welfare in LDCs, since most products were already covered by preferences and that the EBA does not simplify rules of origin and cumulation of value added. They nevertheless see significant benefits in several sectors. One of these is rice. The phasing out of tariffs on LDC rice between 2006 and 2009 should create preference margins of over 60% compared to all competitors (note however that the authors seem to overlook the 2004 reform of the EU rice regime which has reduced these preference margins significantly). They believe that Asian LDC exporters such as Bangladesh will earn substantial terms of trade rents, while supply constraints prevent a large increase of market share on the EU market. Increased trade volume will occur mainly at the expense of traditional Asian exporting developing countries (Vietnam, China, and India) whose GSP preferences will erode. In the cereal sector, the direct gains to LDCs from cereal tariff reductions are minimal, as only half of one percent of cereal imports to the EU is of LDC origin. However, those African LDCs able to produce a grain surplus may well gain from well-priced outlet opportunities on the EU market.

In the vegetable, fruit and nuts sector, over 40% of LDC exports to the EU consist of fresh products, and the Achterboch et al (2003) believe that the elimination of tariffs, especially seasonal duties, should have a significant impact. After the implementation of EBA, the preference margin for LDCs that are given the same tariffs as competitors increases up to almost 15% ad valorem. As a result, the export potential for already substantial vegetable exporters such as Senegal, Ethiopia, Madagascar and Uganda is likely to increase. In the meat sector, the 14% share of meat and meat products in LDC exports to EU should increase, although the authors seem to neglect the importance of sanitary restrictions. In the dairy sector, Achterboch et al (2003) think that it is unlikely that dairy trade from LDCs will pick up under a zero tariff. They also believe that some current LDC exporters of coffee, tea and tobacco (Uganda, Ethiopia, Malawi and Tanzania) will take over trade from regional competitors such as the Ivory Coast and Ghana, but they seem to underestimate the preferences granted to these latter countries under the ACP regime.

The only sector where Achterboch et al (2003) see a potential for large trade creation is the sugar sector. If the EU initiative was followed by the US, Japan and Canada, there could also be significant gains for LDCs in the apparel, rice and groundnuts sectors, on which high tariffs are levied in Canada and the US (apparels), or Japan (rice).

In their analysis, Achterboch et al use mainly second hand information regarding model simulations (they rely on Hoekman et al 2002, Bora et al 2002). Their conclusions are mainly based on the analysis of tariffs and existing trade, but they provide little detail on their sources: for example, they claim, perplexingly, to use AMAD regarding tariff data, which does not include the EU preferences (they also seem to use TARIC data although the exact source is not mentioned).

UNCTAD/ITCD (2003) has conducted a study, coordinated by S. Inama, on the trade preferences for LDCs in the EU, Canada, the US and Japan. It provides little information on the data they used for the section on the EU, but it is likely that these data are the notification of the flows under the GSP provided to UNCTAD by the EU. In a section on simulations of future effects, the authors use

WITS data, i.e. data that originally comes from either the WTO or UNCTAD.¹⁵ They use different data sources, but for the section on the EBA, they use some data for the year 2002.

The UNCTAD/ITCD study estimates that the introduction of the EBA amendment to the EC GSP scheme has brought about a substantial improvement in the GSP treatment granted to LDC beneficiaries in agriculture. The eligibility of agricultural products is seen as a major step, given that these products were previously granted only a margin of preference or were subject to quantitative limitations on preferential treatment under past agreements. The study argues that "*this additional market access provided by EBA may not have been fully appreciated given its technical character*". They consider that an important positive feature of the EBA is the stability given to these preferences.

The study shows obvious advantages in the EBA for those LDCs that are not part of the ACP group. The criticism that the EBA brings little because 90 percent of LDC exports to the EU were already subject to a zero tariff is misplaced, according to the authors. The value of imports from non-ACP LDCs actually receiving tariff preferences was around US\$1.8 billion in 2001, representing only roughly 50 per cent of LDCs' dutiable exports. Therefore, despite a potential preferential coverage close to 100 per cent, half of LDC exports (i.e. US\$ 2 billion) had MFN duties levied on them rather than receiving the preferential treatment. The EBA is therefore susceptible of bringing large benefits. In 2002, the degree of utilization of the EBA remains low for textiles and processed food, and no real improvement can be seen compared to the situation prior to the EBA. According to UNCTAD/ITCD (2003), this persistent low utilization is probably due to the absence of changes and improvements in the rules of origin requirement under the EBA. Given the cumulation regime applicable under the GSP, some ACP/LDCs may be placed in an unfavourable situation with respect to the cumulation regime granted to LDCs under the future Cotonou partnership agreements.

The analysis of trade flows for the Asian LDCs shows an increase of US\$475 million over the trade volume recorded in 2001. At the same time, the utilization has improved, totalling 57 per cent when compared with the previous year (46 per cent). These increases are explained by a rise in garment exports receiving preferential treatment from Bangladesh (US\$320 million) and Cambodia (US\$100 million). The UNCTAD/ITCD study finds that the parallel pattern of low utilization and increased import level of fabric provides a strong indication that current EU rules of origin on textiles and clothing are responsible for the low utilization of trade preferences.

The UNCTAD/ITCD (2003) study provides some detailed explanations for the systematic use of the ACP preferences when countries are given a choice with EBA preferences. This is due to the different formalities required in order to benefit from trade preferences. Since ACP countries have exported their products to the EU for the last 20 years utilizing a particular administrative procedure, they continue to use it even after the implementation of the EBA. The difference in certificates of origin between EBA and ACP could partly explain the low utilization of the EBA in 2002 and the continued reliance on the ACP regimes. The way the data is recorded on the utilization of preferences could also explain the low utilization of EBA preferences by LDC-ACP countries (when the importer presents the "Form EUR I" as a justification, the transaction will be recorded under ACP trade flows and not under EBA).

The authors estimate that the countries and products that are expected to benefit from the duty-free improvements provided by the EBA are Sudan for cane molasses, followed by Senegal for fresh tomatoes, Mozambique for cane molasses, Zambia for sweet corn and sorghum from Sudan. Overall, the trade flow covered by the EBA's effective improvement of market access in respect to preferences granted under ACP appears quite limited at around US\$25 million in total in the short run. Some products such as tomatoes from Senegal may take advantage of the abolition of entry

¹⁵ WITS is only a shell developed by the World Bank that links to United Nations data, in particular COMTRADE and the TRAINS data on tariffs developed by UNCTAD, at the 6 digit level.

prices, providing an additional element of preferences. In the longer run, access for sugar and bananas could benefit LDCs.

Jansen Hagen et al (2002) study the adoption of EBA-type preferences by other developed countries than the EU. They find that the aggregate benefits of duty-free and quota-free access for the LDCs are likely to be modest. Again, the reasons are (1) that most LDCs presently enjoy quite liberal market access in important export markets, and (2) that the ability of LDCs to take advantage of trade preferences is limited, due to constraints on supply capacity. The authors find that the adoption significant gains for Bangladesh in the textile sector. Regarding the impact of the EBA *per se*, they find that the extra preferences granted by the initiative on agricultural products may potentially lead to large income gains for LDCs if they engage in triangular trade, i.e. by exporting their own production to the EU and satisfying domestic demand with imports. Estimates for 14 agricultural products show that if 10% of present production quantities are exported to the EU in this way, the gains could by far exceed the gains from higher prices on existing exports. With this agricultural exception, however, the authors believe that, that LDC production for exports is unlikely to increase substantially in the short to medium term, given the current constraints on the supply side.

Stevens and Kennan (2004) do not focus only on the EBA, but combine a detailed statistical analysis of preferences schemes of the Quad countries (EU, Japan, United States and Canada). Overall, they provide a rich and interesting insight into the benefits brought by the preferences granted to African LDCs, based on case studies and on a deep knowledge of the African situation. They point out that African LDCs export some 25 times more towards the EU than the US, and some 50 times more towards the EU than towards Canada and Japan. Although this cannot be attributed to the EBA (some of the data they use is prior to the implementation of the EBA) this suggests that the EBA, which adds a layer of preferences, could increase the existing gap between the EU and the US.

Stevens and Kennan (2004) also challenge the idea that preferences such as the EBA are underutilized. Summarizing four case studies carried out on Botswana, Kenya, Lesotho and Mauritius, they report that very few exports (1 percent to 6 percent) from these countries to the EU do not benefit from any preference (or from zero MFN duty). As they put it, it is "*inherently implausible that for the countries and products studied preferences have not been well utilized*", given the magnitude of preferential margins, and the place they have in the longstanding structure of these countries' exports. In addition, Stevens and Kennan report that a detailed analysis does not point to product coverage significantly limiting the benefit of the Cotonou agreement (except due to quantitative limitations linked to preferential tariff quotas). Indeed, no significant exports are made to the EU, or to other Quad markets, of products for which preferences were not available (Stevens and Kennan 2004, p. 8).

Candau et al. (2004), present work developed by the CEPII for the World Bank. They do not focus only on the EBA, but more broadly on non-reciprocal preferences. Their study contains some interesting findings regarding the EBA, even though they use data for the year 2001, when the EBA was not yet implemented in the first few months of that year. Candau et al (2004) emphasize the problem of "competing preferences": when a country is eligible for several preferential schemes (and this is the case with numerous developing countries, as far as access to the EU or the US market is concerned), an underutilization of a given scheme can merely mean that another scheme is judged more interesting by the exporter. In this case, underutilization may not be a problem, since the exporter still enjoys the benefit of preferential access, although the preference margin available under the chosen scheme may be lower than under the one with more restrictive administrative requirements.

Candau et al (2004) question Brenton (2003)'s finding that there is a low utilisation of existing preferences, arguing that he has ignored the issue of competing preferences. According to them, the very low utilization rate of EBA among ACP LDC countries (3 percent on average for all products in 2001) simply means that exporters prefer to use the preferential access offered through the

Cotonou agreement, which has existed for a long time and has less restrictive eligibility requirements. When due account is taken of these overlapping preference schemes, preferences appear to have been well utilized. The exceptions concern small preferential margins, as in such cases exporters obviously do not bother meeting the requirements. Candau et al (2004) find a low utilization rate of the EBA for these countries: the utilization of margins above 9 percentage points is as low as 48%. However, this finding may be due to the fact that they use 2001 data, the very beginning of the new agreement while these countries had no experience in exporting to the EU under preferences.

They find that the rate of utilization is particularly high for agricultural products, at around 90 percent. However, this conclusion is not true outside agriculture. The textiles and clothing sector appears to be of particular concern. Bouët et al (2005) confirm the under-utilization of preferences in the textile sector under all agreements, including the EBA. Bangladesh only uses the EBA for around half their exports in the sector, and Cambodia hardly makes any use of it. Candau et al. (2004) also show that the problem of under-utilized preferences in textiles and clothing is limited to the GSP (including the EBA) scheme, and is not true, for instance, for the Cotonou agreement, although this agreement fully covers the sector. Still, the problem is of importance, especially for the EBA initiative, where this under-utilization concerns rather large preferential margins. According to calculations by Candau et al. (2004), the average duty rate faced by non-ACP LDCs exporters in textiles and clothing is 5.2 percent, instead of their statutory eligibility for duty-free access. As far as textiles and clothing are concerned, under-utilization of preferential schemes is thus widespread. They believe that the rules of origin requirements seriously undermine the benefits that poor countries can reap from most non-reciprocal preferential agreements in this sector.

OECD (2005) relies on work done for the organization by INRA, the EU section being written by Gallezot. Like Candau et al (2004), the study does not focus only on the EBA but provides an assessment of the utilization of the various non-reciprocal agreements. The major innovation of this work is that a very detailed database was compiled, matching information from TARIC to the single unit declaration. While this is also the methodology used by Candau et al (and possibly by Brenton 2003, who does not provide details on his data sources), the OECD work relies on more disaggregated data, and has put extra effort into correcting erroneous declarations by importers so as to match the actual overall flows.¹⁶ The OECD work also concludes that the apparently low utilization of the EBA (only 17% of imports eligible for the EBA actually use this preference) is misleading because of the overlapping with the ACP agreement. When one accounts for the fact that a product can be eligible for both regimes, the rate of utilization of the EBA agreement is actually very high, at roughly 95% for the agricultural and food products. Because the present study uses a similar methodology and uses more recent data on a larger set of products, we will not describe the OECD study any further.

A component of the OECD study, however, is a survey of importers in order to identify the possible causes for the utilization of such or such agreement, or the use of a non preferential regime. This section of the OECD publication, which was developed by Bureau et al (2004) in a study for the World Bank on Sub Saharan Africa, suggests that the main obstacle to exports from LDCs to the EU market lies in the sanitary, phytosanitary and technical requirements (traceability, certification), imposed more and more by the private sector. This echoes the findings of Kipe (2003) and Wilson and Abiola (2003). Clearly, non tariff issues are an important problem for LDCs. Neither the OECD study nor Bureau et al (2004) surveys suggest that rules of origins are a major issue for importers that are presently engaged in trade of agricultural and food sectors between the EU and Africa. This, does not mean, however, that the rules of origin are irrelevant for would be exporters, in other sectors, or in other cases.

¹⁶ The OECD work is done at the 10 digit level and uses information up to the 14 digit level for the year 2002, but focuses on the 24 first chapters of the Harmonized system of classification.

1.3. Model-based approaches: general equilibrium

A series of studies rely on general equilibrium models to assess the impacts of the EBA. Taking into account the macro-economic and intersectoral linkages is useful for assessing all the indirect implications of an agreement such as the EBA. However, most of these studies seem to suffer from serious drawbacks. The degree of aggregation is hardly compatible with the concentration of LDC exports on a very small number of products at a detailed level of the tariff classification. In addition, the fact that LDCs benefited from preferences before the EBA, and continue to benefit from them, is often ignored or poorly taken into account.

Trueblood and Somwaru (2002) analyze the likely effect of the EBA using a general equilibrium approach based on the Global Trade Analysis Project (GTAP) model and database Version 5. It is, however, a relatively poor instrument for dealing with Africa, because of the limited level of disaggregation of African countries and the poor quality of the data for Africa in general. More importantly, perhaps, the database used by Trueblood and Somwaru does not include the pre-existing preferential tariffs. The authors estimate the effects of the EBA in terms of trade and welfare, and the potential effects of an extension of the EBA to the US. They find some relatively large welfare benefits (US\$ 2.5 billion if the EBA is implemented by the EU only), i.e. higher than those found by other authors using a similar methodology, such as Yu and Jensen (2003) and Bora et al (2002). The EBA appears as a significant breakthrough in this study, but this seems to be largely due to the fact that the authors ignored the preferences that existed prior to the EBA, and for which many LDCs were eligible.

Ianchovichina et al. (2001) compare the effects of EBA for sub-Saharan Africa to the preferences granted by the US and Japan. Their results also rely on the GTAP model and version 5 database. In order to compensate for the absence of preferential tariffs in the GTAP database, Ianchovichina et al calculate reference margins (relative to the MFN rates) from WTO tariff data and adjust the GTAP database to reflect the existing preferences. Their results suggest that the EBA would have a larger positive impact on SSA than the AGOA (which they model as unrestricted access to the US for all SSA exports). They also find that if the EBA regime was extended to the US, Canada and Japan, such a regime would have a sizeable effect on sub-Saharan Africa's trade and welfare, mainly because of the duty free access for agricultural products. Just from EU access alone, African exports would be raised by more than US\$0.5 billion and African economic welfare would increase by US\$0.3 billion per year (a 0.2 per cent boost). It must be noted that the results of this study were criticized by Anderson (2003), who points out that they overstate the benefits of the EU proposal because the authors assume all sub-Saharan African countries (excluding relatively wealthy South Africa and Mauritius), and not just the LDCs amongst them, would get duty- and quota-free access.

Bora et al (2002) analyze the effect of the EBA using the GTAP Version 5 database (note that Ianchovichina et al 2001 only analyzed the EBA for Sub-Saharan African, while Bora et al's approach is more general). They also adjust this database to reflect existing preferences. More specifically, they modified the standard GTAP database using data from the UNCTAD TRAINS database to take account of effective preference margins. They mainly focus on the estimation of potential loss of market share by other countries caused by the EBA. They find that the welfare gains associated with the EBA amount to US\$ 400 million for LDCs. They compute export similarity indices to identify which non-LDC countries are likely to suffer losses of market share as a consequence of the EU's EBA initiative for LDCs. In terms of exports to the EU market, Bora et al. (2002) find that the highest similarity is found between African LDCs and African non-LDCs. Hence it is to be expected that trade diversion as a result of the EU's EBA is more serious for African non-LDCs than for other non-LDCs.

Yu and Jensen (2003) also use their own version of the GTAP model and version 5. They also make adjustments so as to take into account some preferences that existed prior to the EBA, in a way similar to Bora et al. (2002). They estimate that the benefits of the EBA to the LDCs amount to less than US\$300 million and that these benefits will likely be eroded if the EU reforms its

agricultural policy. The reason why they obtain such a low estimate of the effects of the EBA lies in the fact that they consider sugar, the most promising source of exports for the LDCs under the EBA, as being excluded (while there is actually a progressive liberalization and full access in 2009), that the rules of origin remain constraining and that the safeguard clauses might result in the withdrawal of preferences in sectors where the EBA is "too" successful at generating imports. They find that the overall impact of the EBA will be reduced to zero if the EU changes its multilateral tariffs and intervention prices under the WTO, for example in a way consistent with the "Harbinson proposal", a draft for modalities that originated from the Chairman of the WTO agricultural committee in 2003.

Cernat et al (2003) assess the aggregate worldwide distribution of gains and losses of the EBA initiative, also using GTAP and version 5. They complement the analysis by exploring the disaggregated sectoral dimension by means of partial equilibrium simulations (based on the SMART model, see below). They focus on understanding in which product categories the expansion and redirection of trade flows will be strongest. Like Bora et al (2002), they reconstruct the information on existing non-reciprocal preferential trading arrangements in the GTAP database used for the experiment, using data from the UNCTAD TRAINS database. They aggregate applied MFN and preferential tariff data using world trade weights constructed from the UN COMTRADE database.

Their results suggest that some of the world's regions stand to lose, while others will gain. For the world as a whole, the net gains from the EBA initiative are positive. The biggest gain accrues to the rest of sub-Saharan Africa, while the greatest loss occurs for the EU. Uganda and Bangladesh are the beneficiary countries whose gains are estimated to be the lowest. Among third countries, those that reap positive gains are mainly developed countries (Oceania and EFTA countries), transition economies and the Middle East. Conversely, NAFTA and Asian countries are those that suffer the biggest losses. Overall, the policy shock points to an improvement in allocative efficiency, and this explains the gain at the worldwide level. Allocative gains are especially evident for LDCs. A shift towards agricultural goods and food production (which face the highest pre-EBA levels of protection in the EU according to these authors) induces a better exploitation of comparative advantages in these countries.

The bulk of welfare changes for individual countries are associated with terms of trade effects. LDCs benefit from increased prices for their exports to the EU market and this causes an improvement in their terms of trade. Conversely, the terms of trade of the EU fall as a result of higher import prices from LDCs. The welfare changes due to terms of trade effects are quite small for third countries. This is due to the fact that the world share of LDCs exports is too small for EBA to cause a significant negative twist in the terms of trade of competing exporters.

In value terms, the increase in LDC exports associated with EBA is very concentrated in sugar and sugarcane, which account by themselves for almost all the changes in values. Bangladesh is the main exception, with its exports increasing mostly in other foods and processed rice. The rest of sub-Saharan Africa has the most diversified change in exports, with relevant increases in sugar, processed rice, other foods and vegetables and fruits. Overall, results indicate that the EBA policy has a positive impact on LDC exports and welfare, coupled with losses for the EU and third countries of a smaller magnitude. LDCs exports appear to increase by almost US\$300m per year, nearly half a percentage point from the baseline value.

Shapouri and Gehlhar (2004) used the GTAP model and a preliminary version of the version 6. database to study the trade impacts of preference programmes, including the non-reciprocal preferences of the EU and the US. They run a scenario eliminating MFN tariffs for all countries ignoring preferences, and then run a similar scenario including US and EU preferential tariffs for 2002 under non-reciprocal tariff programs. This makes it possible to see the effects of the programs through the differences generated. Regarding the EU preferences for LDCs, the results show that by using MFN rates rather than the actual preference tariffs, one overstates exports by nearly 20

percent. They conclude that benefits under the EU's LDC preferences can have a significant impact if they are fully utilized.

Pohl-Nielsen (2004) surveys the literature relying on GTAP and analyzes the differences in results between the different studies. She finds that the reason for some of the differences is to be found in the Armington elasticities. Using the standard GTAP elasticities and by breaking down the welfare gains by sector, Yu and Jensen (2003) observe that the large terms-of-trade gains experienced by the LDCs are to be found primarily in the manufacturing and services sectors. The authors assert that this does not seem plausible due to a lack of competitiveness of such goods on world markets and to structural constraints in these sectors. For this reason, Yu and Jensen (2003) increased the Armington elasticities in these sectors for the LDCs. This dampens the terms of- trade gains experienced by these countries, thereby resulting in lower welfare gains as compared with Bora et al. (2002). Cernat et al (2003) find smaller export and welfare gains for beneficiary countries than Ianchovichna et al (2001), UNCTAD/ITCD (2003) and Trueblood and Somwaru (2002). This is due to a different, and arguably better, account of the existing preferences in the EU market.

Results from CGE model: a synthesis. Most of the general equilibrium studies quoted above show that the impact of the EBA initiative is likely to be concentrated on a narrow set of sectors, particularly sugar and rice. It also emerges that, while for some beneficiary LDC countries the effects of the liberalization policy may be non-negligible (at the end of the transition period), the effects on the EU are likely to be minor. Trade diversion will take place especially for the non-LDC developing countries receiving preferences from the EU while being excluded from EBA. It is likely to be minimal, however, even though some problems of competition between LDCs and non LDC ACP countries could occur, especially for sugar.

Results from CGE simulations are subject to some caveats. By neglecting important aspects of trade reform related to technology transfers, "learning by doing" and knowledge accumulation, CGE models probably underestimate the impact of EBA on beneficiary countries (Cernat et al 2003). On the other hand, the analysis refers to a long-term scenario, and adjustment issues are neglected. This may be a serious limitation especially when analysing the economies of LDCs, normally characterized by structural rigidities. Most models also neglect the stringent rules of origin and administrative procedures, and overestimate the ability of LDCs to take full advantage from the EBA policy.

One major problem with general equilibrium approaches is the degree of sectoral aggregation. Another is that most studies have relied on the same database, the GTAP database, which does not account for the existing preferential agreements (it is planned to include them in the version 6 of the database, which will include tariff data developed by Bouët et al 2004b). Many authors quoted above have made some adjustments to the database in order to solve the problem. However, the GTAP framework does not allow enough disaggregation for any proper adjustments, unless one modifies the relevant tariffs at the HS6 or HS8 level out of the database and aggregate again the new tariffs obtained following the GTAP classification (as do Bouët et al 2004a for example). In addition, the authors quoted above have usually used COMTRADE or TRAINS data to measure preferences. None of these databases are satisfactory, and in spite of some ambiguity over the actual content of the preferential tariffs in TRAINS, it seems that the coverage of the EU preferences is incomplete (although the GSP is represented).

1.4. Model-based approaches: partial equilibrium

Cernat et al (2003) have complemented their general equilibrium analysis by reporting simulations with SMART, a simple ex ante partial equilibrium model developed by UNCTAD, measuring the first-round impact of trade policy changes. That is, it does not account for economy-wide effects of trade liberalization or inter-industry effects. However, the advantage of partial equilibrium models is the very detailed level of analysis. To estimate the trade creation and trade diversion effects, the model uses a number of variables from the UNCTAD-TRAINS database.

Cernat et al (2003) use two different assumptions. In the first one, they assume that LDCs will be able to take advantage of enhanced market access for only 124 products at the tariff line level. Under the second one, they assume that LDCs will be able to shift existing exports from third countries to the EU market, bringing the number of products that are likely to benefit from the EBA to 622.

The result from Scenario 1 suggests that the most important outcome of the EBA will be the increase in sugar exports. Only a handful of LDCs would see total trade at the tariff line level increase by more than US\$100,000. Malawi, the biggest winner, stands to increase its cane sugar exports by more than US\$ 25 million. Other African LDCs (Madagascar, Tanzania, and Zambia) are likely to see their cane sugar exports increase by between US\$5 and 10 million. The SMART model estimates also suggest that Sudan is likely to see significant increases in its exports of molasses and sorghum. The largest losers from negative trade diversion, in absolute values, are the current major ACP sugar exporters (Mauritius, Aruba, Fiji, and Guyana). There is also a relatively large loss from trade diversion for the United States in grain sorghum. However, two of the sensitive sectors identified by the EU (rice and bananas) do not seem to face particularly large trade effects, compared to sugar. The moderate increase in rice exports from LDCs seems to come at the expense of current rice exports from Thailand and the United States. A similar analysis for bananas suggests that the largest total trade effect is likely to occur for Rwanda while the reductions in current exports through trade diversion would be fairly evenly distributed between Latin and Central American producers.

Under the second scenario, where there is a reorientation of LDC exports from third markets to the EU, the EBA shows a more diverse potential impact on the patterns of LDC exports to the EU. Apart from sugar and molasses – which remain key – live sheep, sheep meat, powder milk and cream, bananas, maize, broken rice, grain sorghum, wheat flour, and rum and taffia are other products in which relatively high export changes can occur. Two other important products for LDCs, apart from sugar, are wheat bran (RDC Congo and Tanzania) and broken rice (Togo and Niger, which seem able to almost double their current exports). In terms of beneficiary countries, Sudan emerges as the largest winner with a relatively large variety of products (sugar, cereals), followed by Malawi and Mozambique, which remain largely dependent on their increases in sugar exports (Cernat et al 2003).

Overall, fourteen LDCs are able to reap overall positive trade effects bigger than US\$500,000. Sudan, Tanzania and Niger have relatively more diversified trade effects, while Nepal and Congo RDC are likely to benefit from significant trade effects in only one tariff line. Somehow, surprisingly, is the modest presence of Asian LDCs among the major beneficiaries of the EBA. Previous studies have identified Asian LDCs as those that enjoy less favourable market access than ACP LDCs and, by this token, EBA should have brought them relatively more gains.

Hoekman et al. (2002), use a partial equilibrium approach relying on calibration with exogenous elasticities, whose relevance remains uncertain, given that the authors quote very old sources such as Stern et al (1976) without providing any further detail. This makes it possible to simulate the effect on world prices and developing countries' export revenues of changes in the tariff peaks in developed countries, including on a preferential basis. The changes in tariffs are used to obtain new import demand and export supply quantities for each country. The authors then estimate the change in welfare associated with a change in preferential access, by looking at the exporters' surplus. Analyzing the removal of tariff peaks facing EBA beneficiaries, they find that beneficiary country exports are expected to increase by just US\$ 185 million. Some traditional GSP exporters would experience some losses, but overall, developing countries gain some US\$ 72 million of exports. Welfare in LDCs amounts to some US\$ 122 million.

The authors also look at an extension of the EBA to Japan, the US and Canada. They find that the trade of LDCs would increase by US\$ 2.5 billion per year under this scenario, even though almost half of that increase would come as a result of trade diversion from other developing countries. The study by Hoekman et al (2002) is a central piece in the work done by the Copenhagen consensus

that discards the generalization of the EBA across all developed countries as a relevant trade policy option, because of the trade diversion effect (Lomborg, 2004). Even though Hoekman et al (2002) do find some significant diversion effect, their conclusion on the benefits of the EBA appears more balanced than the one drawn by Anderson (2004) in the Copenhagen consensus work. In addition, the type of model used by Hoekman et al (2002) is likely to give results that are very sensitive to the set of elasticities used, and theirs seem particularly fragile. It is noteworthy that other authors do not share their conclusions: The results of Romalis (2003), based on econometric estimates, suggests that if the US provided the LDCs with a preferential regime as generous as the EBA, income in LDCs could increase by 12%, which is at odds with Hoekman et al's finding.

Haveman and Shatz (2003) estimate the effects of the various preferences granted to LDCs by the EU, the US and Japan, using econometric estimations of the import flows, and then assess the impact of each preference. Although they do not distinguish the effect of the EBA with overlapping preferences, they show that LDC imports experienced the largest increase due to unilateral preferences in the EU, with trade increases of US\$ 2.8 billion, followed by the US, at US\$ 0.4 billion, and then Japan, at US\$ 0.3 billion. However, as a percent of LDC imports, Japan's program does the most to expand trade, with preferences increasing trade by 65 per cent. The EU programs are in the middle, raising trade by 45 per cent, while US programs have provided only a 10.5 per cent boost to imports from LDCs.

1.5. Some studies that deal indirectly with the EBA

Brenton and Manchin (2003) focus on the rules of origin in the EU agreements, and in particular in the GSP/EBA. Their analysis stresses particularly the textile sector. According to them, the specific requirements listed in the annex of the GSP are the most important ones, and the scope of technical requirements is particularly large in certain cases. They conclude that the EBA is unlikely to deliver any substantial improvement in access to the EU market for clothing products, especially from countries such as Laos, which are not cotton producers. A relatively similar conclusion is reached by *Brenton and Ikezuki (2004)*, even though the overall appreciation of the EBA is more positive than earlier work by Brenton (2003). Brenton and Ikezuki (2004) conclude that "*The Everything but Arms scheme for LDCs has introduced comprehensive coverage and an element of permanency into preference schemes for the first time. It would be useful if similar duty and quota free access for all goods were available to the LDCs in all industrial country markets*".

Inama (2004) focuses on the utilization rates of non-reciprocal preferences. He finds that utilization rates are higher in the case of ACP countries than for EBA effective beneficiaries. In the case of the EBA effective beneficiaries, the lower utilization rate is mainly due to rules of origin on garment exports of Bangladesh and Cambodia. For these countries, he believes that the EBA has actually achieved little, and the rise in exports of non ACP LDCs between 2001 and 2002 is not due to the EBA initiative but rather to the increase in exports of Bangladesh, which in turn may be caused by the change in rules of origin that occurred in 2000, when these were softened to allow the utilization of imported yarn.

GAO (2001) compared the EU and US non-reciprocal preferences. The study concludes that the EBA is more far-reaching than US preferences, but that it is likely that LDCs will face the same difficulties in taking advantage of it as they face with US preferences, namely the complex rules of origin, and the lack of capacity in terms of economic development and expertise to comply with program requirements. *Beghin and Aksoy (2004)* stress some indirect benefits of the EBA, for example making a reform of the EU sugar sector necessary, which should generate gains for consumer and an increase in worldwide welfare. *Mold (2005)* focuses on the preferences granted to Africa, and devotes a section to the EBA. He shows that there are cases where the EBA is beginning to have some positive impact, for example under the (so far quota-limited) access to the EU market for sugar: Already, a country like Mozambique, which has received some foreign investment in the sugar sector, several thousands of jobs have been created, that seem to benefit poor people living in rural areas. Mold believes that the sugar sector is indeed one of the few

sectors where significant direct benefits will be drawn from the agreement. However, Mold's analysis is mainly based on a survey of other studies and not on original work.

1.6. Conclusion of the survey

Many authors stress the limited impact of the EBA on most sectors. The rate of utilization of the EBA, as calculated by the ratio of actual imports under the EBA to the imports eligible is misleading, since in many cases, imports take place under other, equally advantageous, regimes. When duty free imports under competing regimes are taken into account, the rate of utilization of the EBA is high, i.e. very few products exported from LDCs to the EU are actually subjected to a custom duty. However, the EBA has not managed to generate large exports to the EU from LDC countries, and the first years of the implementation of the EBA have not shown a much larger participation of the LDCs to the EU market.

Several authors believe that the restrictive non-tariff barriers and the rules of origin explain the limited flow of imports under the EBA. Some of the recent work suggests that the rules of origin issue is perhaps overstated, at least in the agricultural sector. This is an issue for processed products only, which do not constitute the bulk of LDC exports, and the EU seems to be relatively lax in applying the EBA provisions in this area, at least while imports remain limited. Rules of origin appear to be a constraint in the textile sector, however.

Studies relying on detailed statistical analyses conclude that, when countries are given the choice, they systematically prefer exporting under the ACP regime. Part of the explanation is certainly that the EBA is still a recent agreement. But it is likely that the larger possibility of cumulation with neighbouring countries offered by the ACP, which imposes fewer constraints on the sourcing of their material, also plays a role.

Recent studies suggest that the major obstacle to larger exports from LDCs to the EU are non-tariff issues. This is particularly the case for quality and safety standards. Clearly, these standards are not erected for protectionist purposes, but the demands of consumers, which results in tighter safety and certification requirements, put the EU market out of the reach of the poorest countries. The growing importance of private standards, and the traceability requirements that processors and retailers impose on their suppliers also seem to deter importers from sourcing materials from LDCs. Basically, a major limitation of the EBA is that the agreement only deals with tariff issues, while obstacles for LDCs to take part in the world market refer more and more to non tariff issues.

The majority of studies believe that the main effects of the EBA are to be found in a few sectors, in particular sugar, which will only be liberalized in 2009. Before then, it is very likely that the EU sugar sector will have been largely liberalized and that the actual level of protection will be much lower, because of the combined effects of the ongoing EU sugar reform and the WTO negotiations on market access. It is likely that the benefits of the EBA for the LDCs in this sector, which are rents arising from protectionist agricultural policies, will decrease and become small in a longer run, given the ongoing reforms in the EU agricultural policy.

Simulations of the adoption of the EBA by a larger number of developed countries suggest that the gains for LDCs could nevertheless be significant. An adoption of the EBA by middle-income countries and by China could make a significant difference to the development of the LDCs. The main argument against the EBA (see Box 1: *The various criticisms made to the EBA*) is perhaps that the predictable erosion of tariffs is universal, and the benefits of agreements such as the EBA for the eligible countries are bound to decrease (Wu and Jensen, 2003). The extension of the EBA to some large LDCs, middle income, and transition countries bring large benefits during this transition period, given that countries such as China, India or Korea still have very high tariffs in the agricultural sector.

Box 1. The various criticisms made to the EBA: a critical review

Looking at the literature on preferences and on the EBA in general, the criticisms made to the initiative fall in several categories. However. In the following section, we list and comment some of the most common criticisms made of the EBA.

The EBA brings minimal benefits. Several authors claim that the EBA brings no, or minimal, benefits to LDCs because they already faced very limited tariffs. It is often said that the few products for which LDCs could export significant quantities (rice and sugar) have been excluded from the preferences, and that safeguard provisions are potentially protectionist. Others stress that the EBA does not include trade in services and does not allow for the movement of natural persons, that is, freedom for LDC labourers to work in the EU or other high-wage countries (Anderson 2004). Others believe that the preferences will fail in bringing benefits to LDCs because they lack export capacities.

Most of the studies which assert that the EBA has brought only limited benefits to the LDCs have reached this conclusion by showing that a very large share of LDC exports to the EU was already duty free. This ignores the fact that new exports will take place, in particular for products that were subject to high tariffs before the EBA, such as those excluded from the GSP, or subject to quotas. The fact that beneficiary countries do not have export capacities is not a valid argument to conclude that preferences are useless. Shapouri et al (2004) quote the case of the AGOA, where seven African countries (Kenya, Lesotho, Madagascar, Malawi, Mauritius, South Africa, and Swaziland) have demonstrated strong export growth in apparel. Of these seven countries, only South Africa and Mauritius have a long history of apparel exports. Since the mid-1990s, these two countries have increased their investments in neighbouring countries, including Lesotho, Malawi, Swaziland and Madagascar. The available production capacity in these countries allowed them to take advantage of the AGOA program. Similar situations could arise for the EBA, especially in the sugar sector or the apparel sector. That is, drawing conclusions on the basis of existing exports neglects longer term developments.

Regarding the argument that key commodities such as sugar or rice are excluded, one should remember that the rice sector is on the verge of being liberalized and that the sugar sector is not excluded from the agreement but subject to a transition period. The fact that some LDC countries have recently expressed their willingness to accept a voluntary cap on their exports of sugar to the EU if this helped to maintain the high EU price suggests that there are some significant rents.

Tangermann (2001, 2002) provides some explanation of the fact that potentially protective safeguard clauses were included in the EBA. It was feared that LDCs might import raw rice, process it and then export it to the EU, adding sufficient value so as to meet the rules of origin requirements. It would be difficult to overcome such fears by tightening the rules of origin: for homogeneous products like rice and sugar, it is not only hard to control the actual origin of a given shipment, but it is also nearly impossible to prevent the preferred country from exporting all its domestic production, while consuming imported produce. The solution could have lain in quotas for preferential imports, but this was not the option chosen. The safeguard measures appear to be a safety valve for such potential problems as the re-export of products without much value added. However, there is no evidence that the EU will use these safeguard clauses as protective instruments. The EU has shown some restraint in the past in agreements that included somewhat similar clauses (UNCTAD/Commonwealth, 2001; Cernat et al 2003).

The EBA generates trade diversion. Critiques of the EBA stress that discrimination between certain regions or countries generates trade diversion, and that the benefits for some developing countries are achieved at the expense of other developing countries (Panagaryia 2003; IPC 2004). In particular, it is said that the equally poor but non-LDC/non-ACP developing countries (e.g. Vietnam) are harmed by the EBA preferences.

In spite of the limitations of the data and the flaws in the models that have been used, none of the quantitative estimates quoted above suggest that trade diversion will be a major problem with the EBA, except perhaps the work of Hoekman et al (2002), who remain prudent in their conclusions on this topic. The LDCs amount to only 1 percent of EU imports, and account for only US\$2 billion out of the US\$ 430 billion of imports from developing countries (Cline 2004). All the estimates for the expansion of LDC exports are below the US\$ 3 billion figure of extra exports. Major trade diversion is unlikely to be a problem.

The EBA does not work. Many critiques of the EBA, and of preferential trade in general, claim that preferences simply do not work. They claim that the EBA has failed to generate significant flows, and that the LDCs' share of world trade keeps decreasing.

Many authors draw the conclusion that the EBA has not resulted in higher imports on the basis of data for 2001, when the EBA was hardly implemented. Recent estimates show that authors who emphasise the under-utilization of the EBA have failed to account for the overlaps with other preferential regimes, namely the ACP regime. Overall, the rate of utilization is low for certain commodities such as textiles, but very high for others, such as the agricultural products. As pointed out by Tangermann (2001), the strong resistance of the EU's

sugar and rice lobbies against the EBA plan, fearing that the initiative would fatally undermine the sustainability of the EU's highly protective market regimes for sugar and rice, is a clear indication that exports are potentially important.

The EBA comes with too many strings attached. The EBA comes with much less conditions for eligibility than most other agreements. Agreements such as the US AGOA are subject to frequent revisions and are subject to various political constraints (such as respect of US commercial interests or even geopolitical interests). The EBA comes with no environmental or commercial restrictions, and a country needs to be in very severe violation of human rights to be suspended from the preferences (Myanmar).

Some of the critiques on the effectiveness of the EBA are nevertheless valid. UNCTAD (2003a) asserts that the administrative requirements, and in particularly the extent of cumulation allowed in the rules of origin, are less constraining under the ACP regime. More generally, there is a large agreement, even in the most compelling studies quoted above, that the rules of origin, will continue to limit the benefits of the EBA in sectors such as textiles, fish products and processed food (Stevens and Kennan 2004, UNCTAD 2003b). However, the rules of origin requirements are not enforced in a very extreme way, and the EU seems to have a relatively lax attitude on this issue, at least when there is no surge in imports or protest from local lobbies.

The EBA is an obstacle to multilateral trade liberalization. Non-reciprocal agreements are accused of dividing developing countries in international fora, and of undermining cooperation agreements (Michalopoulos, 1999; Hallaert, 2000). Anderson also believes that agreements such as the EBA make the LDCs advocates for rather than against the continuation of MFN tariff peaks for agriculture and textiles, diminishing considerably the number of WTO members negotiating for their reduction. He criticizes the very concept of non-reciprocal preferences, arguing that the gains to EU consumers under multilateral liberalization would be sufficient to allow them to increase their aid to LDCs to compensate for the loss of income from preference erosion (Anderson, 2003; 2004).

There is some evidence that the argument is valid. The position of countries that benefit most from non-reciprocal preferences, such as Mauritius or small Caribbean islands, is ambiguous in the Doha Round. But there is also evidence that multilateral trade liberalization will have negative impacts on many developing countries, and that a handful of competitive exporters will reap most of the benefits (Bouët et al 2004). Anderson (2004) seems to make excessive criticism of preferential regimes in order to avoid the defence of preferences being used as an obstacle to multilateral liberalization. By doing so, one takes the risk of depriving many developing countries of assistance which is, perhaps, not so ineffective.

The EBA is against the interest of LDCs. Many authors criticize the trade as aid policy of the EU, arguing that the additional production that is encouraged in countries getting privileged access to the high-priced EU market is not internationally competitive at current prices. Agreements such as the EBA are said to help generate an industry that may not have existed in the LDC country had the preference scheme not been introduced. Basically, preferences such as the EBA are said to lock in patterns of trade, which inhibits adjustment to profitable new markets (see Anderson, 2004). Another argument is that preferential regimes, and in particular the EU ones, confer benefits to marketers, with no guarantee that higher prices reach developing country producers (IPC 2003). In addition, they encourage corruption through the creation of rents (e.g. allocation of export licences). More generally, critiques say that non-reciprocal preferences have no significant effect on LDC growth and that they provide incentives to delay much needed reforms. Some authors even claim that those countries which do not benefit from preferences end up exporting more and being eventually better off (Ozden and Reihnhardt, 2003).

Regarding the sharing of the economic benefits or agreements such as the EBA, Stevens and Kennan (2003) point out the significant rents and the market power they give to countries that can export at a high guaranteed price in the EU. For example, they find the sugar regime is a very favourable one because beneficiaries receive a price related to domestic EU levels. This makes sugar one of the extreme examples of negotiating power within a value chain: the regulations set down the share of the economic rent that should accrue to the producers.

Regarding the idea that preferences lock countries into producing particular commodities where they have no comparative advantage in this sector, the argument is less relevant for the EBA, which covers all goods, than for other agreements with a more limited coverage. One may also argue that the rent provided by the ability to export to a protected market is the first stone towards a successful diversification, the role of the ACP sugar rent in the development of Mauritius being an illustration (Subramanian 2003).

More generally, the impact of the preferences on the economic performance of the beneficiary countries is controversial and econometric results are ambiguous. However, several recent works suggest that these preferences have significant positive effects on growth (Pomfret 1997; Romalis 2003), or at least on exports (Cline 2004). The authors who point to the poor performance of countries that benefited from these preferences have so far failed to provide convincing evidence of what would have been the situation without them. Following a very detailed examination of the effect of preferences, Stevens and Kennan (2004) find significant benefits for African countries, and conclude that "the system works but should be extended". Nilsson (2002)'s result suggests that after two decades of preferential treatment under Lomé, ACP exports to

the EU stand about 50 percent above levels they would otherwise have reached. Even a supporter of multilateral liberalization such as Cline (2004) concludes that the benefits of preferential trade can be significant for those countries that are eligible.

The EBA is unethical. Some of the critiques of the EBA argue that there is no moral ground for providing preferences to a particular group of countries, even if these countries are the poorest ones. The argument is that concentrating on LDCs ignores that most poor people live in countries that are not LDCs, but in India or China. Winters (2001), claims that "Limiting preferences to LDCs ignores the majority of the poor in the world today".

There is, however, a strong case for granting generous preferences to LDCs. If there are many poor people in a medium-per capita average income country (let us say China or Brazil), this means that the income distribution in this country is highly unequal. In such cases, the case for foreign assistance or even special treatment is hardly convincing. First, one may consider that the issue of inequality is primarily a domestic issue that should be addressed by domestic policies such as land redistribution or progressive income taxation. More importantly, perhaps, is that in such cases, the "poverty intensity of trade" is low. This means that if a low share of the national income goes to the poor, there will be a high degree of "leakage" to the non-poor for any countrywide economic variable such as trade.

In addition, international cross-sections and intertemporal comparisons show that LDCs are not benefiting from growth that has made it possible for other developing countries to enter into a virtuous circle of development (Cline 2004), unlike China and to some extent India. Imports from LDCs in the EU and the US have remained at very low levels, accounting for only 1.8 percent of total imports from developing countries in the US and 2.4 percent in the EU. Clearly LDCs are part of a non-convergence pattern. Classic theories suggested that the present stagnation of LDCs could correspond to a pattern of progressive diffusion of growth across countries, and that inflows of capital will be directed to these countries when wages in other countries will have increased and returns on capital decreased. However, recent theories such as endogenous growth suggest that there is no reason for this to happen: because of technological spillovers and externalities of infrastructures in developed and fast growing countries, diminishing returns on capital in other countries are unlikely to make the poorest countries grow faster than the richer ones.

When a preferential regime is less discriminatory, the gains tend to be captured only by a handful of countries: for example, Cernat et al (2003) point out the considerable concentration of benefits of the US, Japanese, Canadian GSP scheme among developing countries with relatively large and diversified economies, including substantial manufacturing sectors: East Asian countries, India, China, Brazil, South Africa. There are no LDCs among the top 20 GSP plus LDC suppliers to the Canadian market. Bangladesh is the only LDC in the top 20 of such suppliers to the EU, and Mauritania is the only LDC in the top 20 of such suppliers to Japan.

II. ADVANTAGES INTRODUCED BY THE EBA INITIATIVE

Beyond the general conditions of market access reserved for all third countries within the framework of the GATT and then the WTO (Most Favoured Nation Clause – MFN) multilateral relations, the European Union (EU) grants a preferential treatment to products originating from developing countries and territories¹⁷ within the framework of the Generalized System of Preferences (GSP). In force since 1971, the GSP enables 112 developing countries such as those of Asia and Latin America to export to the European Union at reduced rates of duty.

In addition, the Yaoundé convention, in 1963, followed by four successive Lomé agreements, between 1975 and 2000, have established a European Union system of non-reciprocal preferences in relation to the exports of the 77 ACP (African Caribbean Pacific) countries.

Since 1996, additional tariff reductions have been applied to certain developing countries within the framework of the GSP's special incentive arrangements¹⁸. These programmes are aimed at countries who comply with international agreements relating to environmental protection, the prohibition of child labour or of forced labour. Special regimes are also granted to countries which undertake campaigns to combat the narcotics trade (GSP "drug", targeting 12 Andean and Central American countries plus Pakistan). Finally, within the framework of the GSP, the EU introduced in 2001 the "Everything But Arms" (EBA) initiative, reducing to zero all custom duties on the exports of 48 less developed countries (LDCs).

The aim of this chapter is to respond to the following question: "At product level, clarify the extent to which the EBA has provided the beneficiaries with improved market access compared to the preferences they were eligible prior to the introduction of the scheme." First the tariff arrangements that prevailed for LDCs before the introduction of the EBA will be examined. Then, on this basis, a comparative analysis will be undertaken at the most detailed level of tariffs and will enable us to specify the effective advantages that the EBA initiative introduced for LDCs.

2. 1. The situation prior to the EBA's introduction

The introduction of the EBA in 2001 complements measures that the EU already applied towards LDCs within the framework of the GSP's special incentive arrangements¹⁹. In the jargon of tariff terminology these measures fall within the framework of the GSPA (for agricultural products) and the GSPC (other products). Before going deeper into the historical dimension of these regulations, it is necessary to present the sources and the methodology upon which this investigation is based.

¹⁷ The decision on the " differential and more favourable treatment, reciprocity, and greater participation of developing countries " (the "Enabling Clause") gives a legal base enabling the contracting parties of developed countries to grant a preferential treatment, to take tariff and non-tariff measures in favour of developing countries. The enabling clause, as a decision of the contracting parties to GATT, has been integrated in the WTO system in accordance with the dispositions of paragraph 1 of the GATT of 1994.

¹⁸ Reg. 1256 of 1996 then Reg. 2820 of 1998 –L357

¹⁹ Reg. 2501/2001, L346

2.1.1. Sources and methodology for European tariffs

To undertake the analysis of the regulations and tariffs applied by the EU, the main source mobilized in the context of this study is the Integrated Tariff of the European Community (TARIC). It is a database managed by the DG Taxation (ex Taxud). Without contest, and despite being very voluminous (over 250 tables and a few million lines), it is the best source concerning European tariff data.

The TARIC contains a nomenclature in all 11 languages with about 15000 tariff lines (whereas the harmonized system has only 5000 statistical tariff lines). It shows all third country and preferential duty rates actually in application, as well as trade policy measures. The TARIC contains all the elements of Community legislation that are published in the Official Journal (C series) of the European Union, and is used as a direct support in the preparation of member states' working tariffs.²⁰

Based on the Combined Nomenclature (CN), the integrated tariff of the European Communities incorporates:

- All the custom regulation measures (CCT), the 8 digit codes of the CN, the description of goods and the value of customs duties.
- The "TARIC subheadings", identified by a ninth and tenth digit, which are necessary for the implementation of specific Community measures (tariff suspensions and quotas, tariff preferences, GSP, etc.). These additional Community subdivisions constitute, with the CN, the TARIC code.
- An additional TARIC code (of four characters and starting at the eleventh position) may also be used for the application of specific Community rules. This additional code is currently used, for example, to code anti-dumping elements and countervailing duties referring to companies, agricultural components (EA), or export restitutions.

Considering only the measures relating to imports, the TARIC database includes, on the base of the CN's and subdivisions' codes (9 and 10 digits or an additional code), any information concerning:

- tariff suspensions;
- tariff quotas (agreements, WTO);
- tariff preferences;
- preferential quotas;
- the generalized system of tariff preferences (GSP) applicable to developing countries;
- anti-dumping and countervailing duties;
- countervailing charges;
- agricultural components;
- unit and standard import values;
- minimum and reference prices;
- import prohibitions;
- import surveillance.

²⁰

Another area of application of the TARIC codes is the automated customs clearance. The use of TARIC codes is compulsory for customs and statistical declarations in trade with third countries (article 5 paragraph 2 of R2658/87).

The TARIC incorporates the varying regulations on tariff measures that have sometimes several infra-annual periods of validity. In addition, and more specifically for agricultural products, duties are sometimes specified with additional components or entry prices:

- Agricultural components (EA), an additional duty applicable to certain goods processed from basic agricultural products subjected to tariff protection (for example, dairy products).
- Additional duties on sugar (AD Z) or flour (AD F/M), for which the precise amount will differ according to the regimes (preferential or MFN).
- Entry prices on fruits and vegetables (tomatoes, cucumbers, artichokes, courgettes, lemons, grapes, apples, apricots, cherries, peaches, plums, fruit juices) according to a varying seasonality (generally January, 1st February to 31st March, 1st to 20th April, 21st April to the end of May, 1st June to the end of July, 1st August to the end of September, 1st October to the end of December). The duties will naturally differ depending on the level of entry prices, the period and the preference of origin. However, importers often resort to a more simplified system relying on the choice of "unit values" or "standard values".

The methodology of tariff analysis is conducted at the most detailed level of the regulations. However, the evaluation of custom duty rates needs to be transformed in order to be comparable or aggregative. Indeed, whilst respecting the engagements taken in the context of the WTO negotiations, the European authorities constantly adapt common custom duties to the evolutions of world trade. In this sense, the conditions for the application of tariffs can change from one week to the next for certain products (the case of cereals, for example). It may also depend on factors of varying seasonality also according to the products (fruits and vegetables, for example). In addition, numerous tariffs are expressed in specific amounts (Euros by units of measurement) or in the form of complex duties combining ad valorem components with specific duties and threshold restrictions to respect (rates, minimum and maximum values, etc.)

Consequently, the different components of duties (ad valorem, specific, additional, sugar and flour additive, etc...) have first been unified by simple arithmetic mean over a longer time frame: the annual semester. It must be noted that this solution removes the detailed treatment of the seasonality of the fruits and vegetables sector, for its complexity would require a monthly treatment that is inappropriate in the context of this study.

On this basis, all duties have been converted in ad valorem equivalent. This operation, which concerns only those duties that include specific components, is aimed at taking into account the price of products at importation (ad valorem equivalent = Euros per units of measure / price per units of measure). The value of the prices adopted in the context of this study relies on the estimation of the unitary values of products imported by the EU (unitary value = value of the FOB import / quantities). The value and quantity elements of this data are sourced from Eurostat (COMEXT). This evaluation was performed by retaining the mean unitary values for the years 2002 and 2003 at the 10 digit level of the Combined Nomenclature.

2.1.2. The implementation of the EBA

As previously mentioned, in 2001 the European Union modified the GSP by reducing to zero all custom duties on the exports of 48 less developed countries. This initiative, called the "Everything But Arms" or EBA, came into effect in March 2001 and naturally excluded arms from the preference scheme. Nevertheless, a transition phase has been implemented for three sensitive

products, sugar, bananas and rice. Imports of sugar will only be liberalized by the year 2009²¹. More precisely:

- Tariffs on rice exported by LDCs (tariff line 1006) will be reduced by 20% on September 1st 2006, by 50% on September 1st 2007, by 80% on September 1st 2008 and will be eliminated no later than September 1st 2009. For rice (tariff line 1006) and sugar (tariff line 17011110), until MFN duties are completely suspended, a global duty-free quota is open for every marketing year. The initial quotas for the 2001/2002 marketing year are fixed at 2 517 tons for rice and 74 517 tons for sugar (white sugar equivalent). For every subsequent marketing year, these quotas will be increased by 15% in relation to the previous marketing year.
- Tariffs on sugar will be reduced by 20% on July 1st 2006, by 50% on July 1st 2007, by 80% on July 1st 2008 and eliminated no later than July 1st 2009.
- Tariffs on bananas are reduced by 20% per year starting from January 1st 2002 and eliminated no later than January 1st 2006.

The European Union will however carefully monitor importations and in the case of massive increases could apply safeguard measures

2.1.3. The preferential schemes for LDCs

The EBA initiative has to be assessed with regard to the preferential measures that already existed in 2000 for the LDCs. These were already partly included within the framework of the GSP special measures. They concerned agricultural products (GSPA) and other products (GSPC)²², from which arms were already excluded. It must be emphasized that these measures, which relate to special regimes that were in force before the introduction of the EBA initiative, grant greater preference levels than those granted in the general GSP scheme.

Furthermore, the EU also grants non-reciprocal preferential tariffs to the African, Caribbean and Pacific (ACP) countries. The Lomé convention that covered the cooperation agreements with the ACP countries was replaced in 2000 by the Cotonou agreement, which includes 77 countries²³.

Therefore, the African LDCs had, before the implementation of the EBA, the possibility of combining preferences granted in the GSP scheme and in the Cotonou regime (ACP). On the other hand, the Asian LDCs can only benefit from the preferences of the GSP scheme (Table 1). It must be noted that the list of LDCs excludes Myanmar of benefiting from the preferences²⁴.

²¹ Reg. 2501/2001, L346

²² Reg. 1256 of 1996 then Reg. 2820 of 1998 –L357

²³ The non-reciprocal tariff preferences are maintained in a derogatory and transitional manner until the end of 2007, but will then have to be replaced by reciprocal Economic Partnership Agreements (EPAs).

²⁴ Within the framework of international economic sanctions the EU can indeed suspend or reduce, in whole or in part, economic relations with one or more third countries for reasons relating to foreign policy and common security (Art.301 of the CE Treaty resulting from the Amsterdam Treaty). Amongst the countries concerned by such sanctions there is Myanmar (EC Reg. n°2465/96 and European Parliament minutes of the 23.05 1996).

Table 1 : List of LDC countries benefiting from EU preferential agreements

EU - LDC Preferential agreements					
African Countries		ACP	GSP - EBA	Asian Countries	
Angola	Equatorial Guinea	X	X	Afghanistan	X
Benin	Eritrea	X	X	Bangladesh	X
Burkina Faso	Ethiopia	X	X	Bhutan	X
Burundi	Gambia	X	X	Cambodia Kmpuchea)	X
Cape Verde	Guinea	X	X	Laos	X
Central African Republic	Guinea Bissau	X	X	Maldives	X
Chad	Haiti	X	X	Myanmar	
Comoros	Kiribati	X	X	Nepal	X
Djibouti	Lesotho	X	X	Yemen	X
Liberia	Solomon Islands	X	X		
Madagascar	Somalia	X	X		
Malawi	Sudan	X	X		
Mali	Sao Tome and Principe	X	X		
Mauritania	Tanzania	X	X		
Mozambique	Togo	X	X		
Niger	Uganda	X	X		
Rwanda	Vanuatu	X	X		
Senegal	Western Samoa	X	X		
Sierra Leone	Zaire	X	X		
Zambia		X	X		

Sources: TARIC (DG-Taxud), Regulation (EC) N° 2820/1998 and N°2501/2001.

2.2. EU preferential tariffs for LDCs

The analysis of tariff regulations for the year 2000 enables us to assess the situation of EU preferences granted to LDCs on the eve of the introduction of the EBA regime. As shown by tables 2 and 3 (number of tariff lines), the different preferential programmes do not cover the same products. As a result, the comparison between the different schemes with regard to the average tariff or the preferential margin is not very relevant. It must also be specified that we have grouped together agricultural preferences (GSPA) and those concerning other products (GSPC) in a single regime for LDCs (GSP-LDCs)²⁵. In the end, it appears that the preferences, which prevailed in 2000, covered 10624 products (in the sense of the 10 digit combined nomenclature) in the context of the GSP-LDCs, and 10749 products in that of the ACP (that is respectively 94.2% and 95.3% of lines that have MFN duties higher than 0%). The introduction of the EBA expands the preferential coverage to 11210 lines (99.4% of dutiable lines)²⁶.

²⁵ Regrouping in a single scheme GSP-LDCs does not pose a methodological problem as the products concerned by the GSPA and GSPC do not overlap.

²⁶ It has to be specified that the simplification that was introduced (cf. methodology) in the treatment of tariffs for the fruits and vegetables sectors does not allow for factors of seasonality and those relating to entry prices. As a result, the number of tariff lines is sensibly lower than that of the official regulations.

Compared with MFN duties on the products taken into account in each regime, the global preferential margin for all products (MFN tariff – preferential tariff) of the GSP-LDCs in 2000 is 6.7%, for Cotonou 7.4%, and for the EBA 9.4%. This situation represents a reduction rate of the MFN tariff ($-\frac{\text{margin}}{\text{MFN}} \times 100$) applied to products of -76.6% in the case of the GSP, of -77.9% in that of Cotonou and of -99.9% for the EBA (Table 2).

Table 2 : Tariff preferences under LDC agreements

	Pre initiative 2000		2002
	GSP_LDC	ACP	EBA
In the Program			
Number of Tariff lines	10624	10749	11210
Percent of dutiable lines	94,2	95,3	99,4
Average tariff rate (for Program) (%)	2,1	2,0	0,0
Average tariff rate MFN (%)	8,8	9,0	9,4
Preference margin (%)	6,7	7,0	9,4
Percentage discount relative to MFN (%)	-76,6	-77,9	-99,9
Excluded from Program			
Number of Tariff lines	658	533	72
Percent of dutiable lines	5,8	4,7	0,6
Average tariff rate MFN (%)	21,7	21,2	28,6
Preference margin (%)	0,0	0,0	0,0

Estimation from TARIC (DG-Taxud) and COMEXT (Eurostat)

If we consider in greater detail these preferential agreements (Table 3), it can be noted that a majority of entire statistical sections²⁷ (Annex 1) of the products nomenclature are identically covered in the different preferential regimes. Thus, the sections 5 (Mineral product...) to 20 (Miscellaneous...) present no differences between the GSP, ACP or EBA from the point of view of the number of lines concerned and of the level of protection. As a result, for these sections the EBA initiative does not generate any additional tariff advantages. Arms (section 19) were already excluded from the GSP-LDCs scheme in 2000, however, they are not excluded in the case of the preferences granted to ACP countries. It can also be noted (Table 4) that the products that are, in 2000, excluded from the preferential agreements for LDCs are mainly from the agricultural and food processing sectors. As we will see later on, this first analysis relating to tariff preferences will have, to be complete, to take into account the measures for preferential quotas introduced notably in the EBA initiative for rice and sugar.

²⁷

The products nomenclature comprises 93 chapters which correspond to the 2 digit classification of the Harmonized System. To simplify, this regrouping of all the products can be done in 20 sections. A table of the sections' composition in chapters is provided in the Annex 1.

Table 3 : Tariff preferences under LDC agreements by sections of products only in the programs

Section of nomenclature	Pre initiative 2000						2001		
	GSP_LDC			ACP			EBA		
	Pref. Margin %	Dutiable Lines number	% Dutiable Lines	Pref. Margin %	Dutiable Lines number	% Dutiable Lines	Pref. Margin %	Dutiable Lines number	% Dutiable Lines
1 - Live animals; animal products	9,4	791	73,9	10,8	789	73,7	29	1070	100
2 - Vegetable products	9,1	520	76,9	9,1	612	90,5	12,3	637	94,2
3 - Animal or vegetable fats and oils a	7,4	125	94,7	7,3	125	94,7	8,8	132	100
4 - Prepared foodstuffs; beverages, sp	14,9	951	83,3	16,8	965	84,5	18,7	1134	99,3
5 - Mineral products	3	63	100	3	63	100	3	63	100
6 - Products of the chemical or allied	5,4	1452	100	5,2	1448	99,7	5,4	1452	100
7 - Plastics and articles thereof; rubb	7,2	565	100	7,2	565	100	7,2	565	100
8 - Raw hides and skins, leather, fursk	3,8	113	100	3,8	113	100	3,8	113	100
9 - Wood and articles of wood; wood c	5	116	100	5	116	100	5	116	100
10 - Pulp of wood or of other fibrous ce	3,8	219	100	3,8	219	100	3,8	219	100
11 - Textiles and textile articles	9,1	1673	100	9,1	1673	100	9,1	1673	100
12 - Footwear, headgear, umbrellas, su	8,5	161	100	8,5	161	100	8,5	161	100
13 - Articles of stone, plaster, cement,	4,5	270	100	4,5	270	100	4,5	270	100
14 - Natural or cultured pearls, preciou	3,2	19	100	3,2	19	100	3,2	19	100
15 - Base metals and articles of base m	3,2	1282	100	3,2	1282	100	3,2	1282	100
16 - Machinery and mechanical applian	3,2	1496	100	3,2	1496	100	3,2	1496	100
17 - Vehicles, aircraft, vessels and ass	5,3	262	100	5,3	262	100	5,3	262	100
18 - Optical, photographic, cinematogra	3,7	317	100	3,7	317	100	3,7	317	100
19 - Arms and ammunition; parts and a	0	0	0	2,7	25	100	0	0	0
20 - Miscellaneous manufactured articl	3,3	229	100	3,3	229	100	3,3	229	100
Total	6,7	10624	94	7	10749	95,3	9,4	11210	99,4

Estimation from TARIC (DG-Taxud) and COMEXT (Eurostat)

Table 4 : Tariffs and products excluded from LDC programs

Sections of products	Pre initiative 2000						2002		
	GSP_LDC			ACP			EBA		
	MFN tariff %	Dutiable Lines number	% Dutiable Lines	MFN tariff %	Dutiable Lines number	% Dutiable Lines	MFN tariff %	Dutiable Lines number	% Dutiable Lines
1 - Live animals; animal products	31,0	279	26,1	29,9	281	26,3	-	-	-
2 - Vegetable products	23,5	156	23,1	15,0	64	9,5	41,1	39	5,8
3 - Animal or vegetable fats and oils a	27,5	7	5,3	27,5	7	5,3	-	-	-
4 - Prepared foodstuffs; beverages, sp	8,8	191	16,7	9,4	177	15,5	48,3	8	0,7
6 - Products of the chemical or allied	-	-	-	17,9	4	0,3	-	-	-
19 - Arms and ammunition; parts and a	2,7	25	100	-	-	-	2,7	25	100
Total	21,7	658	5,8	21,2	533	4,7	28,6	72	0,6

Estimation from (DG-Taxud) and COMEXT (Eurostat)

2.2.1. A comparison of EU preferential agreements for LDCs

In order to be able to compare the different preferential agreements of the EU in relation to LDCs, it is important to harmonize the schemes on all the tariff lines. In this sense, for products that are excluded from certain agreements it is MFN tariffs that come into application. By completing in this way the different regimes we obtain a harmonized base for tariffs which makes it possible to compare the duties on products according to the different schemes. In the end, this presentation corresponds to the EU's market access conditions for all the LDC products.

Table 5 shows that the average MFN level of protection of the EU in 2000 is of 8% for all products (13467), whereas it is only 2.7% for LDC products under the GSP and 2.4% under the Cotonou regime. The introduction of the EBA allows preferential access to the EU market at an average rate of 0.2%, which is a reduction of -97.3% compared to the MFN rate. Of course preferences are only expressed in relation to MFN duties higher than 0% (dutiabale lines). As a result, in 2000 16% of all tariff lines²⁸ are exempt of duty (Table 5) and do not concern the management of preferential schemes. With an average MFN rate of 9.5% for dutiable tariff lines, the preferential margin of the Cotonou regime is 6.7%, that of the GSP-LDC is 6.3%, and that of the EBA initiative is 9.3%.

Table 5 : EU Tariff preferences to LDCs

EU Tariff preferences to LDCs	Pre initiative 2000			2002
	MFN	GSP_LDC	ACP	EBA
Number of Tariff lines	13467	13467	13467	13467
Average tariff rate (%)	8	2,7	2,4	0,2
Preference margin (%)	-	5,3	5,6	7,8
Percentage discount relative to MFN (%)	-	-66,2	-70	-97,5
Maximum tariff rate (%)	227,5	227,5	227,5	125,1
Coefficient of variation	1,97	4,82	4,98	18,62
Number of Dutiable tariff lines	11282	11282	11282	11282
Average tariff rate (%)	9,5	3,2	2,8	0,2
Preference margin (%)	-	6,3	6,7	9,3
Percentage discount relative to MFN (%)	-	-66,3	-70,5	-97,9
Maximum tariff rate (%)	227,5	227,5	227,5	125,1
Coefficient of variation	1,76	4,4	4,54	17,04

Estimation from TARIC (DG-Taxud) and COMEXT (Eurostat)

As our objective is to identify the advantages introduced by the EBA, these general considerations need to be specified at the tariff lines' detailed level. Table 6 allows the introduction of a first distinction within the 20 sections of the products nomenclature. We observe once more in this table the fact that for LDCs, a majority of products sections (section 5 and 7 to 20) enter the EU with a 0% preference. For these products, therefore, the EBA initiative does not generate any advantages compared to the situation that prevailed in 2000 under the special regimes of the GSP aimed at LDCs or under the ACP preferences. Compared to the previous analysis (Table 3), which only took into account products entering in the preferential programmes, section 6 (products of the chemical or allied industries) incorporates here all products and presents a sensibly lower preferential margin under the ACP regime²⁹.

²⁸ 16% is obtained by taking $(1 - (11282/13467))$

²⁹ For example, for Mannitol (code 295430000) the MFN duty in 2000 is 10% +131.1 Euros/100kg, that of the ACP regime is 0% + 131.1 Euros/100kg and under the GSP-LDC (GSPA) it is 0%.

Table 6 : EU Tariff preferences to LDCs by sections of products

Sections of products	Pre initiative 2000				2001		Number of dutiable lines
	GSP_LDC		ACP		EBA		
	Pref. Margin %	% Discount MFN	Pref. Margin %	% Discount MFN	Pref. Margin %	% Discount MFN	
s1 - Live animals; animal products	7	-24	7,9	-27,4	29	-100	1070
s2 - Vegetable products	7	-49,4	8,2	-58,2	11,6	-82,3	676
s3 - Animal or vegetable fats and oils a	7	-79,1	6,9	-78,2	8,8	-100	132
s4 - Prepared foodstuffs; beverages, s	12,4	-65,6	14,2	-75,2	18,6	-98,2	1142
s5 - Mineral products	3	-100	3	-100	3	-100	63
s6 - Products of the chemical or allied	5,4	-99,9	5,2	-94,9	5,4	-100	1452
s7 - Plastics and articles thereof; rubb	7,2	-100	7,2	-100	7,2	-100	565
s8 - Raw hides and skins, leather, fursl	3,8	-100	3,8	-100	3,8	-100	113
s9 - Wood and articles of wood; wood (5	-100	5	-100	5	-100	116
s10 - Pulp of wood or of other fibrous c	3,8	-100	3,8	-100	3,8	-100	219
s11 - Textiles and textile articles	9,1	-100	9,1	-100	9,1	-100	1673
s12 - Footwear, headgear, umbrellas, s	8,5	-100	8,5	-100	8,5	-100	161
s13 - Articles of stone, plaster, cement,	4,5	-100	4,5	-100	4,5	-100	270
s14 - Natural or cultured pearls, preciou	3,2	-100	3,2	-100	3,2	-100	19
s15 - Base metals and articles of base m	3,2	-100	3,2	-100	3,2	-100	1282
s16 - Machinery and mechanical applica	3,2	-100	3,2	-100	3,2	-100	1496
s17 - Vehicles, aircraft, vessels and ass	5,3	-100	5,3	-100	5,3	-100	262
s18 - Optical, photographic, cinematogr	3,7	-100	3,7	-100	3,7	-100	317
s19 - Arms and ammunition; parts and a	0	0	2,7	-100	0	0	25
s20 - Miscellaneous manufactured artic	3,3	-100	3,3	-100	3,3	-100	229
All products	6,3	-66,2	6,7	-70	9,3	-97,9	11282

Estimation from TARIC (DG-Taxud) and COMEXT (Eurostat)

2.3. The advantages introduced by the EBA according to products

The advantages introduced by the EBA initiative have to be, for LDCs, assessed in relation to the preferential schemes that prevailed before its implementation. In other words, comparing by tariff line the preferential margins (MFN-Preferences) of the different schemes that concern LDCs. Through this comparison we see the products under the EBA that have a higher margin than the GSP-LDC or Cotonou agreements. The resulting set eliminates all situations where margins are identical under the different preferential agreements. Only the products for which the EBA presents an advantage either compared to the GSP-LDC or compared to Cotonou are considered.

However, in order to be exhaustive, this analysis must also take into account the regimes of preferential quotas. In this sense, for example, the EBA tariffs previously taken into account only affect, beyond the 0% tariffs, bananas (-20% on the MFN duty for the code 08030019)³⁰. Yet the EBA initiative also provides, in its first years, for the creation of quotas on sugar and rice with a 0% duty, applicable within quota limits. This offer of preferential quotas under the EBA introduces an advantage compared to pre existing schemes. Nevertheless, to take into account quota provisions, it is also necessary to consider those that were created in 2000 in the Cotonou regime³¹. Table 7 reveals that quotas for the EBA concerned 40 products (sugar and rice) and 339 for Cotonou.

³⁰ In reality this duty reduction is only applicable from January 1st 2000, but it has been taken into account here so as to consider this product for the next part of the analysis relating to the effects on LDC exports over the whole period.

³¹ There are no quotas in the GSP-LDC scheme. However, a certain number of specific quotas granted to certain countries (Bangladesh) did exist.

Table 7 : EBA and Cotonou preferential quotas

Preferential quota	Pre initiative 2000			2002		
	ACP			EBA		
	Pref. Margin %	% Discount MFN	Dutiable Lines number	Pref. Margin %	% Discount MFN	Dutiable Lines number
Sections of Products						
1 - Live animals, animal products	19,3	-63,2	269	-	-	-
2 - Vegetable products	9,7	-48,9	32	41,9	-100	39
4 - Prepared foodstuffs, beverages	15,6	-89,2	38	55,8	-100	1
Total	18	-64,1	339	43,3	-100	40

Estimation from TARIC (DG-Taxud) and COMEXT (Eurostat)

However, these reflections on quotas are not in a position to undermine the logic concerning the preceding selection of the advantages of the EBA initiative, for the pre-existing offers of ACP preferential quotas are complementary. As in the case of sugar, for example, LDCs' access to the sugar protocol (cf. sugar Box 2) remains compatible with that of the EBA. It must, however, be noted that the ACP sugar protocol allocates quotas to certain countries and that only three LDCs are concerned; Madagascar, Malawi and Tanzania. As a result, ACP preferential quotas do not shorten the list of products for which the EBA generates a preferential advantage³².

It is henceforth possible to estimate the preferential margins³³ of the different schemes by taking into account both tariffs and quotas introduced by the EBA. The selection reveals the products that have a higher margin under the EBA than under the GSP-LDC or Cotonou agreements. The comparison of margins with regard to the EBA schemes allows the identification of 1224 products for which the EBA creates an advantage for LDCs compared to the previous situation (Table 8). This group of products, which represents 11% of the 11282 dutiable tariff lines of the 10 digit nomenclature, only numbers 899 products in the sense of the 8 digit Combined nomenclature and 246 according to the 6 digit harmonized system.

Table 8 : EBA Advantage on GSP and Cotonou

Sections of products	Pre initiative 2000				2002		Dutiable Lines number
	GSP_LDC		ACP		EBA		
	Pref. Margin %	% Discount MFN	Pref. Margin %	% Discount MFN	Pref. Margin %	% Discount MFN	
1 - Live animals; animal products	3,8	-8,1	5,7	-12,2	47	-100	545
2 - Vegetable products	3,3	-13,2	9,7	-38,5	24,8	-98,5	220
3 - Animal or vegetable fats and oils	1,9	-7,2	1,9	-7,2	26,3	-100	10
4 - Prepared foodstuffs; beverages	8	-33,8	13,1	-55,2	23,8	-100	448
6 - Products of the chemical or allied	9,7	-53,1	9,7	-53,1	18,3	-100	1
Total	5,3	-15,3	9,1	-26,5	34,3	-99,8	1224

Estimation from TARIC (DG-Taxud) and COMEXT (Eurostat)

³² The only exception could eventually concern the ACP " banana " quota. But we have considered here, like other ACP quotas, that it was complementary to the EBA tariff offer.

³³ The margin is here re-estimated by having replaced the out-quota tariffs with the in-quota tariffs for EBA products enjoying a preferential quota. In this case the ACP quota and the in-quota tariff are taken into account to estimate the margin (the case for bananas). For all other products, notably those that benefit from an ACP quota, the preferential margin is estimated by only taking into account out-quota tariffs.

The Cotonou Agreement between the European Union and the African, Caribbean and Pacific countries (A.C.P.) and the sugar Protocol

The "sugar" protocol has been incorporated in the Cotonou Agreement. This protocol, concluded in 1950 between the United Kingdom and the Commonwealth States, was named the Commonwealth Sugar Agreement (CSA) before the implementation of the Lomé I to IV agreements (the Lomé I appendix lays down the legal framework of the protocol in question and the Cotonou partnership agreement has incorporated the said protocol). A privileged access is granted to certain A.C.P. countries in the form of preferential dutiable import quotas. The quantities of cane sugar (white or unrefined) are agreed (expressed in white sugar equivalent) for each twelve-month period. For the 2002/03 marketing year, the allocated quotas are the following (Table 9) :

Table 9 : ACP sugar protocol

Country	Quota tons	Country	Quota tons
Barbados	50312	Mauritius	491040
Belize	40349	Nevis	15591
Congo	10186	Suriname	-
Ivory Coast	10186	Swaziland	117845
Fiji	165348	Tanzania	10186
Guyana	159410	Trinidad	43751
Jamaica	118696	Uganda	-
Kenya	-	Zambia	-
Madagascar	10760	Zimbabwe	30225
Malawi	20824	India	10000
Global quota	1 304 700		

Source : acpsugar.org

This sugar can be imported duty-free on the European market. It enjoys a guaranteed price which is negotiated annually between the European Union and the A.C.P. countries. In practice, within the quota, this guaranteed price is the same as the intervention price. Sugar from A.C.P. countries therefore faces the same conditions as those granted to European sugar. The price that results from this negotiation is the key to the advantage granted to A.C.P. sugar.

A special case exists between the European Union and India (a non A.C.P. country), with the former granting duty-free access for a 10 000 tons quota to the latter.

The "Special Preferential Sugar" (SPS) agreement

In addition to the protocol on sugar there is also an agreement that grants, for those A.C.P. countries who signed the sugar protocol, an EU import quota with lower duties so as to compensate for the deficit in unrefined sugar of Finnish, French, Portuguese and English refineries. These special duties apply to limited quantities, defined in art.39 of the CMO sugar regulations. The price paid upon delivery for guaranteed unrefined cane sugar is about 85% of the price guaranteed to the A.C.P. countries. This agreement was concluded for an initial period of 6 years (1995 – 2001) and has been integrated in the CMO sugar for the 2001 – 2006 period.

2.4. The advantages introduced by the EBA according to African and Asian LDCs

The advantages introduced by the EBA will be relatively different for African or Asian countries, depending on the products. In fact, as has been previously mentioned, African LDCs have, before the implementation of the EBA, the possibility of combining the preferences of the GSP-LDC scheme and those of Cotonou, whereas Asian LDCs can only access in 2000 the GSP-LDC scheme. As a result, the advantage introduced by the EBA will be assessed in relation to the GSP and the Cotonou preferences for African countries, whereas this advantage will only be assessed in relation to the GSP for Asian LDCs.

Tables 10 and 11 detail by chapter (Cf. Annex 1) of the products nomenclature (and not, as previously, by section) the advantages generated by the EBA according to this geographical difference. The benefit of the EBA for LDCs is assessed here in relation to the tariff of the most favourable scheme which prevailed in 2000. It appears (Table 11) that the Asian LDCs will be the ones who will benefit the most from the EBA introduction. For the margin gained with the EBA is higher for the countries who benefit solely from the GSP-LDC (EBA margin - GSP-LDC margin) than for the ACP countries (EBA margin - ACP margin). As a result, for products where the EBA introduces an advantage, Asian countries gain a margin of almost 30,1 points with the EBA initiative, whereas African countries gain a margin of 28,2 points compared to Cotonou. Furthermore, due to initial preferences that are more favourable to African LDCs under Cotonou, the number of products covered by an advantage generated by the EBA is inferior to that of Asian LDCs (1095 versus 1224).

The benefit for LDCs, greater for Asian countries, is particularly focused on animal products with a reduction in tariffs of 25 to 55% (chapters 1, 2, 4 and 15). An important advantage introduced by the EBA can also be noted in the cereal sector (chapter 10, see Annex 2 for "broken rice and semi milled rice") for Asian LDCs and in the cacao sector for African LDCs (figure 1). A breakdown for the main products (in HS6) is given in Annex 2.

Figure 1 : EBA preference advantages for African and Asian LDCs by products

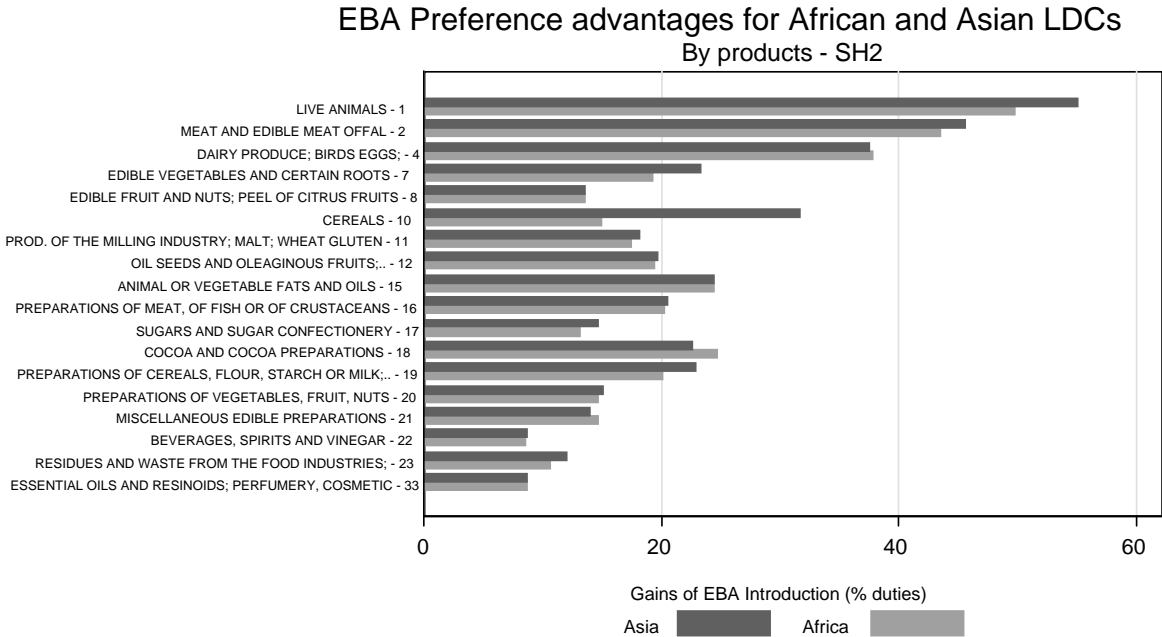


Table 10 : EBA Advantages for African LDCs

Chapters of products	Pre initiative 2000				2001		Dutiable Lines number
	GSP_LDC		ACP		EBA		
	Pref. Margin %	% Discount MFN	Pref. Margin %	% Discount MFN	Pref. Margin %	% Discount MFN	
1 LIVE ANIMALS	3,0	-5,1	8,8	-15,1	58,5	-100	56
2 MEAT AND EDIBLE MEAT OFFAL	3,9	-8,0	5,9	-12,0	49,3	-100	257
4 DAIRY PRODUCE; BIRDS' EGGS; NATURAL HONEY; EDIBLE PRODUCTS	3,8	-9,2	3,6	-8,7	41,3	-100	227
7 EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS	3,2	-14,9	2,5	-11,3	21,7	-100	21
8 EDIBLE FRUIT AND NUTS; PEEL OF CITRUS FRUITS OR MELONS	10,0	-41,2	10,7	-44,4	24,2	-100	46
10 CEREALS	0,0	-0,1	17,3	-53,8	32,2	-100	63
11 PRODUCTS OF THE MILLING INDUSTRY; MALT; STARCHES; INULIN; WH	0,5	-2,9	1,2	-6,7	18,6	-100	76
12 OIL SEEDS AND OLEAGINOUS FRUITS; MISCELLANEOUS GRAINS, SEEDS	3,5	-15,3	3,8	-16,4	23,1	-100	3
15 ANIMAL OR VEGETABLE FATS AND OILS AND THEIR CLEAVAGE PRODUCTS	1,9	-7,2	1,9	-7,2	26,3	-100	10
16 PREPARATIONS OF MEAT, OF FISH OR OF CRUSTACEANS, MOLLUSCS	1,8	-8,0	2,0	-8,9	22,2	-100	37
17 SUGARS AND SUGAR CONFECTIONERY	1,9	-12,4	2,5	-16,2	15,6	-100	32
18 COCOA AND COCOA PREPARATIONS	4,5	-15,5	4,5	-15,5	29,1	-100	12
19 PREPARATIONS OF CEREALS, FLOUR, STARCH OR MILK; PASTRYCOOK	6,7	-25,1	6,7	-25,1	26,7	-100	54
20 PREPARATIONS OF VEGETABLES, FRUIT, NUTS OR OTHER PARTS OF	21,2	-57,1	22,5	-60,5	37,1	-100	50
21 MISCELLANEOUS EDIBLE PREPARATIONS	8,4	-37,7	7,8	-34,8	22,4	-100	29
22 BEVERAGES, SPIRITS AND VINEGAR	1,6	-15,5	1,6	-15,5	10,0	-100	93
23 RESIDUES AND WASTE FROM THE FOOD INDUSTRIES; PREPARED AN	1,5	-11,2	2,8	-20,8	13,4	-100	28
33 ESSENTIAL OILS AND RESINOIDS; PERFUMERY, COSMETIC OR TOILE	9,7	-53,1	9,7	-53,1	18,3	-100	1
Total	4,3	-12,6	6,2	-18,1	34,4	-100	1095

Estimation from TARIC (DG-Taxud) and COMEXT (Eurostat)

Table 11 : EBA Advantages for Asian LDCs

Chapters of products	Pre initiative 2000				2001		Dutiable Lines number
	GSP_LDC		EBA				
	Pref. Margin %	% Discount MFN	Pref. Margin %	% Discount MFN			
1 LIVE ANIMALS	2,8	-4,8	57,8	-100	59		
2 MEAT AND EDIBLE MEAT OFFAL	4,0	-8,0	49,5	-100	259		
4 DAIRY PRODUCE; BIRDS' EGGS; NATURAL HONEY; EDIBLE PRODUCTS	3,8	-9,2	41,3	-100	227		
7 EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS	3,4	-12,8	26,6	-100	23		
8 EDIBLE FRUIT AND NUTS; PEEL OF CITRUS FRUITS OR MELONS	11,1	-42,5	24,6	-94	53		
10 CEREALS	0,0	0,0	31,6	-100	65		
11 PRODUCTS OF THE MILLING INDUSTRY; MALT; STARCHES; INULIN; WH	0,5	-2,9	18,6	-100	76		
12 OIL SEEDS AND OLEAGINOUS FRUITS; MISCELLANEOUS GRAINS, SEEDS	3,5	-15,3	23,1	-100	3		
15 ANIMAL OR VEGETABLE FATS AND OILS AND THEIR CLEAVAGE PRODUCTS	1,9	-7,2	26,3	-100	10		
16 PREPARATIONS OF MEAT, OF FISH OR OF CRUSTACEANS, MOLLUSCS	1,8	-8,0	22,2	-100	37		
17 SUGARS AND SUGAR CONFECTIONERY	2,5	-14,9	17,1	-100	34		
18 COCOA AND COCOA PREPARATIONS	3,2	-12,5	25,8	-100	31		
19 PREPARATIONS OF CEREALS, FLOUR, STARCH OR MILK; PASTRYCOOK	6,8	-22,9	29,7	-100	84		
20 PREPARATIONS OF VEGETABLES, FRUIT, NUTS OR OTHER PARTS OF	22,3	-59,7	37,3	-100	105		
21 MISCELLANEOUS EDIBLE PREPARATIONS	8,5	-37,9	22,4	-100	30		
22 BEVERAGES, SPIRITS AND VINEGAR	1,5	-14,5	10,1	-100	99		
23 RESIDUES AND WASTE FROM THE FOOD INDUSTRIES; PREPARED AN	1,5	-11,2	13,4	-100	28		
33 ESSENTIAL OILS AND RESINOIDS; PERFUMERY, COSMETIC OR TOILE	9,7	-53,1	18,3	-100	1		
Total	4,3	-15,3	34,3	-99,8	1224		

Estimation from TARIC (DG-Taxud) and COMEXT (Eurostat)

III. THE EBA INITIATIVE AND EU MARKET ACCESS FOR LDCS

LDCs' trade represents a small share of world activity. The challenge is precisely to reduce the obstacles so as to allow an increase of their outlets. The assessment of the EU's tariff trade policy in relation to LDCs, through the EBA initiative, will be pursued here by the ex-post analysis of these countries' exports. Based on the examination of previous European preferential schemes, the EBA introduced for certain products significantly more advantageous measures (chap.2). The exports of these goods, and the countries concerned, will be at the centre of this analysis. This section will focus on three points as defined in the terms of reference of the study:

- Analyse how beneficiaries' exports to the EU have developed since the introduction of the initiative, especially in products where access to the EU market has been significantly improved by the EBA. The starting point should be no less than three years before the entry into force of the EBA, and the analysis should cover the most recent period for which data is available.
- Compare EBA beneficiary exports to the EU with the development of exports to the EU from a suitable reference group of countries, in particular in products where access to the EU market has been significantly improved by the EBA.
- Analyse the evolution of EBA beneficiary exports to other major trading partners than the EU in particular in products where access to the EU market has been significantly improved by the EBA.

Prior to this analysis, the methodological aspects associated to the data sources employed will be presented and the general considerations relating to the overall trade of LDCs will be introduced.

3.1. Sources and methodology

The objectives pursued here are to analyse the trade flows of LDCs, in relation to the EU on the one hand but also in relation to the other countries of the world on the other. More particularly, to specify the trade developments regarding the products for which the EBA initiative introduced an advantage for LDCs. To simplify, these products will sometimes be named here "EBA products". Such a detailed monitoring at product level raises the problem of the reliability of statistical sources.

To address these difficulties, the CEPII has created a database on international trade that gathers and renders consistent different levels of analysis and nomenclatures, whilst taking advantage of the available information at the finest level possible (see Box 3). Relying on a harmonization of COMTRADE (Commodity Trade Statistics Database, United Nations Statistics Division) data, this database will be mobilized here for processing the trade flows relating to LDCs. By monitoring the bilateral trade flows between countries, BACI³⁴ allows a harmonized description of the evolutions of world trade.

³⁴ We would like to thank here Soledad Zignago and Guillaume Gaulier for their precious help and the easy access to BACI that they gave us. A description of the database is available, in English, in pdf format. <http://www.cepii.fr/francgraph/bdd/baci.htm>

Box 3 : BACI – Analytical Database of International Trade

This database covers the period 1995-2002 for all countries declaring their annual international trade statistics to the United Nations (COMTRADE Database) and is made available to CEPII researchers. Trade flows are reported in value and quantity by both exporting and importing country (mirror flows, when available). We have developed original procedures to harmonise COMTRADE data: evaluation of the quality of country declarations to average mirror flows, evaluation of CIF rates to reconcile import and export declarations, conversion in tonnes of the other units of quantities exchanged. Every year over 130 countries provide the United Nations Statistics Division with their annual international trade statistics, detailed by commodity and partner country. These data are processed into a standard format with consistent coding and valuation. All values are converted into US dollars using exchange rates supplied by the countries, or derived from monthly market rates and volume of trade. Quantities are, if provided by the country and if possible, converted into metric units. For many countries the data coverage starts as far back as 1962 and goes up to the most recent completed year. Commodities are classified according to SITC (Rev.1 from 1962, Rev.2 from 1976 and Rev.3 from 1988) and the Harmonised System (HS) (from 1988 with revisions in 1996 and 2002). Currently most data are reported according to HS, version 2002 1. For more details on COMTRADE see <http://unstats.un.org/unsd/comtrade/>. For the current version of BACI, the source data is classified in HS from 1988 and 1996 and does not include flows below 1,000 dollars.

3.2. The LDCs' exports: introduction

The EBA concerns only a small share of LDC exports...

In 2003, LDC exports to the EU represent 31.5% of their export outlets (Table 12). As shown in Figure 2, this share of LDCs' exports to the EU experiences a relative decline compared to its 1995 level (40%). If we consider the exports of these countries for products where the EBA introduces a preferential advantage, these represent 1.8% of the LDCs' total exports, of which 0.4% goes to the EU, 0.4% to intra-LDC trade and 1% towards the other countries of the world. Thus the effects of the EBA concern only a small share of the total exports of LDCs.

Table 12 : LDC exports 2003

Year 2003 LDC Exports	Destination							
	LDCs		EU		Other		Total	
	1000\$	%	1000\$	%	1000\$	%	1000\$	%
Products								
Without EBA advantage	1015797	2,6	12152372	31,1	25207716	64,5	38375885	98,2
With EBA advantage	150580	0,4	164325	0,4	373296	1	688200	1,8
Total	1166377	3	12316697	31,5	25581012	65,5	39064085	100

Sources : BACI (CEPII) and TARIC (DG-Taxud)

...but it is increasing towards the EU since 2001..

However, exports to the EU of products where the EBA introduces a preferential advantage for LDCs are steadily increasing since 2001 (Figure 2). From that date, this increase in the value of exports to the EU represents a growing share of the total exports of LDCs. Furthermore, the increase in the export of these products to the EU occurs concomitantly to the growth of intra-LDC trade.

And the EBA has a significant impact on agricultural development.

The advantage generated by the EBA for LDCs concerns above all the domain of agricultural and food-processing product exports. This is, for LDCs, an essential point if we consider what agricultural development represents for these countries. The share of EBA products in the LDCs' total agricultural and food-processing exports to the EU is of 11% in 2003. This situation correspond, for these agricultural products benefiting from an additional preferential advantage generated by the EBA, to a doubling in the volume of exports to the EU during the implementation phase of the initiative (table 13).

Table 13 : LDC agricultural exports 2003

LDC Exports to	2000			2003		
	Agricultural Products			Agricultural Products		
	EBA 1000\$	Total 1000\$	EBA/Total %	EBA 1000\$	Total 1000\$	EBA/Total %
LDC	75364	144099	52,3	149715	479262	31,2
EU	80664	1450846	5,6	166147	1506725	11,0
Other	419056	2418494	17,3	372339	3052860	12,2
Total	575085	4013439	14,3	688200	5038847	13,7

Agriculture as defined by the WTO.

Sources : BACI (CEPII) and TARIC (DG-Taxud)

LDC exports are achieved by a few countries...and for a few products

The exports of LDCs are relatively concentrated: in 2003, Bangladesh and Angola represent 37% of exports all destinations. If are added to this list, Yemen, Myanmar, Sudan, Cambodia and Congo, it is slightly more than 10% of LDCs that amount to 66% of total LDC exports (Table 14, col 1). If we consider exports to the EU, the leading LDC exporters are also Bangladesh and Angola (44% of exports to the EU, Table 14, col 2). Bangladesh on its own represents 35% of exports for all products³⁵.

Only 35 of the products exported (as defined by the HS6 nomenclature) represent 60% of the total exports of LDCs. The most important products exported, in value, are the "crude oil from petroleum" and textile products (Table 16). Only one product from this list benefits from the EBA initiative advantage: "live sheep"³⁶. However, this product which is chiefly exported by Sudan is not destined for the EU. For all other products, the EU preferential duties were, before the EBA initiative, either at 0% under the GSP and ACP or at 0% under the MFN, such as for the most important which is "Crude oil from petroleum and bituminous".

³⁵ It is essentially textiles (Sweaters and T-shirts) and " prawns " that make up the major part of these exports (80%). Angola represents 9% of exports to the EU and these are mainly products derived from oil (" Crude oil from petroleum and bituminous ") and " diamonds ", making up 90% of the value of these exports. All these products do not benefit of any additional advantages with the EBA, as they could enter in 2000 under the ACP or the GSP at 0%.

³⁶ The presentation according to HS (6 digits) must not make us forget that the tariff nomenclature has 10 digits. In the present case the HS 10410 code combines 3 European subheadings (104101000, 104103000, and 104108000) that are respectively at 0%, 39 % & 67% MFN duty and at 0% under the ACP and the EBA.

However, it is not the leading exporters who benefit from the EBA

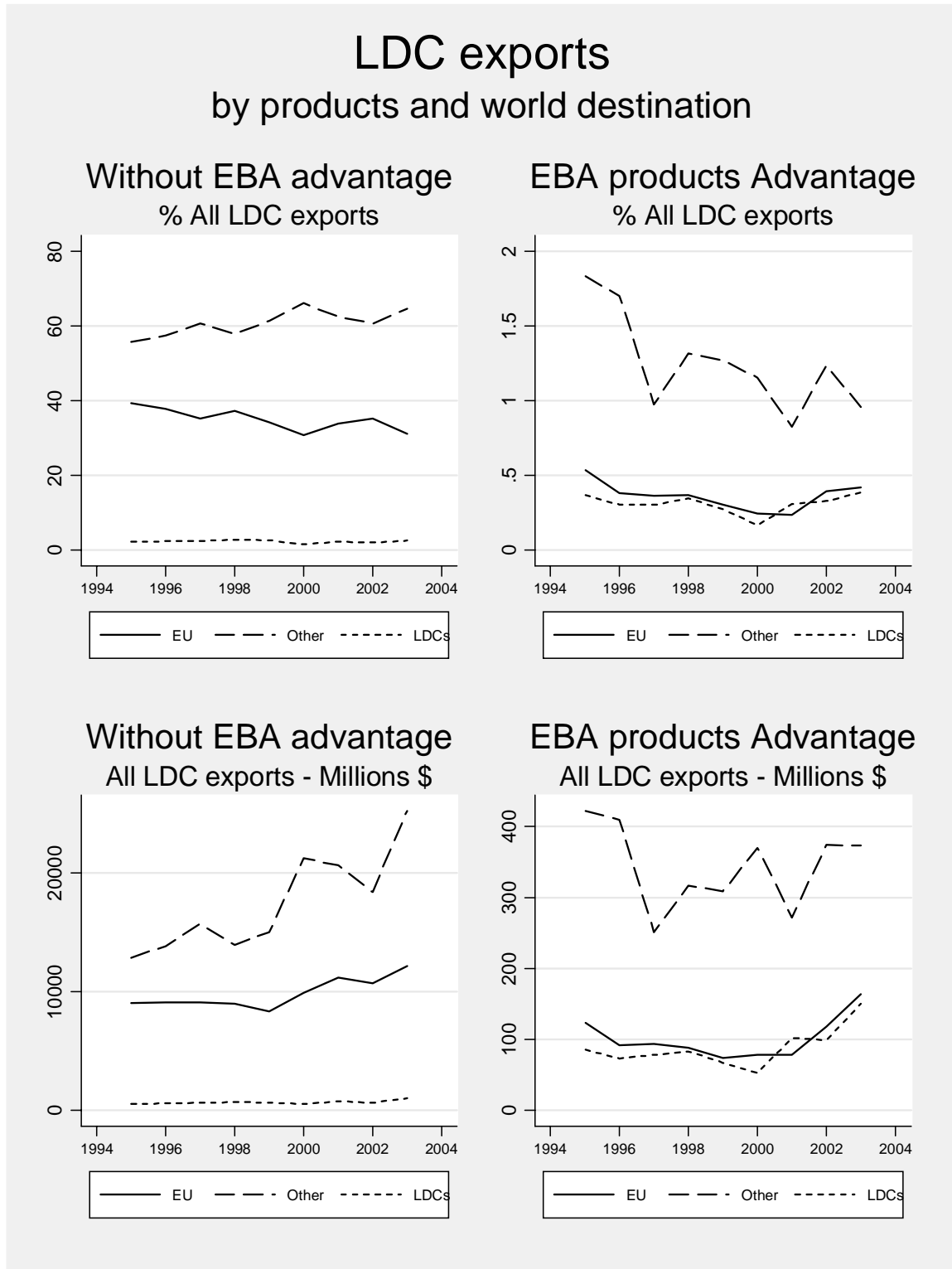
Products which enter under the EBA with an "advantage" compared to previous schemes are concentrated on a different list of countries. It is the total exports of African countries that are the most important for these products (Table 14, col 3). Eight African countries represent 66% of exports in "EBA products": Sudan, Malawi, Tanzania, Ethiopia, Niger, Senegal, Zambia and Togo. For the Asian countries, Myanmar and Nepal are those that export the most these products³⁷. Apart from Sudan, the countries who export products where the EBA introduces an advantage are not amongst the leading LDC exporters.

The EU is not the main outlet for LDCs in "EBA products".

Table 14 emphasizes that only 24.1 % of exports in "EBA products" are for the EU. For some LDCs, the EU represents a substantial share of the outlets for these products, such as Malawi (55.9%), Zambia (78.1%), Bangladesh (50.8%) or Burkina Faso (59.5%). On the other hand, despite the advantages introduced by the EBA, some countries direct the exports of these products to destinations other than the EU, such as Niger (2.3% to the EU), Yemen (3%), Togo (9.6%), Sudan (14.2%) or Somalia (0%).

³⁷ The presence of Myanmar on this list can be noted. Despite being on the list of LDCs, this country is excluded from the countries benefiting of preferences under the GSP and EBA (Cf. Chap. 2)

Figure 2 : LDC exports by destination and products benefiting from an EBA advantage



Sources : BACI (CEPII) and TARIC (DG-Taxud)

Table 14 : LDC exports (2003) according to the EBA advantage

LDC Exports 2003	All Export All products		Export to EU All products		All Export products Advantage under EBA		Export to EU Advantage under EBA		Share of Export to EU EBA (%) [4] / [3]
	1000\$ [1]	Countries	1000\$ [2]	Countries	1000\$ [3]	Countries	1000\$ [4]	Countries	
		share %		share %		Share %		Share %	
Afghanistan	175498	0,4	23073	0,2	1665	0,2	45	0	2,7
Angola	6667739	17,1	1068722	8,7	1023	0,1	69	0	6,7
Bangladesh	7805531	20	4309575	35,0	20422	3,0	10375	6,3	50,8
Benin	240741	0,6	32821	0,3	5044	0,7	34	0	0,7
Burkina Faso	164975	0,4	41855	0,3	7047	1,0	4190	2,5	59,5
Burundi	36642	0,1	22018	0,2	228	0,0	17	0	7,5
Cambodia	2035095	5,2	549045	4,5	5246	0,8	1621	1	30,9
Cape-Verde	20516	0,1	15841	0,1	157	0,0	43	0	27,4
Republic	159475	0,4	130673	1,1	170	0,0	153	0,1	90,0
Chad	81964	0,2	39247	0,3	6	0,0	0	0	0,0
Comoros	37438	0,1	27922	0,2	41	0,0	2	0	4,9
Congo	1693818	4,3	230418	1,9	6980	1,0	2791	1,7	40,0
Djibouti	34730	0,1	4718	0,0	4647	0,7	5	0	0,1
Eritrea	14157	0	3573	0,0	70	0,0	61	0	87,1
Ethiopia	635823	1,6	226965	1,8	41767	6,1	9664	5,9	23,1
Gambia	24800	0,1	8053	0,1	446	0,1	435	0,3	97,5
Guinea	656708	1,7	316683	2,6	1039	0,2	13	0	1,3
Guinea-Bissau	66465	0,2	7660	0,1	19	0,0	19	0	100,0
Haiti	347334	0,9	12198	0,1	1328	0,2	322	0,2	24,2
Kiribati	21530	0,1	425	0,0	109	0,0	102	0,1	93,6
Laos	276427	0,7	136028	1,1	4644	0,7	570	0,4	12,3
Liberia	834184	2,1	602354	4,9	1029	0,1	1	0	0,1
Madagascar	1089381	2,8	544175	4,4	2783	0,4	1971	1,2	70,8
Malawi	519654	1,3	196199	1,6	74747	10,9	41766	25,5	55,9
Maldives	187837	0,5	20136	0,2	554	0,1	3	0	0,5
Mali	184755	0,5	58710	0,5	791	0,1	662	0,4	83,7
Mauritania	456741	1,2	310660	2,5	615	0,1	152	0,1	24,7
Mozambique	856092	2,2	671365	5,5	23105	3,4	6612	4	28,6
Myanmar	2450670	6,3	385989	3,1	52413	7,6	781	0,5	1,5
Nepal	725221	1,9	102752	0,8	35441	5,1	5525	3,3	15,6
Niger	303901	0,8	168759	1,4	37565	5,5	855	0,5	2,3
Rwanda	135708	0,3	20160	0,2	527	0,1	130	0,1	24,7
Samoa Occidentales	102250	0,3	7779	0,1	4391	0,6	44	0	1,0
Principe	13321	0	9438	0,1	165	0,0	45	0	27,3
Senegal	1265360	3,2	409272	3,3	38306	5,6	9844	5	25,7
Sierra Leone	181092	0,5	161611	1,3	863	0,1	131	0,1	15,2
Solomon Islands	102539	0,3	2762	0,0	238	0,0	24	0	10,1
Somalia	47346	0,1	1849	0,0	14255	2,1	1	0	0,0
Sudan	2050356	5,2	151221	1,2	136412	19,8	19349	11,7	14,2
Tanzania	1443415	3,7	747486	6,1	58973	8,6	13239	8	22,4
Togo	797668	2	158944	1,3	30056	4,4	2894	1,8	9,6
Tuvala	1826	0	957	0,0	7	0,0	7	0	100,0
Uganda	454282	1,2	217500	1,8	13963	2,0	3515	2,1	25,2
Vanuatu	70974	0,2	3126	0,0	1470	0,2	0	0	0,0
Yemen	3024899	7,7	67888	0,6	22326	3,2	662	0,4	3,0
Zambia	567208	1,5	88092	0,7	35104	5,1	27402	16,6	78,1
Total	39064085	100	12316696	100	688200	100	166147	100	24,1

Sources : BACI (CEPII) and TARIC (DG-Taxud)

Table 15 : LDC exports (2000) according to the EBA advantage

LDC Exports 2000	All Export All products		Export to EU All products		All Export products Advantage under EBA		Export to EU Advantage under EBA		Share of Export to EU EBA (%) [4] / [3]
	1000\$ [1]	Countries share %	1000\$ [2]	Countries share %	1000\$ [3]	Countries Share %	1000\$ [4]	Countries Share %	
	Afghanistan	100721	0,3	49836	0,5	433	0,1	0	
Angola	6174269	19,2	1217874	12,2	476	0,1	0	0,0	0,0
Bangladesh	5783522	18,0	2671690	26,9	13273	2,3	6243	7,7	47,0
Benin	263453	0,8	67150	0,7	1550	0,3	375	0,5	24,2
Burkina Faso	126991	0,4	58891	0,6	12548	2,2	632	0,8	5,0
Burundi	45393	0,1	29306	0,3	2133	0,4	30	0,0	1,4
Cambodia	1308368	4,1	290742	2,9	2322	0,4	0	0,0	0,0
Cape-Verde	20642	0,1	13624	0,1	209	0,0	147	0,2	70,3
Central African Republic	238016	0,7	212704	2,1	412	0,1	130	0,2	31,6
Chad	77530	0,2	51718	0,5	85	0,0	0	0,0	0,0
Comoros	18833	0,1	11764	0,1	9	0,0	9	0,0	100,0
Congo	1541566	4,8	259903	2,6	8253	1,4	5960	7,4	72,2
Djibouti	7801	0,0	3992	0,0	731	0,1	19	0,0	2,6
Eritrea	11579	0,0	8393	0,1	277	0,0	122	0,2	44,0
Ethiopia	367001	1,1	196620	2,0	20967	3,6	370	0,5	1,8
Gambia	54999	0,2	30825	0,3	761	0,1	442	0,5	58,1
Guinea	829705	2,6	455698	4,6	1549	0,3	424	0,5	27,4
Guinea-Bissau	107423	0,3	4069	0,0	155	0,0	13	0,0	8,4
Haiti	312904	1,0	17309	0,2	1059	0,2	307	0,4	29,0
Kiribati	16835	0,1	59	0,0	0	0,0	0	0,0	0,0
Laos	215855	0,7	106731	1,1	5829	1,0	132	0,2	2,3
Liberia	635286	2,0	341533	3,4	582	0,1	0	0,0	0,0
Madagascar	825334	2,6	499850	5,0	4056	0,7	1369	1,7	33,8
Malawi	352930	1,1	133871	1,3	17287	3,0	13295	16,5	76,9
Maldives	141211	0,4	23616	0,2	23	0,0	13	0,0	56,5
Mali	211276	0,7	68696	0,7	5293	0,9	2932	3,6	55,4
Mauritania	433528	1,3	267315	2,7	113	0,0	28	0,0	24,8
Mozambique	310195	1,0	147555	1,5	23689	4,1	920	1,1	3,9
Myanmar	1679376	5,2	312530	3,1	25526	4,4	573	0,7	2,2
Nepal	799443	2,5	168097	1,7	53957	9,4	29	0,0	0,1
Niger	478955	1,5	110092	1,1	46594	8,1	1141	1,4	2,4
Rwanda	49076	0,2	26610	0,3	309	0,1	112	0,1	36,2
Samoa Occidentales	52156	0,2	2975	0,0	1451	0,3	35	0,0	2,4
Sao Tom and Principe	19138	0,1	12424	0,1	12291	2,1	25	0,0	0,2
Senegal	780058	2,4	411256	4,1	12767	2,2	8097	10,0	63,4
Sierra Leone	142216	0,4	126555	1,3	660	0,1	160	0,2	24,2
Solomon Islands	81813	0,3	10389	0,1	44	0,0	0	0,0	0,0
Somalia	71451	0,2	2100	0,0	53438	9,3	85	0,1	0,2
Sudan	2368580	7,4	326032	3,3	134555	23,4	17650	21,9	13,1
Tanzania	859018	2,7	477863	4,8	26285	4,6	7948	9,9	30,2
Togo	280807	0,9	50045	0,5	15087	2,6	1622	2,0	10,8
Tuvalu	691	0,0	603	0,0	0	0,0	0	0,0	0,0
Uganda	533077	1,7	216575	2,2	9932	1,7	2494	3,1	25,1
Vanuatu	76979	0,2	7873	0,1	2106	0,4	0	0,0	0,0
Yemen	2350797	7,3	63645	0,6	22081	3,8	0	0,0	0,0
Zambia	970181	3,0	379960	3,8	33927	5,9	6778	8,4	20,0
Total	32126977	100	9946960	100	575085	100	80664	100	14

Sources : BACI (CEPII) and TARIC (DG-Taxud)

Table 16 : The main products exported by LDCs

ABBREVIATION LABEL HS	HS6 Code	Total Export		Export to EU		Duties 2001		
		2000	2003	2000	2003	MFN	ACP	GSP-LDC
		(1000 \$)	(1000 \$)	(1000 \$)	(1000 \$)	%	%	%
SHEEP, LIVE	10410	-	99164	-	-	35	0	35
FISH FILLETS & OTH MEAT EX FISH STEAKS F	30410	88764	71197	88764	71197	13	0	0
SHRIMPS AND PRAWNS, INCLUDING IN SHELL,	30613	598218	526777	290084	321986	13	0	0
OCTOPUS, FROZEN, DRIED, SALTED OR IN BRI	30759	64044	72525	-	-	8	0	0
LEGUMINOUS VEGETABLES NESOI, DRIED SHELL	71390	-	110558	-	-	4	0	0
COFFEE, NOT ROASTED, NOT DECAFFEINATED	90111	-	265013	241134	173691	1	0	0
VANILLA BEANS	90500	-	253084	-	68265	7	0	0
VEGETABLE PRODUCTS NESOI	140490	-	77772	-	-	0	0	0
TOBACCO, PARTLY OR WHOLLY STEMMED/STRIP	240120	224838	214099	83747	91659	7	0	0
IRON ORE CONCEN NESOI & NON-AGGLOMERATE	260111	178084	169885	178084	169885	0	0	0
ALUMINUM ORES AND CONCENTRATES	260600	319850	279376	202146	186407	0	0	0
URANIUM ORES AND CONCENTRATES	261210	69149	82016	-	82016	0	0	0
CRUDE OIL FROM PETROLEUM AND BITUMINOUS	270900	9349614	11544521	683132	786592	0	0	0
OIL (NOT CRUDE) FROM PETROL & BITUM MINE	271000	1302513	485673	68831	-	3	0	0
NATURAL GAS, GASEOUS	271121	98521	647153	-	-	0	0	0
PHOSPHORIC ACID AND POLYPHOSPHORIC ACID	280920	-	128834	-	-	8	0	0
ALUMINUM OXIDE, EXCEPT ARTIFICIAL CORUND	281820	72665	74565	-	-	4	0	0
NATURAL URANIUM & COMPOUNDS, ALLOYS & CE	284410	78264	69578	78264	69579	0	0	0
BOVINE & EQUINE LEATHER NESOI, PAR-DR FU	410431	-	67354	-	-	6	0	0
OTHER TROPICAL WOOD IN ROUGH ETC, NOT TR	440349	145124	307844	-	60484	0	0	0
NONCONIFEROUS WOOD IN THE ROUGH NESOI, N	440399	116483	189422	-	-	0	0	0
COTTON, NOT CARDED OR COMBED	520100	220448	313794	-	-	0	0	0
WOV COT FAB UN85% COT NESOI, YN DY OV 20	521224	-	81900	-	-	9	0	0
JUTE OTHER TEXTILE BAST FIB EX FLX HEM R	530310	-	65899	-	-	0	0	0
MEN'S OR BOYS' SHIRTS OF COTTON, KNITTED	610510	89685	107642	89685	107642	12	0	0
T-SHIRTS, SINGLETs, TANK TOPS ETC, KNIT	610910	586713	847508	473154	705623	12	0	0
SWEATERS, PULLOVERS ETC, KNIT ETC, COTTO	611020	412158	733460	82781	363806	13	0	0
SWEATERS, PULLOVERS ETC, KNIT ETC, MANMA	611030	588892	905455	444071	781380	13	0	0
M/B ANORAKS SKI JACKETS & SMLR ART MANMA	620193	160234	83733	62818	-	13	0	0
MEN'S OR BOYS' TROUSERS ETC, NOT KNIT, C	620342	569520	677670	223769	390197	13	0	0
MEN'S OR BOYS' TROUSERS ETC, NOT KNIT, S	620343	66624	65206	-	-	13	0	0
WOMEN'S OR GIRLS' TROUSERS ETC NOT KNIT,	620462	379508	754811	101732	276733	13	0	0
WOMEN'S OR GIRLS' TROUSERS ETC NOT KNIT,	620463	-	79383	-	79383	13	0	0
MEN'S OR BOYS' SHIRTS, NOT KNIT, OF COTT	620520	439348	477057	198245	234085	12	0	0
MEN'S OR BOYS' SHIRTS, NOT KNIT, MANMADE	620530	157686	129111	157686	129111	12	0	0
W/G BLOUSES SHIRTS & SHIRT BLOUSES COTTO	620630	139410	111163	-	-	13	0	0
HATS & HEADGEAR, KNIT ETC, LACE, FELT ET	650590	175597	91741	-	-	3	0	0
DIAM EX IND UNWKD OR SMPL SWN CLVD OR BR	710231	992662	323429	992662	323429	0	0	0
GOLD, NONMONETARY, UNWROUGHT NESOI	710812	70320	370949	70320	370949	0	0	0
REFINED COPPER CATHODES AND SECTIONS OF	740311	415570	189418	229472	-	0	0	0
PLATES SHEETS STRP REFIND COPPR OV.15MM	740919	-	68419	-	-	5	0	0
UNWROUGHT ALUMINUM, NOT ALLOYED	760110	-	499663	-	499663	6	0	0
INSULATED WIRING SETS FOR VEHICLES SHIPS	854430	-	60392	-	-	2	0	0
CRUISE SHIPS,EXCURSION BOATS AND SIMILAR	890110	-	98654	-	-	1	0	0
VESSELS,NESOI,FOR TRANSPORT OF GOODS AN	890190	130076	442644	130076	442644	1	0	0
DREDGERS	890510	-	83970	-	83970	1	0	0
Total selection		18638278	23399481	5170655	6870374	7	0	0
All products		32126977	39064085	9946960	12316696			

Sources : BACI (CEPII) and TARIC (DG-Taxud)

3.3. Complementarity and structure of the LDCs' trade with the EU

Considering the previous elements, careful attention must be given to those countries and products for which the EBA initiative introduced a preferential advantage in 2001. The situation of the world trade in these products in 2003 (Table 17) readily introduces the next comments of this section. Indeed, it can be noted that the EU mainly imports "EBA products" from other countries than the LDCs. Furthermore, thanks to the "EBA products" that it itself exports, the EU happens to enjoy a balance of trade surplus in relation to LDCs.

Table 17: World balance of trade for products benefiting from an advantage under the EBA

		<i>Import</i>						Total Export	
		2003		LDC		EU		ROW	
Export		1000\$	%	1000\$	%	1000\$	%	1000\$	%
	LDC	149715	0,1	166147	0,1	372339	0,2	688201	0,4
	EU	1665243	0,9	-	-	37893675	20,4	39558918	21,3
	ROW	3865587	2,1	24896559	13,4	116376201	62,8	145138347	78,3
	Total Import	5680545	3,1	25062706	13,5	154642215	83,4	185385466	100

Source BACI (CEPII)

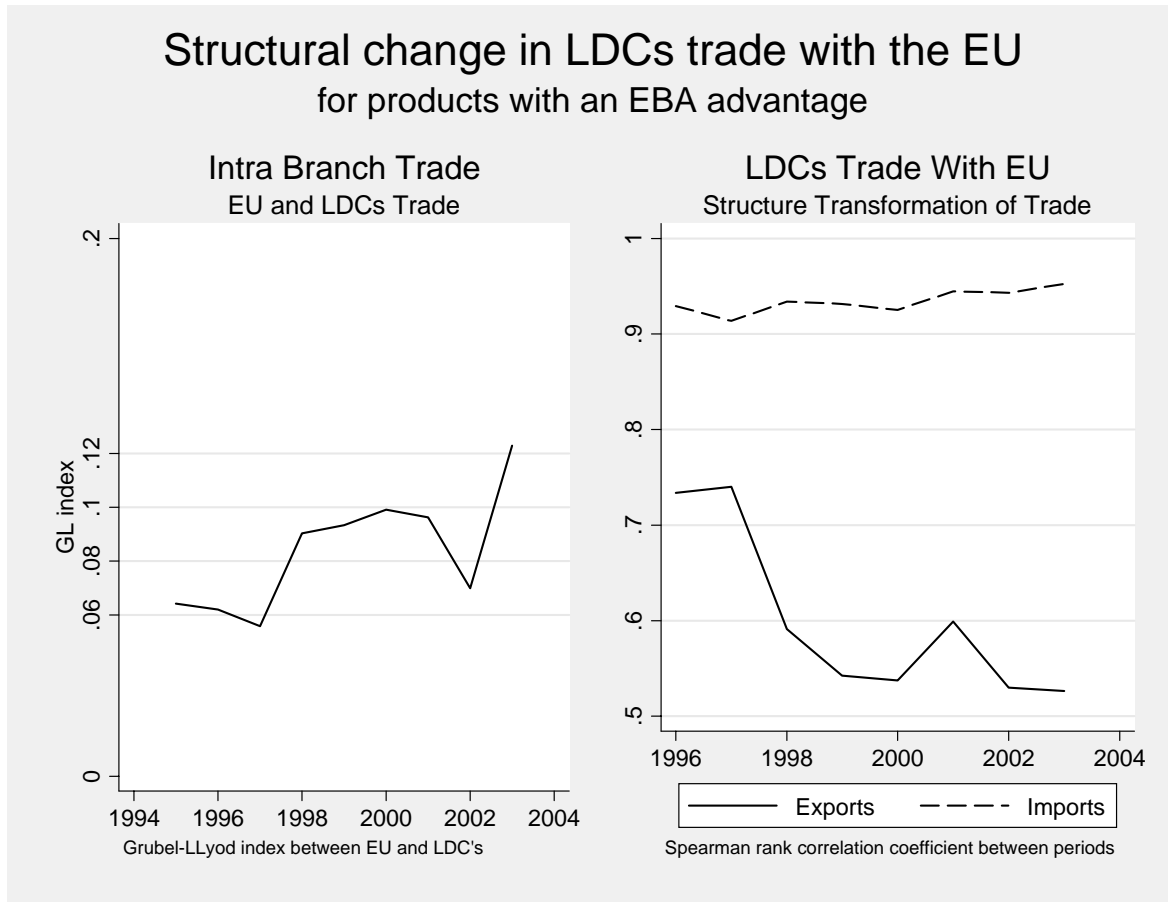
The complementarity of trade according to the products exported by countries plays here an important role in interpreting the cross-trade of these products. It is also a factor limiting the export potential of LDCs and consequently cannot be applied to all EBA products. Indeed, the cross-trade between the EU and LDCs of products benefiting from the EBA initiative involves different "EBA products". As shown in Figure 3 the intra-industry index (see the methodology box regarding the Grubel-Llyod index), which conveys the importance of imports and exports of same products (at the 6 digit level of the HS nomenclature) between the EU and LDCs, is relatively low. However an increase in this type of trade can be noted since 1995.

If trade between the EU and LDCs for these products involves different products and thereby reveals a complementarity in trade relations, it raises the question of whether the structure of these trade flows has changed over the period. In other words, has the complementarity of LDC imports and exports in relation to the EU, for these products, been the object of a transformation giving greater weight to the trade of certain products?

The analysis of Spearman's rank correlation coefficient for exports and imports between the EU and LDCs enables us to assess this transformation (at the 6 digit level of the HS nomenclature). We can see (Figure 3) that the structure of LDCs' imports from the EU is relatively stable over the whole period. There are, therefore, no modifications in either the hierarchy of LDCs' volume of imports or in the nature of the goods concerned in relation to the EU. On the other hand, the structure of LDCs' exports to the EU is changing significantly since 1997 and more particularly in 2001 with the introduction of the EBA initiative.

In the end, the evolution of the trade complementarity index shows that, over the entire period considered, EU exports concern "EBA products" that are very different than those imported by the EU from LDCs. The Spearman coefficient shows that it is more or less always the same products that the EU exports to LDCs. On the other hand, this coefficient emphasizes that the composition, in terms of products, of LDC exports to the EU is altering significantly, notably in 2001, when the EBA initiative was introduced. This situation would indicate the influence of the EBA initiative from this date.

Figure 3 : Complementarity and structure of LDCs' trade with the EU for EBA products



Source : BACI (CEPII)

Box 4 : Methodology of the analysis of complementarity and trade flow structures

The analysis of Spearman's rank correlation coefficients for exports and imports allows us to know if the structure of trade flows between LDCs and the EU for EBA products is stable or, on the contrary, modifies itself over time (see next section 3.4). Trade flows are ranked by increasing order of importance for a given year, and we assess if this initial sorting structure deforms itself the following year.

$$\text{The formulation used is } Rs = 1 - 6 * \sum_i d^2 / n(n^2 - 1)$$

where d represents rank differences between two years and n the number of products

The analysis of bilateral trade between the EU and LDCs enables to specify the importance of "intra-industry" cross-trade, when imports and exports are for comparable products. The Grubel-Llyod index allows us to make this estimation. This indicator tends towards 1 when intra-industry trade flows predominate or on the contrary towards 0 when inter-industry trade flows (complementarity) are the most important. With X_i and M_i the exports and imports of LDCs for products i in relation to the EU, the formulation of the Grubel-Llyod index is

$$G_{i,Pma,UE} = \left[\frac{(X_i + M_i) - |X_i - M_i|}{(X_i + M_i)} \right] * 100$$

3.4. LDC exports to the EU in "EBA products"

In considering the products where the EBA initiative introduced, from 2001, a preferential advantage for LDC exports (EBA products), one needs to examine how the latter have developed over the whole period in relation to the EU.

It has been seen previously that the structure of LDCs' exports to the EU changed significantly since 1997 and more particularly in 2001 with the introduction of the EBA initiative (Figure 3). This situation, which suggests an impact of the EBA initiative, can be specified by considering the evolution of the share of different LDC products in exports to the EU. The list of these products is in fact rather limited. There are in 2003 only seven products that represent each more than 1% of the total exports in EBA products to the EU. This selection covers 92.5% of EBA exports to the EU (Table 18). By comparing 2003 with the pre-EBA initiative period, it can be noted that this selection criteria allows to identify 86% of EBA exports to the EU in 2000 and 90.1% in 1996.

Table 18 :Exports of products benefiting from an EBA preferential advantage, from LDCs to the EU.

LDC Exports of Products With EBA advantage Abbreviation	HS6 Code	1996			2000			2003		
		LDC Exports to EU 1000\$	% of value		LDC Exports to EU 1000\$	% of value		LDC Exports to EU 1000\$	% of value	
			Share of export to EU	of total exports to EU		Share of export to EU	of total exports to EU		Share of export to EU	of total exports to EU
TURKEYS, DUCKS, GEESE, GUINEA FOWLS, I	10599	3814	100,0	4,1	-	-	-	-	-	-
MEAT OF BOVINE ANIMALS, BONELESS, FRO	20230	4891	69,9	5,2	-	-	-	-	-	-
TOMATOES, FRESH OR CHILLED	70200	1714	71,2	1,8	2790	77,5	3,5	4208	59,7	2,5
GARLIC, FRESH OR CHILLED	70320	-	-	-	-	-	-	1797	66,1	1,1
VEGETABLES, NESOI, FRESH OR CHILLED	70990	9098	77,9	9,7	10794	63,0	13,4	24507	80,3	14,8
ROOTS & TUBERS NESO, FRESH OR DRIED; §	71490	-	-	-	2797	90,3	3,5	-	-	-
BANANAS AND PLANTAINS, FRESH OR DRIED	80300	11912	85,9	12,7	-	-	-	-	-	-
CORN (MAIZE), OTHER THAN SEED CORN	100590	2385	8,1	2,5	-	-	-	-	-	-
GRAIN SORGHUM	100700	4119	68,0	4,4	5685	40,0	7,0	2500	33,2	1,5
CANE SUGAR, RAW, SOLID FORM, W/O ADDE	170111	32043	45,0	34,1	35268	33,7	43,7	105642	66,4	63,6
CANE MOLASSES FROM EXTRACTION OR RE	170310	12454	56,3	13,3	10244	74,6	12,7	11648	74,3	7,0
OILCAKE ETC. FROM VEGETABLE FATS AND	230690	2147	81,4	2,3	1826	46,1	2,3	3365	64,2	2,0
LDC exports to EU of products selection		84576	14,5	90,1	69406	12,1	86,0	153667	22,3	92,5
All LDC exports to EU (EBA advantage)		93840	16,1	100	80664	14,0	100	166147	24,1	100
LDC exports to all destinations (EBA advantage)		582785	-	-	575085	-	-	688200	-	-

Only those products that represent more than 1% of the total value of exports to the EU are included

Source : BACI (CEPII)

Despite the preferential advantage introduced by the EBA initiative, it can be noted that certain products which represented a significant share of exports to the EU no longer appear in this selection in 2003. These are, more specifically, live poultry (code 10599 – ducks, geese, guinea fowls) or bovine meat (code 20230) who enjoy a preferential margin under the EBA of respectively 10% and 91% (cf. Annex 2), and also bananas³⁸ which were exported for 85.9% to the EU in 1996 by the LDCs (Table 18).

On the other hand, exports of cane sugar (code 170111) are multiplied by three between 2000 and 2003. This product represents 63.6% of LDC exports to the EU in 2003, 43.7% in 2000 and 34.1% in 1996. Amongst the products that have benefited from an advantage with the EBA initiative, cane sugar is the most important item in value terms in the exports of LDCs. These countries, which destined a third of their sugar exports to the EU, devote two thirds of them in 2003.

³⁸

It must be reminded that duty reductions on bananas under the EBA are -20% starting from 2002 but that the margin differential with the ACP regime is still relatively low in 2003 (Cf. Annex).

The second important item of EBA products exported to the EU concerns the "other vegetables, fresh or chilled"³⁹ (code 70990), which represent 14.8% of LDC exports to the EU. Altogether, even if the share of LDC exports to the EU for these products is still relatively modest in 2003 (24.1% for all EBA products and 22.3% for the products selected), it increased sharply (+72%)⁴⁰ after the implementation of the EBA initiative (Table 18).

The LDCs that represent more than 1% of the value of exports to the EU in products benefiting from an advantage with the EBA initiative are, compared to the previous periods, more numerous in 2003 (Table 19). There are, in 2003, 14 countries (out of 48) that cover 95.8% of exports to the EU for these products. These are mainly African countries, at the head of which we find Malawi (25.1% of the value of exports to the EU), Zambia (16.5%) and Sudan (11.6%). For these three countries, the value of exports to the EU is rising sharply since the EBA was implemented (it tripled for Malawi and Zambia).

Table 19 :LDC exports to the EU for products benefiting from an EBA preferential advantage

LDC Exports of Products with EBA advantage Abbreviation	1996			2000			2003		
	LDC Exports to EU 1000\$	% of value		LDC Exports to EU 1000\$	% of value		LDC Exports to EU 1000\$	% of value	
		Share of export to EU	of total exports to EU		Share of export to EU	of total exports to EU		Share of export to EU	of total exports to EU
Bangladesh	5463	68,1	5,8	6243	47,0	7,7	10375	50,8	6,2
Burkina Faso	-	-	-	-	-	-	4190	59,5	2,5
Congo	-	-	-	5960	72,2	7,4	2791	40,0	1,7
Ethiopia	-	-	-	-	-	-	9664	23,1	5,8
Madagascar	15062	86,9	16,1	1369	33,8	1,7	1971	70,8	1,2
Malawi	13412	59,8	14,3	13295	76,9	16,5	41766	55,9	25,1
Mali	4615	7,2	4,9	2932	55,4	3,6	-	-	-
Mozambique	2148	9,5	2,3	920	3,9	1,1	6612	28,6	4,0
Myanmar	2146	2,7	2,3	-	-	-	-	-	-
Nepal	-	-	-	-	-	-	5525	15,6	3,3
Niger	-	-	-	1141	2,4	1,4	-	-	-
Senegal	4357	42,3	4,6	8097	63,4	10,0	9844	25,7	5,9
Somalia	11458	13,4	12,2	-	-	-	-	-	-
Sudan	12370	11,6	13,2	17650	13,1	21,9	19349	14,2	11,6
Tanzania	8207	78,4	8,7	7948	30,2	9,9	13239	22,4	8,0
Togo	-	-	-	1622	10,8	2,0	2894	9,6	1,7
Uganda	1419	5,4	1,5	2494	25,1	3,1	3515	25,2	2,1
Zambia	7817	89,2	8,3	6778	20,0	8,4	27402	78,1	16,5
LDC exports to EU of countries select	88475	15,2	94,3	76449	13,3	94,8	159137	23,1	95,8
All LDC exports to EU	93840	16,1	100	80664	14,0	100	166147	24,1	100
All LDC exports for all destinations	582785			575085			688200		

Only those countries that represent more than 1% of the total value of exports to the EU are included

Source: BACI (CEPII)

³⁹ This code of the 6 digit harmonized nomenclature concerns the " other vegetables, fresh or chilled " such as salads, olives, capers, fennel, marrows,...for which the average EBA margin in relation to Cotonou is 9.7%. However, according to Eurostat (Comext) data in the 10 digit nomenclature, it appears that the most important item exported by LDCs in 2003 in this category of products belongs to the "others" subheading (code 0709909090). In this case, the EBA initiative would not generate any advantages for LDCs as this product benefited in 2000 of a 0% duty under the GSPA and under the ACP.

⁴⁰ 72% is obtained by taking the percentage of LDC exports to the EU of EBA products between 2000 and 2003 : (1-(24.1/14))

It can be noted that some LDCs, who exported few if any EBA products before the implementation of the initiative, are since significantly developing this outlet. These are, notably, Burkina Faso, Ethiopia, Togo or Nepal on the side of the Asian countries. As has been previously noted, the share of these countries in the exports of EBA products to the EU is relatively modest (23.1%). Amongst the most important exporters of EBA products, Malawi only devotes 55.9% of these products to the EU in 2003 (versus 76.9% in 2000), and Sudan 14.2%. This situation which is shared by other LDCs probably reveals a state of the complementarity of trade flows previously put forward (Cf. section 2.3), but can equally be due to certain non-tariff restrictions.

By crossing the data relating to "EBA products" with that of exporting countries, we can specify even more the beneficiaries of the EBA initiative (Table 20). In the first place are the sugar exporters of Malawi, Zambia, Tanzania, Ethiopia and Sudan. These countries represent more than 80% of LDC sugar exports entering the EU. The value in sugar exports of the three most important countries for this product (Malawi, Zambia, and Tanzania) is multiplied by 3 between 2000 and 2003. Amongst these countries, it must be noted that Malawi and Tanzania have also the possibility of cumulating the quotas of the Cotonou sugar protocol (Cf. Box 2) with those of the EBA.⁴¹ Finally, always on the subject of sugar, Sudan represents 71% of the LDCs' exports of cane molasses.

The LDC exporters of fresh and chilled vegetables come in second place for the importance in the value of exports to the EU, with Bangladesh and Zambia representing more than 70% of these exports. A strong growth in Zambia's exports between 2000 and 2003 (they are multiplied by 6) can be noted for this product. Finally, LDC exports of tomatoes are realized by Senegal (99.4% of exports), those of grain sorghum⁴² by Sudan (100% of exports) and those of oil cakes (code HS 230690) by Senegal (95.3% of exports).

Table 20 : Main LDC beneficiaries of the EBA according to products

Beneficiaries' exports to the EU by LDCs and Products with EBA advantage	HS Code	Major LDCs	1996		2000		2003	
			Exports to EU		Exports to EU		Exports to EU	
			% of value of products concerned	1000\$	% of value of products concerned	1000\$	% of value of products concerned	1000\$
TOMATOES, FRESH OR CHILLED	70200	Senegal	96,8	1660	100	2733	99,4	4090
VEGETABLES, NESOI, FRESH OR CHILLED	70990	Bangladesh	66	5358	59,7	6185	34,3	8116
"	70990	Zambia	16	1287	14,2	1465	38,6	9141
GRAIN SORGHUM	100700	Sudan	100	4119	100	5685	100	2500
CANE SUGAR, RAW, SOLID FORM, W/O ADDEI	170111	Malawi	40,8	13084	37,8	13253	39,6	41641
"	170111	Tanzania	21,3	6842	18,5	6470	9,5	10002
"	170111	Zambia	19,8	6348	14,9	5189	17,3	18183
"	170111	Ethiopia	-	-	-	-	8,4	8882
"	170111	Sudan	-	-	10,4	3637	7,9	8336
CANE MOLASSES FROM EXTRACTION OR REI	170310	Sudan	67,6	8128	75,6	7748	71,1	8286
OILCAKE ETC. FROM VEGETABLE FATS AND C	230690	Senegal	-	-	98,7	1804	95,3	3208

Only those products that represent more than 1% of the total value of exports to the EU are included

Source :BACI (CEPII)

⁴¹ It must be reminded that the EBA sugar quota is opened in 2001/2002 at 74717 tonnes and then increases 15% per year.

⁴² As for the fresh and chilled vegetables, which comprise numerous and heterogeneous tariff subheadings in relation to preferential duties, grain sorghum is the new victim of the harmonized system's (6 digits) average. European tariffs distinguish more precisely sorghum destined for sowing (code 1007001000) which in 2000 is subjected to a duty of 7% and 0% for ACP. There would not be any advantages introduced by the EBA in the case of Sudan's exports of this product. On the other hand, for the "other" sorghum (code 1007009000), the MFN duty is 75.41 Euros/tonne and that of the ACP is 30.16 Euros/tonne. There is no GSP preference for LDCs concerning this product. After verification in the Comext (10 digit code) database, it is effectively this latter type of sorghum that is exported to the EU by Sudan.

3.5. A comparative analysis of LDC exports to the EU

As we have just previously seen, the main beneficiaries of the EBA initiative are the African LDCs. Of course, this is an assessment relating to those products for which the EBA has introduced a preferential advantage. In the end, for these countries, this only concerns a few products considering the specialization of these countries and the competition for EU market access⁴³. In order to assess the development of LDC exports to the EU for these products, one has to compare the situation shared by other countries regarding EU market access. The basis of comparison for the countries considered is that of the other African countries who benefit from the Cotonou regime. They all belong to the category of developing countries of the African continent and enjoy one of the most favourable preferential market access to the EU after that of the EBA. The relevance of this comparative analysis is to highlight the eventual particularities in the development of LDC exports as well as to put them into perspective.

The non-LDC ACP countries are Cameroon, Congo, Ivory Coast, Ghana, Kenya, Mauritius, Niger and Zimbabwe. The export value of these eight African countries is, for products benefiting from an advantage under the EBA, 8 to 9 times more important than that of the African and Asian LDCs put together (Table 21).

Table 21 : A comparison of LDC exports to the EU with those of non-LDC ACP countries

Exports of Products with EBA advantage	1996		2000		2003	
	Exports to EU 1000\$	% of value to EU	Exports to EU 1000\$	% of value to EU	Exports to EU 1000\$	% of value to EU
ACP countries (no LDCs)						
Cameroon	127551	12	168566	19	219992	19
Congo (Dem. Rep. of)	895	0	770	0	1123	0
Ivory Coast	187096	17	176026	20	240251	21
Ghana	16336	2	56865	7	19269	2
Kenya	101366	9	96719	11	133288	12
Mauritius	447221	42	222097	26	320110	28
Nigeria	1631	0	2101	0	2664	0
Zimbabwe	93653	9	66855	8	48313	4
All ACP Countries (no LDCs)	975748	91	789998	91	985010	86
All African LDCs	85606	8	73332	8	146065	13
All Asian LDCs	8234	1	7332	1	20082	2
All countries selection	1069588	100	870662	100	1151157	100

Only those countries that represent more than 1% of the total value of exports to the EU are included
Source : BACI (CEPII)

For these products, the growth trend of these countries' exports to the EU is rather similar prior to the EBA initiative (-19% for ACP countries and -15% for African LDCs between 1996 and 2000). On the other hand, after 2000, the growth of LDC exports to the EU is particularly noticeable: exports of African LDCs double, those of Asian LDCs triple and those of non-LDC ACP countries only increase 25% (Figure 4).

⁴³

It must be reminded that compared to the total EU imports of these products (Cf. Table 14 and Figure 2) LDCs represent less than 1% of European imports in 2003.

Figure 4 : A comparison of the export growth of LDCs with non-LDC ACP countries

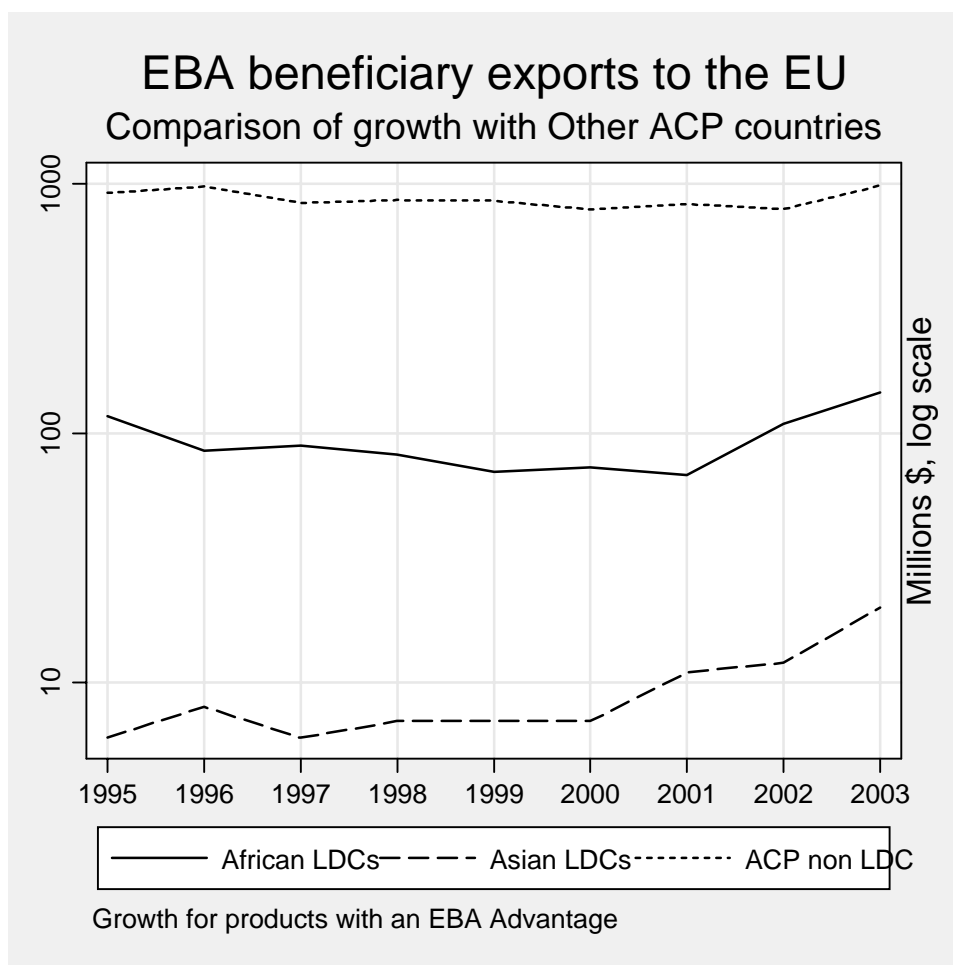


Table 22 shows that exports to the EU of non-LDC ACP countries concern products where the EBA introduced an advantage but which are hardly if not exported by LDCs. This ACP competition concerns the exports of bananas, chocolate preparations, pineapples and pineapple juice, and also oranges.

However, the exports of ACP countries also concern "EBA products" that are strongly exported by LDCs. This is notably the case for " other vegetable products " and even more so for cane sugar. Concerning sugar, for which the export value is greatest for LDCs (63.6% of exports, Table 18), it can be noted that the non-LDC ACP countries are losing, to the benefit of LDCs, EU market shares (Table 22). The sugar exports of non-LDC ACP countries originate mainly from Mauritius (that is 89% of exports in 2000 and 2003).

Beyond the selection of the main products exported, it appears that the LDC/non-LDC ACP comparison shows, for all the EBA products, an increase in the LDCs' share of exports to the EU: these represented 9.6% of ACP countries' exports in 1996, 10.2% in 2000 and 16.9% in 2003 (+60%).

Table 22 : A comparison of LDC exports to the EU with those of non-LDC ACP countries according to products

Products selection Abbreviation	HS6 Code	1996 Exports			2000 Exports			2003 Exports		
		LDCs to EU 1000\$ [1]	ACP to EU 1000\$ [2]	LDCs /ACP Exports to EU (%) [1] / [2]	LDCs to EU 1000\$ [1]	ACP to EU 1000\$ [2]	LDCs /ACP Exports to EU (%) [1] / [2]	LDCs to EU 1000\$ [1]	ACP to EU 1000\$ [2]	LDCs /ACP Exports to EU (%) [1] / [2]
MEAT OF BOVINE ANIMALS, BONELESS, FRESH	20130	49	29603	0,2	81	20228	0,4	-	-	-
VEGETABLES, NESOI, FRESH OR CHILLED	70990	9098	21874	41,6	10794	53244	20,3	24507	77957	31,4
BANANAS AND PLANTAINS, FRESH OR DRIED	80300	11912	237643	5,0	682	293603	0,2	412	416771	0,1
ORANGES, FRESH	80510	-	-	-	488	13289	3,7	1	15826	0,0
PREPARED OR PRESERVED BOVINE MEAT ET	160250	44	14450	0,3	-	-	-	-	-	-
CANE SUGAR, RAW, SOLID FORM, W/O ADDED	170111	32043	471690	6,8	35268	244322	14,4	105642	350886	30,1
CANE MOLASSES FROM EXTRACTION OR REF	170310	12454	12530	99,4	-	-	-	-	-	-
CHOCOLATE PREP NESOI, IN BLOCKS ETC. O	180620	-	-	-	-	-	-	38	26804	0,1
PINEAPPLES, PREPARED OR PRESERVED NESOI	200820	52	58104	0,1	61	79174	0,1	23	47199	0,0
PINEAPPLE JUICE, SWEETENED OR NOT	200940	87	21461	0,4	90	10765	0,8	36	13656	0,3
COFFEE EXTRACTS/ESSENCES/CONCENTRATED	210112	769	52675	1,5	492	32358	1,5	-	-	-
Total exports of products selection		66508	920031	7,2	47955	746984	6,4	130659	949099	13,8
All exports to EU of products with EBA advantage		93840	975748	9,6	80664	789998	10,2	166147	985010	16,9
Share of exports of products selection		70,9	94,3	-	59,4	94,6	-	78,6	96,4	-

Only those products that represent more than 1% of the total value of exports to the EU are included
Source : BACI (CEPII)

3.6.LDC exports to major markets other than those of the EU.

It has been emphasized in the previous sections that, for the products for which the EBA initiative introduced a preferential advantage, the EU did not represent the main outlet for LDCs. The aim of this section is to specify, on the one hand, which are the main EBA products that are exported to regions of the world other than the EU, and on the other hand to identify the countries of destination. To this end, for LDC exports a distinction will be introduced among the countries of destination, other than the EU, by considering intra-LDC trade.

3.6.1. LDC exports to countries other than the EU and non-LDC

Table 23 identifies the products which represent more than 1% of the total value of LDC exports to countries other than the EU and that are non-LDCs. This product selection allows the identification of almost 80% of the total value of the exports considered. It can be noted that the EBA products' share of total exports to these countries reduces sharply between 2000 and 2003. It was 71.2% and 72.9% in 1996 and 2000 respectively, and falls to 54.1% in 2003.

Except for sugar, which figures on this list of products (9.8% of exports) and which is also the main product exported to the EU, the products exported to areas other than the EU are very different than those destined for the EU. The first amongst these concerns live sheep exports (HS10410). This product represents 26.5% of exports to countries other than the EU, sheep and goat meat carcasses 10.7% and live bovine animals 8.5%. Thus the section on live animals and meats, absent from exports to the EU, represents almost 46% of exports to the other destinations in 2003 as in 2000 and almost 60% in 1996. Amongst the other products which are hardly if not exported to the EU, the presence of rice (5% of exports to non-EU countries in 2003) and bananas (2.7% of exports in 2003) can be noted.

Table 23: The main products exported by LDCs to countries other than the EU

DC Exports of Products With EBA advantage to other partners than EU and non-LDCs	HS6 Code	1996			2000			2003		
		LDC	% of value		LDC	% of value		LDC	% of value	
		Exports to Other Non-EU 1000\$	to Other Non-EU	of all Exports to Other Non-EU	Exports to Other Non-EU 1000\$	to Other Non-EU	of all Exports to Other Non-EU	Exports to Other Non-EU 1000\$	to Other Non-EU	of all Exports to Other Non-EU
Abbreviation										
BOVINE ANIMALS, LIVE, NESOI	10290	48421	79,8	11,7	38113	98,8	9,1	31549	98,3	8,5
SHEEP, LIVE	10410	118512	95,0	28,6	87509	98,6	20,9	98548	99,4	26,5
GOATS, LIVE	10420	47447	95,1	11,4	31174	97,9	7,4	17937	98,0	4,8
CARCASSES & HALF-CARCASSES OF SHEEP	20421	9737	100,0	2,3	14230	100,0	3,4	21800	100,0	5,9
CARCASSES AND HALF-CARCASSES OF LAMB	20430	15255	100,0	3,7	17485	99,9	4,2	-	-	-
BUTTER	40510	-	-	-	13166	99,4	3,1	-	-	-
DAIRY SPREADS	40520	-	-	-	12779	99,4	3,0	-	-	-
FATS AND OILS DERIVED FROM MILK, N.E.S.O	40590	-	-	-	12779	99,4	3,0	-	-	-
VEGETABLES, NESOI, FRESH OR CHILLED	70990	-	-	-	5983	34,9	1,4	6026	19,7	1,6
BANANAS AND PLANTAINS, FRESH OR DRIED	80300	-	-	-	7275	90,2	1,7	10166	92,2	2,7
CORN (MAIZE), OTHER THAN SEED CORN	100590	23322	78,7	5,6	9221	61,5	2,2	21965	49,9	5,9
RICE, SEMI- OR WHOLLY MILLED, POLISHED	100630	50338	85,5	12,1	6598	88,1	1,6	11159	58,3	3,0
RICE, BROKEN	100640	-	-	-	6529	86,7	1,6	7449	47,5	2,0
GRAIN SORGHUM	100700	-	-	-	7881	55,4	1,9	-	-	-
CEREALS NESOI, INCLUDING WILD RICE	100890	-	-	-	-	-	-	6341	53,4	1,7
WHEAT OR MESLIN FLOUR	110100	-	-	-	10936	56,0	2,6	6321	28,6	1,7
CANE SUGAR, RAW, SOLID FORM, W/O ADDE	170111	25742	36,2	6,2	37965	36,2	9,1	36387	22,9	9,8
CANE MOLASSES FROM EXTRACTION OR RE	170310	9650	43,7	2,3	-	-	-	4029	25,7	1,1
FOOD PREPARATIONS NESOI	210690	-	-	-	-	-	-	5403	87,7	1,5
BRAN SHARPS & OTH RESIDUE DERIVED FR	230230	-	-	-	9555	98,5	2,3	6196	84,9	1,7
ANIMAL FEED PREP EXCEPT DOG OR CAT FO	230990	5796	92,9	1,4	9267	93,1	2,2	4321	43,2	1,2
Exports to Other non-EU countries selection		354220	60,8	85,4	342830	59,6	81,8	295597	43,0	79,4
All exports to non-EU countries		414969	71,2	100,0	419056	72,9	100,0	372339	54,1	100,0
Exports to all destinations		582785	-	-	575085	-	-	688200	-	-

Only those products that represent more than 1% of the total value of LDC exports to countries other than the EU are included

Source : BACI (CEPII)

The destination markets for these products are (Table 24) first Saudi Arabia, which represents 34.3% of LDC exports to countries other than the EU, and second Nigeria (10% of exports). It is essentially live sheep that are exported to Saudi Arabia (69% of LDC exports to this country) and live bovines (45% of exports), as well as live sheep (25% of exports) that are exported to Nigeria. These destination markets other than the EU are, beyond the two main ones previously mentioned, relatively changeable depending on the periods. This situation highlights the existence of small markets that are more sensitive to the adopted criteria of retaining only the countries of destination that represent more than 1% of total exports.

Table 24: Main destinations, other than the EU and non-LDCs, of LDC exports

LDC Exports of Products With EBA advantage to other partners than EU and non-LDCs	1996		2000		2003	
	LDC Exports to Other Non-EU 1000\$	% of all Exports to Other Non-EU	LDC Exports to Other Non-EU 1000\$	% of all Exports to Other Non-EU	LDC Exports to Other Non-EU 1000\$	% of all Exports to Other Non-EU
Countries' imports from LDCs						
Bahrain	-	-	-	-	6150	1,7
China (People's Republic of)	-	-	-	-	9973	2,7
Congo (Dem. Rep. of)	13737	3,3	-	-	7533	2,0
Ivory Coast	51206	12,3	-	-	-	-
Ghana	-	-	15722	3,8	-	-
India	4785	1,2	50559	12,1	18924	5,1
Indonesia	11129	2,7	-	-	9590	2,6
Japan	4184	1,0	7625	1,8	-	-
Jordan	-	-	9201	2,2	4525	1,2
Kenya	-	-	10104	2,4	18437	5,0
Malaysia	8075	1,9	-	-	11138	3,0
Marocco	-	-	8650	2,1	-	-
Mongolia	-	-	11667	2,8	-	-
Nigeria	32943	7,9	42107	10,0	37242	10,0
Oman	-	-	5224	1,2	12169	3,3
Philippines	37831	9,1	-	-	-	-
Saudi Arabia	157449	37,9	155126	37,0	127686	34,3
Singapore	6354	1,5	-	-	6354	1,7
South Africa	-	-	7217	1,7	12442	3,3
Thailand	-	-	16539	3,9	12981	3,5
United Arab Emirates	-	-	-	-	9005	2,4
USA	27582	6,6	23093	5,5	17953	4,8
Venezuela	4319	1,0	6575	1,6	-	-
All exports to Other non-EU selection	377040	90,9	369409	88,2	327506	88,0
All exports to non-EU	414969	71,2	419056	72,9	372339	54,1
Exports to all destinations	582785		575085		688200	

Only those countries that represent more than 1% of the total value of LDC exports to countries other than the EU are included
Source : BACI (CEPII)

3.6.2. LDC to LDC exports.

The intra-LDC trade of products enjoying a preferential advantage with the EBA represents an outlet as important in value as the EU's. The products exported within this framework are predominantly cereals or come from flour-milling: they represent close to 57% of exports in 2003 for intra-LDC trade. They are, more specifically, corn and wheat flour as well as rice (Table 25). Sugar exports are also substantial (11.4%) in the trade between LDCs, but they are clearly on the decrease since 2000.

On the whole, intra-LDC trade increases considerably between 2000 and 2003. The share of LDC to LDC exports for products concerned by the EBA initiative represents 13% of their total exports in 1996 and 2000. This share reaches 21.8% in 2003 and corresponds to a doubling of the value of intra-zone trade between 2000 and 2003. Bangladesh (corn, rice and sugar), Benin (wheat flour), Malawi (wheat flour and corn), and Zambia (corn) are the LDCs importing the largest quantities from other LDCs (Table 26).

Even though we have little evidence to reach a definite conclusion on this level, it seems in the end that the EBA has not generated trade diversion effects between LDCs. On the contrary, the EBA seems to have revitalized trade between LDCs, perhaps by facilitating foreign investments (the case of sugar, where South-African investments in LDCs so as to benefit from preferences granted under the EBA has been observed) or simply the setting up of administrations or structures enabling a better integration in world trade.

Table 25: The main products benefiting from an EBA advantage that are traded between LDCs

LDC Exports of Products With EBA advantage to other LDC partners Abbreviation	HS6 Code	1996			2000			2003		
		LDC Exports to Other LDCs 1000\$	% of value		LDC Exports to Other LDCs 1000\$	% of value		LDC Exports to Other LDCs 1000\$	% of value	
			to Other LDCs	of all Exports to Other LDCs		to Other LDCs	of all Exports to Other LDCs		to Other LDCs	of all Exports to Other LDCs
BOVINE ANIMALS, LIVE, NESOI	10290	12277	20,2	16,6	-	-	-	-	-	-
SHEEP, LIVE	10410	6217	5,0	8,4	1287	1,4	1,7	-	-	-
MLK & CRM,CNTD,SWT,POWDR,GRAN/SOLID:	40210	-	-	-	1212	49,0	1,6	6804	90,4	4,5
YOGURT, W/N SWEETENED, FLAVORED OR C	40310	-	-	-	1492	94,9	2,0	3737	100,0	2,5
WHEAT (OTHER THAN DURUM WHEAT), AND	100190	-	-	-	-	-	-	10130	93,4	6,8
CORN (MAIZE) SEED, CERTIFIED, EXCLUDING	100510	1220	30,6	1,6	2224	41,1	3,0	7545	72,3	5,0
CORN (MAIZE), OTHER THAN SEED CORN	100590	3916	13,2	5,3	5454	36,4	7,2	21901	49,7	14,6
RICE IN THE HUSK (PADDY OR ROUGH)	100610	2768	99,5	3,7	-	-	-	-	-	-
RICE, HUSKED (BROWN)	100620	-	-	-	-	-	-	1974	57,2	1,3
RICE, SEMI- OR WHOLLY MILLED, POLISHED	100630	8045	13,7	10,9	-	-	-	6620	34,6	4,4
RICE, BROKEN	100640	2461	44,2	3,3	1004	13,3	1,3	8226	52,4	5,5
GRAIN SORGHUM	100700	1070	17,6	1,4	-	-	-	4498	59,8	3,0
CEREALS NESOI, INCLUDING WILD RICE	100890	-	-	-	-	-	-	5416	45,6	3,6
WHEAT OR MESLIN FLOUR	110100	1901	47,4	2,6	8567	43,8	11,4	15736	71,3	10,5
CORN (MAIZE) FLOUR	110220	2153	99,9	2,9	866	82,3	1,1	-	-	-
GRAINS WORKED (HULLD PEARLD SLICED KI	110423	-	-	-	-	-	-	2554	94,6	1,7
EDIBLE FATS & OIL MIXTURES & PREPAR NE:	151790	-	-	-	1685	86,9	2,2	2412	46,0	1,6
CANE SUGAR, RAW, SOLID FORM, W/O ADDE	170111	13345	18,8	18,0	31529	30,1	41,8	17009	10,7	11,4
MALT EXTRACT; FLOUR, MEAL, MILK ETC PRI	190190	-	-	-	-	-	-	2937	89,9	2,0
FOOD PREPARATIONS NESOI	210690	5593	62,8	7,6	-	-	-	-	-	-
ANIMAL FEED PREP EXCEPT DOG OR CAT FC	230990	-	-	-	-	-	-	5676	56,7	3,8
All exports of products selection		66784	11,5	90,3	59965	10,4	79,6	128427	18,7	85,8
All LDC exports to Other LDCs		73975	12,7		75364	13,1		149715	21,8	
Exports to all destinations		582785			575085			688200		

Only those products that represent more than 1% of the total value of LDC exports to LDCs are included

Source : BACI (CEPII)

Table 26: Main destinations of intra-LDC trade flows

LDC Imports of Products With EBA advantage From LDCs Countries' Imports from LDCs	1996		2000		2003	
	LDC Imports from LDCs 1000\$	% of all Imports from LDCs	LDC Imports from LDCs 1000\$	% of all Imports from LDCs	LDC Imports from LDCs 1000\$	% of all Imports from LDCs
Bangladesh	-	-	-	-	16272	10,9
Benin	3174	4,3	7336	9,7	14500	9,7
Burkina Faso	3089	4,2	-	-	4850	3,2
Burundi	846	1,1	7650	10,2	5437	3,6
Congo	-	-	17055	22,6	4453	3,0
Djibouti	3142	4,2	10850	14,4	9986	6,7
Ethiopia	-	-	2416	3,2	11299	7,5
Gambia	2257	3,1	1575	2,1	5750	3,8
Guinea	5616	7,6	-	-	5203	3,5
Madagascar	-	-	-	-	2855	1,9
Malawi	-	-	809	1,1	12653	8,5
Mali	-	-	-	-	8122	5,4
Mauritania	2094	2,8	966	1,3	7232	4,8
Niger	1575	2,1	3155	4,2	6221	4,2
Rwanda	9255	12,5	6265	8,3	7769	5,2
Senegal	18771	25,4	-	-	-	-
Somalia	3880	5,2	2703	3,6	-	-
Tanzania	9079	12,3	1934	2,6	1695	1,1
Uganda	1151	1,6	3368	4,5	5361	3,6
Yemen	2659	3,6	3554	4,7	3835	2,6
Zambia	-	-	1354	1,8	12365	8,3
All exports to LDCs selection	70986	96,0	71836	95,3	145859	97,4
All exports to LDCs	73975	12,7	75364	13,1	149715	21,8
Exports to all destinations	582785		575085		688200	

Only those countries that represent more than 1% of the total value of LDC exports to LDCs are included

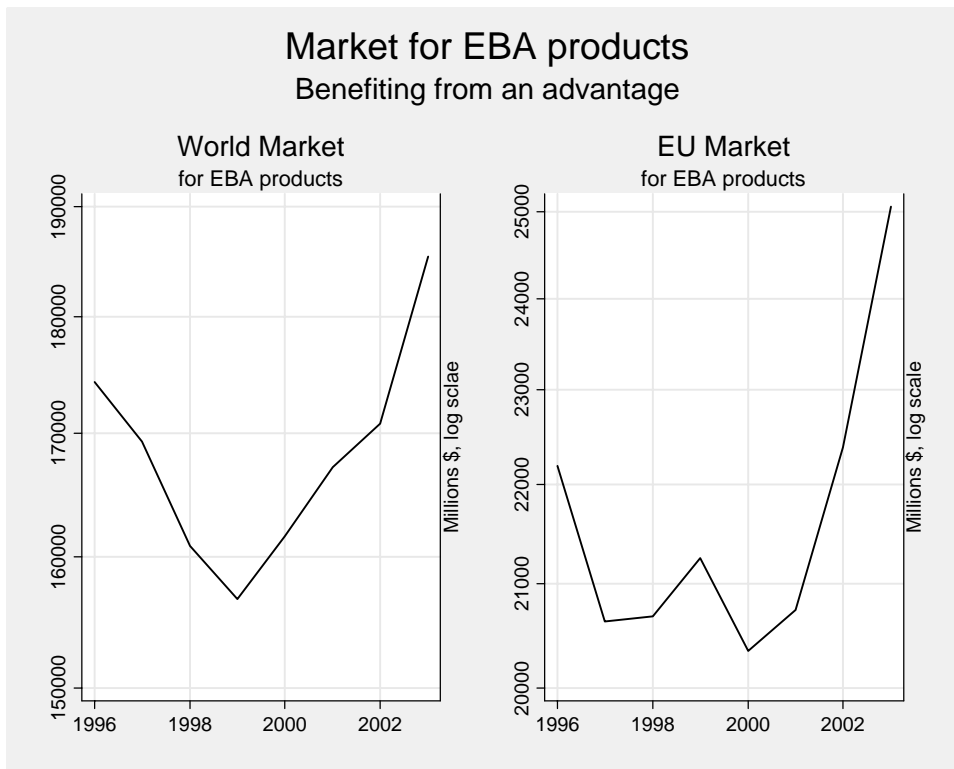
Source : BACI (CEPII)

IV. THE EBA INITIATIVE AND THE PERFORMANCE OF LDC EXPORTS

For certain products, mainly agricultural ones, the EBA has introduced a preferential advantage for LDCs. On the basis of these products, the previous chapters have enabled us to identify the major transformations that have affected the different export markets of LDCs. For the latter the influence of the EBA means that they will be able to benefit from a greater preferential margin. This advantage, through the increase in quotas and its effect on prices, gives to LDCs the possibility of increasing their market share with regard to the EU, as well as to redirect their outlets for certain products. The conditions of this development will depend on the capacity of exporters to match the competition for European market access. They may depend even more on the importance of world demand and more particularly on that of the EU. The share of LDC exports on the EU market is after all relatively marginal (less than 1%) and the EU itself only represents a small share of the world market in EBA products. As a result, the ex-post analysis of the development of LDC exports with regard to the EBA initiative must isolate these different growth factors. Figure 5 shows the evolution of the European and world markets in products for which the EBA introduced more favourable measures for LDCs. Obviously the growth trends observed in the European and world market for these products after 2000 cannot, for LDCs, be solely associated with the EBA initiative.

The aim of this section is to specify the different elements of the LDCs' export performance for products where the EBA introduced an improvement of preferences. This analysis will first concern LDC exports to the EU and will then be broadened to include the other export destinations.

Figure 5: Evolution of the European and world market for "EBA products"



Source : BACI (CEPII)

4.1. Methodology for analyzing the evolution of LDC exports

The increase in outlets for a country relies on its capacity to gain market shares. In order to achieve this, it is arguments linked to the prices of products or to their quality which will make a difference on the demand (consumer or processing industrialist). This competitiveness can however be directed towards markets where demand is either waning or growing.

The CMS (*constant market share*) models aim in a relatively simple manner to distinguish within exports growth what pertains to the growth in the destination country's demand or what pertains to the capacity of countries (firms) to gain market shares on the competition, as well as what pertains to the opening of new markets (the introduction of new products or a shift towards new destinations). The evolution of exports can thus be broken down between a structural-type effect, allowing to isolate the influence of demand, and a performance-type effect related to competitiveness (Ng and Yeats (1998):

$$\sum_i \sum_k p_1 q_1 - \sum_i \sum_k p_0 q_0 = \sum_i \sum_k \left[\left(\frac{p_1 q_1}{p_1^w q_1^w} - \frac{p_0 q_0}{p_0^w q_0^w} \right) p_1^w q_1^w + (p_1^w q_1^w - p_0^w q_0^w) \frac{p_0 q_0}{p_0^w q_0^w} \right]$$

With p the prices, q the quantities, i the countries, k the products and w is the world market. The structure effect (also considered as the effect due to demand) of this model corresponds to the difference between the exports that would have occurred at the instant $t = 1$ if the market shares had remained unchanged and the exports at the instant $t = 0$. This calculation allows to isolate the effect of demand on the market (with constant market share). The improvement or the deterioration in the competitiveness of country j is measured by comparing the exports that should have been achieved at the period $t = 1$ if the initial market share had stayed the same, and what it effectively became at the period t due to its variation (with constant market value). The breakdown is undertaken for each product market, the summation giving a global image of the effects affecting export variations.

4.1.1. An example of how the "Structure - performance" breakdown applies

In the fictitious example in Table 27, we consider the export of 3 products (A, B, C) of country J on the world market. In 1992, the market share of country J for product A was 10% and that of product B 5%. From 1992 to 1999 the market for product A went from 100 million Euros to 200 million and that of product B from 400 million Euros to 600 millions.

Table 27 : An example of "Structure - performance" breakdown

Products	Exports Country J		World Market		Share of Market	
	Millions Euros		Millions Euros		%	
	1992	1999	1992	1999	1992	1999
A	10	10	100	200	10%	5%
B	20	90	400	600	5%	15%
C	0	10	50	50	0%	20%
Total	30	110	550	850		
Export growth country J			80			
Structural effect			20			
Performance effect			50			
Diversification effect			10			

If country *J* had only maintained its initial market share, the growth of its exports would only come from the increase in demand:

- Demand effect = $10\% [200 \text{ Meuros} - 100 \text{ Meuros}] + 5\% [600 \text{ Meuros} - 400 \text{ Meuros}] = 20 \text{ Meuros}$

However, between 1992 and 1999 country *J* saw its market shares change. The market share for product A decreased by 5% and that of product B grew by 10%. Compared to the 1992 market value of product A this situation leads to an export loss of 10 Meuros if country *J* had been able to maintain its initial market share of 1992.

- Effect due to competitiveness = $[5\% - 10\%] 200 \text{ Meuros} + [15\% - 5\%] 600 \text{ Meuros} = 50 \text{ Meuros}$

Country *J* introduces on the market in 1999 a new export with product C that results in a diversification effect. This situation can also indicate a market opening or shift in destinations. The diversification effect is a summation of the situations where the flows of the initial period or of the final period would be nil. This effect corresponds to the introduction (abandonment) of new products on the market or to a shift of exports to other destinations.

- Diversification effect = $[110 \text{ Meuros} - 30 \text{ Meuros}] - 20 \text{ Meuros} - 50 \text{ Meuros} = 10 \text{ Meuros}$

The total breakdown of the export growth of country *J* can be proposed:

- Growth 1999-1992 (80 Meuros) = demande effect (20 Meuros) + competitiveness effect (50 Meuros) + diversification effect (10 Meuros)

4.2 The EBA and LDC performance on the European market

Has the introduction of the EBA initiative in 2001 enabled the LDCs to increase the exports of products benefiting from this new preferential advantage? In order to specify the influence of the EBA, the pre-initiative period (1995-2000) will be compared to that of its implementation (2000-2003). For these two periods, we distinguish in the evolution of LDC exports (at 6 digits level of HS nomenclature) what can be due to the influence of the European market demand, what can be based on the performance of LDCs in terms of market share gains, or what can be owed to the export redirection effects (Cf. 4.1, Methodology). In order to ensure a greater reliability in the estimates, the extreme points are smoothed by considering the exports' average for successive years⁴⁴.

The pre-EBA initiative period is marked by an important decline in LDC exports of "EBA products" to the EU (-29.5% of the value of 1996 exports). This situation is on the whole due to two effects: on the one hand a slump in the EU's excess demand for these products (-25.9%), and on the other hand a redirection (or abandonment) trend of certain LDC exports towards other destinations (-15.6%). The market share gain achieved by LDCs during this period (+12.2%) does not allow to offset the negative effects of demand and of outlet diversification.

We can better specify these effects per country by retaining the LDCs which represent more than 1% of the growth (or decline) of exports. It is the export reductions of Madagascar (-12.8%), Sudan (-9.5%) and Somalia (-8.9%) that are the most important (Table 28) during this period (1996-2000). In contrast, Malawi and Senegal succeed on the other hand to increase the volume of their outlet towards the EU (3.5% and 2.2% respectively). The exports that are the most affected during this period by the effects of the decline in European demand are those of Sudan (-13.9%), Mali (-2.8%) and Madagascar (-2.4%). This latter country is, with Somalia, the one which at the same time redirects the most its exports to markets other than the EU (-6.7% and -8.4% respectively, due to diversification effects).

⁴⁴ Thus, for the year 1996 we retain the exports' average for the years 1995-1996, for 2000 that of the years 1999-2000 and for 2003 that of 2002-2003.

In the end, only the performance of Malawi and Senegal (5.5% and 1.7%) enables these countries to increase their exports to the EU while Sudan's competitiveness (6.2%) does not allow to offset the negative effects of demand and of diversification.

Table 28 : The components of the growth in LDC exports of "EBA products" to the EU according to the countries

LDC Exports to EU (Selection of countries)	Growth 2000/1996 % Exports 1996	Export growth decomposition by effects			Growth 2003/2000 % Exports 2000	Export growth decomposition by effects		
		Demand	Performance	Diversification		Demand	Performance	Diversification
		% Exports	% Exports	% Exports		% Exports	% Exports	% Exports
Bangladesh	-	-	-	-	3,7	4,7	-3,5	2,5
Burkina Faso	-	-	-	-	3,7	0	-0,6	4,3
Cambodia	-	-	-	-	2	0	0	2
Congo	1,6	-1	2,6	-0,1	-1,6	0,2	-1,8	0
Ethiopia	-1,1	-0,9	-0,3	0,1	10	0,2	0,3	9,6
Madagascar	-12,8	-2,4	-3,7	-6,7	-1,4	0,6	-1,4	-0,7
Malawi	3,5	-1,6	5,5	-0,4	19,7	0,5	19,5	-0,4
Mali	-1,5	-2,8	0,3	1,1	-2,5	0,4	-1,4	-1,5
Mozambique	-4,1	-1,8	0	-2,3	6,7	0,1	-0,2	6,8
Nepal	-	-	-	-	6,5	0	0	6,5
Senegal	2,2	-0,6	1,7	1,1	3,6	1,5	2,5	-0,4
Somalia	-8,9	-0,5	0	-8,4	-	-	-	-
Sudan	-9,5	-13,9	6,2	-1,8	-	-	-	-
Tanzania	-	-	-	-	4,7	0,2	5	-0,6
Togo	1,1	0,1	0,4	0,7	1,6	0,7	0,3	0,6
Uganda	-	-	-	-	1,4	0	0	1,3
Zambia	-1,2	-0,6	-0,7	0,1	20,5	1,4	19,6	-0,5
All LDCs	-29,2	-25,9	12,2	-15,6	80,8	25,4	27	28,4

Only the exports of countries > |1%| to the EU are included. The values for the years 1996, 2000 and 2003 correspond respectively to the averages for the years 1995-1996, 1999-2000 and 2002-2003.

Source : BACI (CEPII)

For products benefiting from a preferential advantage with the implementation of the EBA, LDC exports to the EU increase by almost 81% between 2000 and 2003⁴⁵. This increase in exports is based on LDC market share gains (27%) and on new shifts in outlets towards the EU carried out by certain countries (28.4%). The conditions of European demand during this period have a positive effect (25.4%) comparable to those of LDCs' performance and diversification.

It is Zambia and Malawi which contribute the most to this increase in exports of EBA products to the EU (20.5% and 19.7%) during this period. For these countries, this result is mainly obtained by an increase in export market shares to the EU (19.6% and 19.5%). The benefit of the EBA initiative is also shared, from the point of view of its effects in terms of performance, by Tanzania (5%) and Senegal (2.5%). This influence of the EBA also matters in allowing the opening of the European market to certain countries for products benefiting from a preferential advantage. Thus, the increase in LDC exports to the EU is explained by a shift in the outlets of Nepal (6.5%), Ethiopia (9.6%), Mozambique (6.8%) and Burkina Faso (4.3%).

⁴⁵

This increase in exports is lessened here by the adopted smoothing method which retains the average of the years 1996-2000 and 2002-2003. It has been emphasized in the previous sections that the development of exports doubled during this period.

Table 29 indicates what are the main products on which the development of exports is based⁴⁶. The decline in LDC exports to the EU of EBA products, during the period prior to the implementation of the initiative, concerns mainly bananas (-9%), bovine meats (-6.4%), sugar cane molasses (-5.7%) and grain sorghum (-5%). It is the conditions of the European demand market that explain this decline in exports of sugar cane molasses (-7.8%) and grain sorghum (-8.4%), whereas for bananas and bovine meats it is the redirection of LDC exports to other destinations (-8.5% and -5.2% respectively). It can be noted that during this period, the performance of LDCs regarding sugar exports (5.3%) to the EU enables to offset the slump in European demand for this product.

Table 29 : The components of the growth in LDC exports of "EBA products" to the EU according to products

LDC Products Exported to EU (Selection of products)	HS Code	Growth 1,0 % Exports 1996	decomposition by effects			Growth 2003/2000 % Exports 2000	decomposition by effects			
			Demand % Exports	Performance % Exports	Diversification % Exports		Demand % Exports	Performance % Exports	Diversification % Exports	
TURKEYS, DUCKS, GEESE, GUINEA FOWLS, I	10599	-3,2	-3,0	0,0	-0,2	-	-	-	-	
MEAT OF BOVINE ANIMALS, BONELESS, FRO	20230	-6,4	-1,1	0,0	-5,2	-	-	-	-	
TOMATOES, FRESH OR CHILLED	70200	-	-	-	-	2,2	0,6	1,5	0,0	
GARLIC, FRESH OR CHILLED	70320	-	-	-	-	1,1	0,0	0,0	1,1	
GLOBE ARTICHOKEs, FRESH OR CHILLED	70910	-	-	-	-	1,0	0,0	0,0	1,0	
VEGETABLES, NESOI, FRESH OR CHILLED	70990	-	-	-	-	10,3	5,9	4,4	0,0	
ROOTS & TUBERS NESO, FRESH OR DRIED; S	71490	-	-	-	-	-1,4	0,1	-1,5	0,0	
BANANAS AND PLANTAINS, FRESH OR DRIED	80300	-9,0	-0,5	0,0	-8,5	-	-	-	-	
CORN (MAIZE), OTHER THAN SEED CORN	100590	-1,2	-0,5	-0,6	0,0	-	-	-	-	
RICE, SEMI- OR WHOLLY MILLED, POLISHED	100630	-	-	-	-	1,4	0,0	0,0	1,4	
GRAIN SORGHUM	100700	-5,0	-8,4	3,5	0,0	-	-	-	-	
CANE SUGAR, RAW, SOLID FORM, W/O ADDE	170111	-0,3	-5,2	5,3	-0,5	60,4	0,6	33,2	26,6	
CANE MOLASSES FROM EXTRACTION OR RE	170310	-5,7	-7,8	2,1	0,0	-	-	-	-	
FRUIT & EDIBLE PLANT PARTS NESOI, PREP	200899	-	-	-	-	1,3	0,0	0,0	1,3	
OILCAKE ETC, FROM VEGETABLE FATS AND	230690	-	-	-	-	2,5	0,2	2,3	0,0	
ANIMAL FEED PREP EXCEPT DOG OR CAT FC	230990	-2,4	1,0	0,0	-3,5	-	-	-	-	
All LDCs		-29,2	-25,9	12,2	-15,6	80,8	25,4	27,0	28,4	

Only the exports of products > |1%| to the EU are included. The values for the years 1996, 2000 and 2003 correspond respectively to the averages for the years 1995-1996, 1999-2000 and 2002-2003

Source : BACI (CEPII)

The increase in exports of EBA products, after the implementation of the initiative, concerns mainly cane sugar (60.4% of the value of LDC exports in 2000) and fresh or chilled vegetables (10.3%). For sugar, this increase benefits from the EBA initiative as it allows LDCs to gain European market shares (33.2%) but also as it opens up more widely this market to other LDC exporters (26.6%). Accordingly, the performance effects that explain the increase in sugar exports are due to Malawi and Zambia (19.8% and 13.4%) and the diversification effects are due to the introduction of exports originating from Ethiopia (9.5%), Mozambique (6.9%), Nepal (6.3%) and Burkina Faso (3.9%). For fresh vegetables, LDC exports benefit rather more from the growth of European demand (5.9%) and from an effect also due to their performance (4.4%). The increase in the LDC exports of EBA products to the EU is essentially based on these 9 products and depends, less so than for all the products, on the effects of demand. It is more the effects due to the performance and the redirection of LDC exports to the EU which explains the increase in exports for these main products.

⁴⁶

These represent about 80% of the export value of the base year considered here and more than 90% of the increase in exports to the EU. The breakdown for the value of the different effects is given in the Annex.

4.3 The EBA and LDC performance on markets other than the EU

During the period 1996-2000 (Table 30), LDC exports of EBA products to all the destinations other than the EU are on the decline (-14.7%). The effects of the world demand situation for these products explain this result (-16%), while the performance of LDCs (0.8%) and the shift in their outlets (0.6%) do not allow to offset this situation. It is Myanmar, Mali and Somalia which experience the greatest decline in exports, whereas at the same time Nepal and Sudan succeed on the contrary to increase their outlets thanks to their performance.

Table 30 : The components of the growth in LDC exports of "EBA products" to destinations other than the EU

LDC Exports to Other Countries than EU	Growth 2000/1996 % Exports 1996	Export growth decomposition by effects			Growth 2003/2000 % Exports 2000	Export growth decomposition by effects		
		Demand % Exports	Performance % Exports	Diversification % Exports		Demand % Exports	Performance % Exports	Diversification % Exports
Selection of Countries								
Bangladesh	-	-	-	-	1	0,2	0,1	0,7
Burkina Faso	-	-	-	-	-1,4	0,1	-0,7	-0,8
Djibouti	-	-	-	-	1,5	0	0,3	1,1
Ethiopia	1,7	-0,1	0,9	0,9	3,8	0,7	2,7	0,5
Malawi	-1,2	-0,5	-0,5	-0,2	3	0,1	3,3	-0,4
Mali	-9,8	-1,6	-1,9	-6,4	-	-	-	-
Mozambique	-2,3	-1,6	0,2	-1	-	-	-	-
Myanmar	-12,4	-0,4	-10,6	-1,5	5,6	0,1	2,6	2,9
Nepal	7,1	-0,1	4,5	2,7	-4,3	0,9	-1,2	-3,9
Niger	2,2	-0,6	2	0,8	-	-	-	-
Sao Tom and Principe	2	0	0	2	-2,3	0,2	-0,1	-2,4
Senegal	-	-	-	-	3,4	0,2	2,7	0,5
Somalia	-5,9	-2,9	-3,6	0,6	-5,8	3,6	-8,9	-0,5
Sudan	3,1	-4,5	7,1	0,5	7	8,8	-0,4	-1,4
Tanzania (United Repul	3,2	-0,1	0,8	2,6	2	-0,8	3,1	-0,3
Togo	1,7	-0,1	1	0,7	2,4	0,1	1,6	0,8
Uganda	-3,3	-0,7	-2,6	0	1	0,2	0,8	0,1
Yemen	1,3	-0,1	1,8	-0,5	-	-	-	-
All LDCs	-14,7	-16	0,8	0,6	16,7	17,4	4	-4,7

Only the exports of countries > |1%| to the EU are included. The values for the years 1996, 2000 and 2003 correspond respectively to the averages for the years 1995-1996, 1999-2000 and 2002-2003.

Source : BACI (CEPII)

Under the effect of the growth in demand (17.4%) for these products after 2000, LDC exports to destinations other than the EU increase (16.7%). The positive effects owed to LDC market share gains (4%) hardly offset the losses due to the effects of market redirections (-4.7%). It is Sudan (7%), Myanmar (5.6%), Ethiopia (3.8%) and Senegal (3.4%) which contribute the most to export increases. Sudan benefits from a positive demand effect for these products (8.8%), whereas for the other countries the development of exports is based on their performance. However, Nepal, due to a redirection of its exports, and Somalia, due to a loss of competitiveness, show a decline in their exports to countries other than the EU (respectively -4.3% and -5.8%).

The dynamism of the LDCs' export growth to the EU after 2000 (section 4.2) clearly appears to be more important than that which affects here the outlets of the other destinations. Whereas the exports of EBA products to the other markets increase by only 16.7% and can be mainly explained by a structure effect linked to the growth in demand, the growth of exports to the EU between 2000 and 2003 is of 81% and is based on effects due to the performance and diversification of LDCs. This growth in exports to the EU, which can be linked to the EBA initiative insofar as it only concerns EBA products, in fact concerns more particularly sugar.

Table 31 : The components of the growth in LDC exports of "EBA products" to destinations other than the EU according to products

LDC Products Exported to Other Countries than EU (Selection of products)	HS Code	Growth 1,0 % Exports 1996	Export growth decomposition by effects			Growth 2003/2000 % Exports 2000	Export growth decomposition by effects		
			Demand %	Performance %	Diversification %		Demand %	Performance %	Diversification %
			Exports	Exports	Exports		Exports	Exports	Exports
BOVINE ANIMALS, LIVE, NESOI	10290	-2,1	-0,9	1,3	-2,5	-	-	-	-
SHEEP, LIVE	10410	-5,5	-5,7	2,6	-2,4	5,3	11,6	-6,3	0,0
GOATS, LIVE	10420	-2,9	-0,7	-2,2	0,0	-1,6	0,7	-2,3	0,0
CARCASSES & HALF-CARCASSES OF SHEEP	20421	1,2	-0,2	1,3	0,0	1,1	0,6	0,5	0,0
CARCASSES AND HALF-CARCASSES OF LAMB	20430	-	-	-	-	1,1	-0,5	1,5	0,0
BUTTER	40510	1,1	0,0	1,1	0,0	-1,3	0,0	0,0	-1,3
DAIRY SPREADS	40520	1,1	0,0	1,1	0,0	-1,3	0,0	0,0	-1,2
FATS AND OILS DERIVED FROM MILK, N.E.S.O	40590	1,1	0,0	1,1	0,0	-1,3	0,0	0,0	-1,2
CORN (MAIZE), OTHER THAN SEED CORN	100590	-4,8	-1,4	-3,4	0,0	3,8	0,2	2,8	0,7
RICE, SEMI- OR WHOLLY MILLED, POLISHED	100630	-10,5	-0,3	-10,2	0,0	0,5	-0,4	1,7	-0,9
RICE, BROKEN	100640	-	-	-	-	2,3	0,0	2,1	0,2
GRAIN SORGHUM	100700	-	-	-	-	-1,3	-0,1	-1,1	0,0
CEREALS NESOI, INCLUDING WILD RICE	100890	-	-	-	-	1,8	0,1	1,6	0,0
WHEAT OR MESLIN FLOUR	110100	-	-	-	-	-1,0	0,0	0,0	-1,0
GROATS AND MEAL OF WHEAT	110311	1,0	0,0	0,0	1,0	-1,1	0,7	-1,8	0,0
GROATS AND MEAL OF RICE	110314	1,0	0,0	0,0	1,0	-1,2	-1,1	0,0	-0,1
CANE SUGAR, RAW, SOLID FORM, W/O ADDE	170111	-2,3	-1,0	-0,6	-0,7	1,8	0,0	2,6	-0,8
All LDCs		-14,7	-16	0,8	0,6	16,7	17,4	4	-4,7

Only the exports of products > |1%| to the EU are included. The values for the years 1996, 2000 and 2003 correspond respectively to the averages for the years 1995-1996, 1999-2000 and 2002-2003.

Source : BACI (CEPII)

Table 31 indicates the main EBA products exported to countries other than the EU during the period 1996-2000. It is rice (-10.5%), corn (-4.8%) and live sheep (-5.5%) which represent the greatest drop in exports. For rice and corn, this situation is explained through a loss of performance (-10.2% and -3.4%) while for live sheep the reasons are rather linked to the effects of demand (-5.7%). During the period 2000-2003, the growth of exports is, for EBA products, sustained by the shipping of live sheep (5.3%), corn (3.8%) and broken rice (2.3%). It is the favourable conditions of live sheep demand (11.6%) that allow to offset the loss of competitiveness recorded for this product (-6.3%).

4.4 The factors of LDC Performance on the EU market

Amongst the countries that have the most significant effects on growth, the comparison of LDCs' situations on the different markets (EU and other countries) for EBA products reveals certain particularities. Zambia and Mozambique only export, from 2000, to the EU whereas Sudan, Myanmar or Somalia direct their exports towards other destinations. The nature of the products exported by Sudan and Somalia –live sheep- probably explains this focus (on Africa). Similarly, Myanmar's focus on these destinations could be explained by the fact that it does not benefit from the EBA advantages. It can also be noted that the fall in Nepal's exports to third countries is caused by this country's redirection towards the EU market.

As for products other than live animals (ovines and bovines), the exports to other destinations than the EU concern meats, dairy products, cereals and flour-milling products. These products, which benefit from a greater preference under the EBA, nevertheless do not or hardly enter the EU market after 2000. Concerning meats (lamb carcasses), the reason could be sanitary restrictions exerted on these products, whereas for dairy products or cereals the LDCs' competitiveness can be invoked⁴⁷.

⁴⁷

It must be noted that the EBA preferences for rice only come into application in September 2006 with a reduction of 20%, then 50% in 2007, 80% in 2008 and the removal of duties in 2009. It must also be noted that despite the duty reductions applied to bananas, the effects on LDC exports seem marginal.

Ultimately, the previous chapter only emphasizes the importance of sugar exports in the increase in LDC exports to the EU (60%, Table 29). Considering the customs duties imposed on cane sugar imports (Cf. Annex 2), it is unlikely that this product can access the European market outside of preferential quota schemes.

A more thorough investigation of the motives explaining why some "EBA products" exported by LDCs only enter the EU in limited quantity, or fail to enter, would be useful, but is beyond the time constraints of this study. A survey of EU and local operators would provide indications about the explanations for the small exports flows, or for the absence of exports. Products that are not exported such as meat products, could face sanitary or technical standards obstacles. Such obstacles could not be attributed to the EBA per se, since these products do not enter the EU market under the MFN regime either. On the other hand, products that enter only in small quantities could perhaps be subject to restrictions regarding the EBA rules of origins. The list of such products is presented in Annex 4 of this study.

4.4.1. Evolutions of the European market access conditions for sugar

It is necessary to consider here in greater detail the preferential conditions offered to LDCs in the case of sugar. As has been introduced in the chapter relating to EU preferential schemes (Chap.2, sugar protocol box), LDCs have the possibility to cumulate several preferential quota schemes: quotas opened within the framework of the Cotonou sugar protocol for certain ACP⁴⁸ countries, quotas opened within the framework of the "special preferential sugar"⁴⁹ and finally within the "Everything But Arms" initiative. By only taking into account the quantities of quotas effectively utilized within the framework of these different quota schemes, table 32 assesses the evolution of the preferential quotas which LDCs benefit from⁵⁰. It can be noted that Malawi, Zambia and Tanzania indeed cumulate the advantages of all three quota schemes during the 2000-2003 period. On the whole it appears that for all LDCs, the volume of preferential sugar exported to the EU doubles between 2000 and 2003 due to the utilization of the EBA quota from 2001. The volume exported by LDCs goes from 70 473 tonnes in 2000 to 146 832 tonnes in 2003 of which 85 313 tonnes come under the EBA quota.

⁴⁸ Dating back to the Lomé agreements of 1975, this protocol concerns 16 ACP countries plus India for a global quota of 1.3 million tonnes. These exports of ACP countries benefit from guaranteed prices of 532.7 Euros per tonne of unrefined sugar and of 646.5 Euros for white sugar.

⁴⁹ Instituted in 1995 to address the extra needs of the European countries' refining industries, this quota is of 1.6 million tonnes and concerns the same countries as those of the sugar protocol for ACP countries and India.

⁵⁰ It is in fact data on the base marketing year (July/June).

Table 32 : The utilization of the different preferential " sugar " quotas by LDCs

DELIVERIES OF PREFERENTIAL SUGAR (Cotonou protocol)

(tonnes white value - based on Member States annual communications and partially on commercial sources)

State or country of origin	Deliveries in 99/00	Deliveries in 00/01	Deliveries in 01/02	Deliveries in 02/03	Deliveries in 03/04
Madagascar (3)	16 591,00	7 398,00	9 483,50	3 981,00	13 686,70
Malawi (3)	24 551,07	20 104,63	22 460,94	21 204,33	20 564,84
Mozambique (2)					0,00
Tanzania	13 819,50	9 529,53	10 190,87	10 714,76	10 316,53
Zambia (2)	2 033,40	0,00	412,70	677,00	0,00
TOTAL	56 994,96	37 032,16	42 548,01	36 577,09	44 568,07

Regulation (EC) n° 919/2004 + Commission Decision 17 mars 2004 (shortfall barbados)

(2) Commission Decision (JO C 283 of 20 November 2004)

(3) Deliveries to be confirmed

(4) Supply obligation 04/05 takes into account transfer of 6 858,11 tons for Zimbabwe

Allocations of Special

(tonnes white value)

	1999/00	2000-01	2001-02	2002-03	2003-04 (provisional)
Madagascar	2 952,5	2 918,0	0,0	0,0	1 894,7
Malawi	14 858,5	12 858,1	10 000,0	9 897,1	10 000,0
Tanzania	2 376,5	3 500,0	2 520,1	2 182,7	1 861,8
Zambia	12 562,6	14 165,0	12 765,0	12 862,8	11 930,7
TOTAL	32 750,1	33 441,1	25 285,1	24 942,6	25 687,2

Source : ACP sugar for 1995/96 to 2002/03 (Draft SPS shipping program for 2003-04)

Allocation of the EBA sugar quota's

(in tonnes white sugar)

	1999/00	2000-01	2001/02 (1)	2002/03 (1)	2003/04 (1)
Bangladesh					8 989
Burkina Faso			7 073	7 084	7 235
Ethiopia			14 298	14 671	15 593
Malawi			10 402	10 815	11 107
Mozambique			8 331	8 452	10 154
Nepal				8 920	8 667
Sudan			16 258	17 037	16 837
Tanzania			9 065	9 317	9 989
Zambia			8 758	9 017	9 538
TOTAL			74 185	85 313	98 110

(1) Source : Member States Communications according to Art 8 c) of regulation (EC) 1381/2002

Cumul of LDCs Preferential sugar

All LDCs	89 745,06	70 473,26	142 018,11	146 832,69	168 365,24
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V. AN ASSESSMENT OF THE EBA'S UTILIZATION

Long perceived as a factor limiting the development of multilateral trade, preferential agreements are today, in contrast, the subject of criticisms with regard to their shortcomings. A debate has thus recently started over the utilization rate of trade preferences, suggesting that preferential regimes are under-utilized.

The reasons put forward to explain this under-utilization focus on the constraints of respecting the rules of origins (Brenton and Machin, 2002; Augier *et al*, 2003). The compliance costs induced by the requirements of certification, traceability, or the procurement of administrative documents have also been invoked (Estevadeordal and Suominen, 2003). The existence of these restrictions has particularly contributed to an emphasis on the limitations of non-reciprocal agreements aimed at helping the developing countries, such as the Generalized System of Preferences or the EBA (Brenton 2003, Inama 2003). More recent studies show on the contrary that given the simultaneous eligibility of countries to several preferential agreements, the preferential schemes are in fact widely utilized in sectors such as agriculture (Gallezot, Bureau, OECD, 2004).

The assessment of the " Everything But Arms " initiative, previously undertaken from the point of view of LDCs' trade potential and exports, cannot rely on the implicit hypothesis that this initiative is fully utilized by the participants. Indeed, imports can be entirely realized under a preference regime granted to the originating country or on the opposite can be only partially realized within this framework, to the benefit of either another preferential regime available to this country, or even outside the preferential regime. In the latter case the importer forgoes the advantage of the preference and adopts the multilateral duty of the Most Favoured Nation (MFN). The aim of this section is to specify in which proportions the EBA initiative is utilized by LDCs but also to identify the factors limiting the usage of this preferential agreement.

5.1. Elements on the rules of origin

The complexity of the multiple memberships of countries (EBA and Cotonou) makes it difficult to see the degree of preferences actually granted. If it seems logical that a country chooses the most favourable preferential tariff, it might not necessarily be the case due to administrative obstacles, specific conditions of eligibility or rules of origin compliance. It is obvious that preferential customs duties are applied only when the conditions for granting them are fulfilled. The preferential rules of origin set the purchasing conditions regarding the origin of goods in order to benefit from the preferential tariff measures. The origin of goods must not be confused with their origination. The notion of origination only refers to the conditions for the transport of goods to destination countries. The criteria which establish the origin of goods are mainly those that distinguish the "products entirely obtained in a country" from the "processed products".

Box 5 : Rules of origin

Products entirely obtained in a country. By goods entirely obtained in a country we mean more particularly, for agricultural and food processing products:

- products of the vegetable kingdom that are harvested there,
- live animals that are born and bred there,
- products from live animals that have been farmed there,
- products from hunting or fishing carried out there,
- products from maritime fishing and other products extracted from the sea beyond territorial waters by the country's ships and products manufactured from fished products onboard the country's factory ships⁵¹
- goods that are manufactured in the country exclusively from the previously enumerated products or their derivatives

These general considerations, relating to products entirely obtained, can in the case of preferential origin criteria be specified differently according to the protocols appended to the different regimes. The products entirely obtained concern mainly commodities.

Processed products. When products are obtained in the country and contain goods which have not been "entirely" obtained there, it raises the question of knowing whether these obtained products must be considered as originating products or not. The criterion retained is the sufficient "working" or processing (term employed in the official documents to describe the degree of elaboration) of materials which were not entirely obtained there. The working or processing conditions depend on the different protocols. These conditions appeal mainly to the criteria for tariff position change but also to the added value or the undertaking of a specific working. However, it remains that certain processed products can obtain the originating characteristic only if they are obtained from materials themselves entirely obtained, such as fish or crustacean preparations for example (Grave, 2003). Some operations are still considered as insufficient to confer the originating characteristic, even when it concerns a combination of several of these operations (sorting or packaging operations for example).

Cumulation rules. Within the framework of a bilateral preferential regime where products obtained from one of the contracting parties contain materials which are not entirely obtained there but utilize materials originating from the other party, the latter are considered as originating materials when they are incorporated in an obtained product. This principle is called the "bilateral cumulation". Only materials not originating from the zone constituted by the two countries are considered for evaluating the sufficient characteristic, or lack of, of the working or processing. Beyond the bilateral cumulation, there are enlarged systems of cumulation which include several country zones named "diagonal cumulation" (example: the Pan-European cumulation). In the case of the GSP a regional cumulation has been established within three regional groups constituted of countries benefiting from the GSP: The Association of South-East Asian Nations, the Common Central American Market and the South Asian Association for Regional Cooperation.

Proof of origin status. The proof of origin status for products that comply to the preferential rules of origin is given either by a certificate of free movement (EUR.1 form) or of origin delivered by the custom authorities, or by a simplified document (EUR.2 form or declaration on invoice). The certificate of free movement of goods EUR.1 applies to all preferential trade flows of the Union, with the exception of the certification of origin by countries benefiting from the GSP. Within this framework the proof of origin used is the certificate of origin type "A", which is not a certificate of free movement as the situation is not one of free trade (Grave, 2003). It is important to note that if it is indeed the importer which asks for the preference advantage (Box 36 SAD), the proof of origin are established in the benefiting country (normally the exporting country). The control of the proof of origin undertaken after the event is carried out by survey or on the basis of well-founded doubts by the member state's import customs authorities and in all cases providing the proof of origin lies with the operators.

⁵¹

The criteria relating to sea products are further developed within the preferential framework (and in a variable way according to the regime in question) with regards to the attachment of ships or factory ships to the countries concerned (Customs and Excise, 2003).

Cumulative rules of origin for the EBA and ACP. The bilateral cumulation for the EBA (GSP) is applied between the EU and the beneficiary country. The diagonal cumulation can however apply in the case where the beneficiary countries belong to one of the four regional groups of GSP cumulation (Association of South-East-Asian Nations, Central American Common Market, Andean Community, and South-Asian Association for Regional Cooperation). For the ACP countries it is a total multilateral cumulation that applies to the 77 signatory countries of the African, Caribbean and Pacific States and those of the Overseas Countries and Territories.

5.2. Sources and method of analysis for the preferential imports originating from LDCs

The utilization of a preference is traditionally assessed by considering the EU's volume of imports that effectively benefits from a tariff preference compared to the total volume of imports eligible for a preferential regime. At first this question does not seem to raise any great difficulties as one only needs to know the apportionment of the amount of imports by product and tariff regime. However the statistics available to this end concern the "duties requested" by the operators and not the "duties obtained". In the name of the principle of subsidiarity that applies to this taxation domain, the member states remain the duty collectors. In this capacity the taxes collected and the amount (or the quantities) of imports within a regime (base for the calculation of duties) remains an information controlled by the national administrations. In other words, there is no centralisation at the European level of this type of statistic.

However, the declarations made by the importing companies at the moment of customs clearance constitute the basis for the European trade statistics. The registration of this operation is done on the basis of the customs declaration thanks to the Single Administrative Document (SAD). This declaration includes, beyond the sections (value, quantity, origination, supplementary units, etc.) which will be processed by the national statistical offices and transferred to Eurostat, elements relating to the choice of the adopted tariff regime. To be more specific it is a declaration carried out under the responsibility of the importer. On this point the customs control intervenes subsequently on the validity of this declaration.⁵²

This information relating to the required preferences (Box 36 of the SAD) must be controlled so as to know if it is in conformity with the regulations. To achieve this control, the information from the declarations (SAD) must be crossed with those of tariff data (TARIC). The aim of processing statistics is eventually to rectify this information.⁵³ Furthermore, the nomenclature of tariff

⁵² Without going into too many details, it can be noted that there exists two very different systems at this level which depend on the size of the company: the big importers address a declaration that groups their transactions, and the others undertake this operation directly at customs. Some differences still exist between the computer systems adopted for this by the member states. Customs services emphasize that the difficulties encountered in the past over the harmonization of this procedure (differences in tariff nomenclatures, updating regulations in computer systems) have considerably reduced.

⁵³ Only 3% of the SAD information relating to agricultural and food processing imports apparently concern, in 2003, measures that are "non active", non compliant or indeterminate (Code ZZZ, XXX). The SAD information which does not present these prior contradictions is still not necessarily in compliance with the legislation. The control is carried out by validating only the declarative information of the SAD which comply with the regulations in force. The rectification is achieved by correcting only the information which does not comply with the regulations. This rectification is carried out conditionally to the probability of affectation of preferential regimes on the basis of information in compliance with the regulations. The result arrived at allows to obtain a precise and controlled affectation of import flows by tariff regime and by third country, as well as

measures utilized by the SAD is rather different than the one currently in force for tariffs. It only allows a perfunctory approach to preferences, and the declarative status of these preferences concerns a tariff nomenclature that is not always "active " in the sense of the regulations.

For all these reasons, the harmonization of the single administrative declarations with the tariff data of the TARIC database enables us to make these statistics comply with each other and allows a more precise exploitation of the preferential regimes. The methodology retained enables us to obtain imports statistics by tariff regime⁵⁴, without introducing hypotheses on the affectation to a regime according to duty levels.⁵⁵

5.3. The utilization rate of the EBA

The estimate of the tariff preference rate is understood in relation to the " all third countries " duty, and this duty is considered as the one, which respects the Most Favoured Nation (MFN) clause within the framework of multilateral agreements. The preferential margin corresponds to the difference between the MFN rate of duty and that of the granted preference. In this sense, imports entering with a zero MFN rate are by definition excluded from the assessment of the utilization of preferences⁵⁶.

Table 33 : The utilization rate of the EBA

2003 EU Imports from LDCs	EU Imports From LDCs		Rate of EBA Used
	1000 Euros	%	%
All Imports	11174314	100	-
MFN duties 0%	4400554	39	-
MFN >0 %	6773760	61	100
MFN	2608774	23	39
Cotonou	1601042	14	24
EBA	2563944	23	38

Sources : SAD (Eurostat), TARIC (DG-Taxud)

In 2003, 39% of EU imports originating from LDCs are not subject to a duty (MFN duty at 0%). The apportionment of imports⁵⁷, according to the preference regime utilized (Table 33), shows that

to know the amount of duties applicable by measure (including preferential quotas and MFN duties).

⁵⁴ The method of fusing the Taric database with the SAD data covers 99.8% of the value of flows in 2003.

⁵⁵ In the works of the WTO (WT/COMTD/W/93, 2003), the imports of a product originating from a country benefiting from the GSP and for which the GSP rates are inferior to the MFN rates, have been systematically classified in the GSP imports category and the specific duties removed from the estimates.

⁵⁶ This consideration, customarily used in the literature, of excluding products entering with a duty exemption is probably a convenience that is somewhat simplistic. Indeed, a 0% MFN duty can also be subjected to measures of market access control. It can for example be noted that some importers ask to benefit of an access under the EBA when the product is taxed at 0% with the MFN (example of the yarn of jute imports originating from Bangladesh - code Taric : 5307200000)

⁵⁷ One should note the good concordance of the data previously utilized for the analysis of trade flows with those of Comext which are here mobilized. The value of EU imports originating from

the utilization rate of the EBA would be in 2003 of 38% for all the products. It can thus be noticed that while all the imports originating from LDCs are, except arms, eligible for the EBA, 24% of them occur under the Cotonou agreement and 39% prefer to forgo the EBA advantage by adopting the MFN clause.

Imports of "dutiabale products" originating from LDCs under the MFN clause deserve careful attention. These are mainly textile articles that enter the EU at MFN duty rates by forgoing the EBA advantage (Table 34). The restrictions due to rules of origin compliance are here the most restrictive (Candau and al., CEPII, 2004). On the other hand, for aluminium imports at MFN duty rates (6% duty) the motives are not as clear. The imports concerned come from Mozambique and a share of this country's aluminium exports also enter the EU under Cotonou (0% duties). Imports of prawns originating from Bangladesh reveal the same contradiction: a share of these imports enter at MFN duty rates (12% duty) and another more or less equivalent share under the EBA⁵⁸.

Table 34 : The main dutiable products imports originating from LDCs under the MFN Clause

EU - LDC Imports under MFN Abreviation	HS Code 2 digits	Imports		Mean MFN Duty
		1000 Euro	%	
ARTICLES OF APPAREL AND CLOTHING ACCE	62	1278058	50	12
ARTICLES OF APPAREL AND CLOTHING ACCE	61	632759	25	12
ALUMINIUM AND ARTICLES THEREOF	76	261864	10	6
FISH AND CRUSTACEANS, MOLLUSCS AND OT	3	142367	6	12
Total selection		2315048	90	
All dutiable LDC imports under MFN		2572834	100	

Sources : SAD (Eurostat), TARIC (DG-Taxud)

The previous chapters' analysis addressed the LDCs' trade flows concerning those products for which the EBA initiative introduced in 2001 a preferential advantage compared to pre-existing preferences. Table 35 indicates however that the EBA initiative, the most favourable concerning these products, is only utilized for 22% of imports. The most important imports are achieved under Cotonou (56%). Nearly 60% of the value of LDC imports entering the EU under Cotonou concerns the sugar protocol quotas (code 170111000) and the other fresh vegetables (code 709909090)⁵⁹. It can nevertheless be considered that from the point of view of LDCs, the fact of using Cotonou rather than the EBA does not represent a problem. What is important is that the goods enter the EU duty free, irrespective of the regime under which they enter. The case of the products that enter here under the MFN clause is more problematic. These are predominantly cane sugar (code

LDCs according to BACI is 12316696 (1000 \$) and 11174445 (1000 Euros) according to Comext (Eurostat), the ratio of these amounts giving the exchange rate value in use in 2003.

⁵⁸ The declarations registered in the SAD for these products correspond effectively, after verification, to a MFN entry request. For all the products concerned by this type of contradiction (aluminium, prawns,...), it would be interesting to be able to go back to the source (import declarant) so as to identify the motives for this decision.

⁵⁹ As it has been previously pointed out in the previous chapters relating to the analysis of the products where the EBA introduced an advantage, the aggregation of products in a 6 digit nomenclature, necessary for assessing the world trade flows of LDCs (Comtrade and BACI database), introduces unavoidably a bias. Consequently, there does exist within the 6 digit grouping of the nomenclature products (with 10 digits) for which the EBA has introduced a preferential advantage, as well as products for which Cotonou granted in 2000 an access comparable to that of the EBA (0%). The other fresh vegetables are such a case.

170111000) originating from Malawi and Ethiopia⁶⁰. We could suggest that these countries resorted to the MFN duty because they fully utilized the quota volumes opened under Cotonou and the EBA.

Table 35 : The EBA utilization rate for agricultural products and for products where the initiative introduced a real preferential advantage.

2003 EU Imports from LDCs	EU Imports "EBA products" From LDCs		EU Imports agricultural Products from LDCs	
	1000 Euros	%	1000 Euros	%
MFN	35259	23	250862	15
Cotonou	86669	56	1156923	71
EBA	34143	22	225794	14
Total	156071	100	1633579	100

Sources : SAD (Eurostat), TARIC (DG-Taxud)

By widening the question of the EBA's utilization to the framework of all agricultural products, it can be pointed out that the utilization of Cotonou is, for African countries, the dominant option. The under-utilization of the EBA, for agricultural products, would be based on a Cotonou/EBA preference margin differential of little incentive as well as an entrenched use of ACP administrative forms⁶¹. These elements, already brought forward in the OECD study (Gallezot, Bureau, OECD, 2004), also show that the level of utilization of the EBA for agricultural products does not seem to be improving: the utilization of the EBA for these products is of 14% in 2003 and was 17% in 2002.

5.4. The explicative factors for the utilization of the EBA

There are multiple reasons that can be put forward to explain the degree of utilization of the EBA. Of course, as a first explanation there is the importance of the preferential margin. In second place, the rules of origin that are intrinsically linked to the preference can reveal themselves as being of a restrictive nature (Estevadeordal and Suominen, 2003, Anson *et al.*, 2003, Carrere and de Melo, 2003). In addition, other considerations relating to the size of the operations may also affect the use of preferences. As such, a great number of situations can be noted where the preferential imports concern flows of little importance: the transactions originating from LDCs and lower than 20 000 Euros represent 64% of the number of transactions⁶² to the EU. In the absence of information on the size of the companies, it can be considered that the administrative and rules of origin compliance costs are a greater restriction for the imports of lesser importance.

In the end, the utilization of the EBA will rely on the decision of operators. We have tried here to formalize this decision based on the main economic factors⁶³. The first of them being naturally the level of preferential duties granted under the EBA. In other words, the preferential margin which is expressed in the difference between the MFN duty and the preference granted can be an important incentive for using the regime. However, if the margin is expressed in relation to another

⁶⁰ It is true, according to the quotas' utilization data (Annex "sugar protocol" and Table 32), that these countries fully utilize the volumes of the quotas opened.

⁶¹ The ACP countries have long used the "EUR1" type forms, contrarily to the EBA's type "A" form, in the case of certificates (UNCTAD, 2003).

⁶² Transaction is here a simplification to designate the flows per product, LDC partners, EU declaring country and adopted tariff measure for year 2003

⁶³ The methodology adopted here is based on that of the OECD (Gallezot and Bureau, OECD, 2004)

Box 6 : The explicative factors for the utilization of the EBA

We must now test the decision of importers of EBA eligible products to utilize or not this regime. This decision variable takes either the value 1 if the EBA is used or 0 if it is not (variable *EBA Used* in the regression). The independent variables retained to explain this choice are on the one hand the EBA preferential margin (*EBA Margin*), and the greater this margin is the more favourable is the utilization of the EBA. On the other hand, we retain a " size " variable that takes the value 1 for all import flows inferior to 20 000 Euros and 0 for all the other flows. This variable (*Size*) is intended to apprehend the influence of an operation's size on the utilization of the EBA. The presence of Cotonou, a competitor for a great number of EBA eligible products, is taken into account by a discrete variable that takes the value 1 if the product and the country use Cotonou rather than the EBA. Finally, the fact that it concerns a processed product rather than a commodity is captured by the United Nations' Broad Economic Categories (BEC Rev.3) codification. The presence of a processed product (Food and beverages (Processed), Industrial supplies (Processed), Fuels and lubricants (Processed), Transport equipment) is introduced in the model by the "Processed" variable. It takes the value 1 if it concerns a processed product and 0 if it does not.

$\Pr(y_j \neq 0 | x_j) = \Phi(x_j \beta)$ where Φ is the distribution function. The adopted model expresses the likelihood of the event occurring. $y_j = 1$ (preference utilization) conditionally to the influence of the exogenous variables : $\Pr_j(y_j = 1) = \Phi(\alpha.marge_j + \varepsilon.size_j + \eta.cotonou + \mu.const)$

Probit Estimate : EBA utilisation			
Y = EBA Used : 1 = Yes and 0 Otherwise			
Preference margin	4.806	**	(.5146)
Size	-.616	**	(.0541)
Cotonou Impact	-1.086	**	(.0902)
Processed	-.8111	**	(.0563)
Constant	-.7419	**	(.0666)
Pseudo R2 (Probit procedure) : 10.91			
Number of obs : 9830			
Standard deviation in parenthesis			
Size : dummies for import < 20 000 Euros			
** significant at the 5% level			

Sources : Exploitation Taric-SAD,2003, BEC Rev.3, UNSD

preference, it can also explain the choice of turning away from one regime to the benefit of another one. Such is the possible case offered to the African LDCs benefiting from Cotonou. Beyond the preferential margin, the more fundamental criteria, on which the preference is based and which concern the origin of products, play a very important role in the decision of operators. As we have seen (Box 5), the rules of origin that have to be complied to would be less demanding for commodities originating from the country than for processed products. In a general way, this level of requirement within the framework of the compliance to preferential rules of origins plays an important role in the decision of operators.

Taking into account these considerations, the formalization of the decision to use the EBA shows (Box 6) the positive influence that the importance of the preferential margin has on the utilization of the EBA. This influence is the most important amongst the factors retained. On the other hand, the small sized transactions might effectively have a negative influence for the utilization of the EBA. Similarly, the double membership of countries (and products) to the Cotonou and EBA regime has also a negative influence on the utilization of the EBA⁶⁴. Finally, the fact that the import concerns rather a processed product will also have a negative effect on the use of the EBA. The influence of these explicative factors suggests certain considerations in view of improving the utilization of the EBA.

5.5. Prospects for improving the utilization of the EBA

The prospects for improving the use of the EBA can be put forward either in the sense of reinforcing the factors that have a positive influence on the utilization of the EBA, or in the sense of searching to reduce the negative effects of the factors which on the contrary impede its utilization. The importance of the EBA's preferential margin will assert itself on the three categories of products (rice, sugar and bananas) for which the progressive elimination of customs duties is scheduled by the EBA initiative for the years 2006 and 2009. In the meantime, the recourse of African LDCs to the Cotonou agreement rather than to the EBA could also diminish with the assimilation of administrative rules ("A" form rather than "EUR1" form). Be that as it may, the utilization of the EBA or Cotonou is beneficial for LDCs.

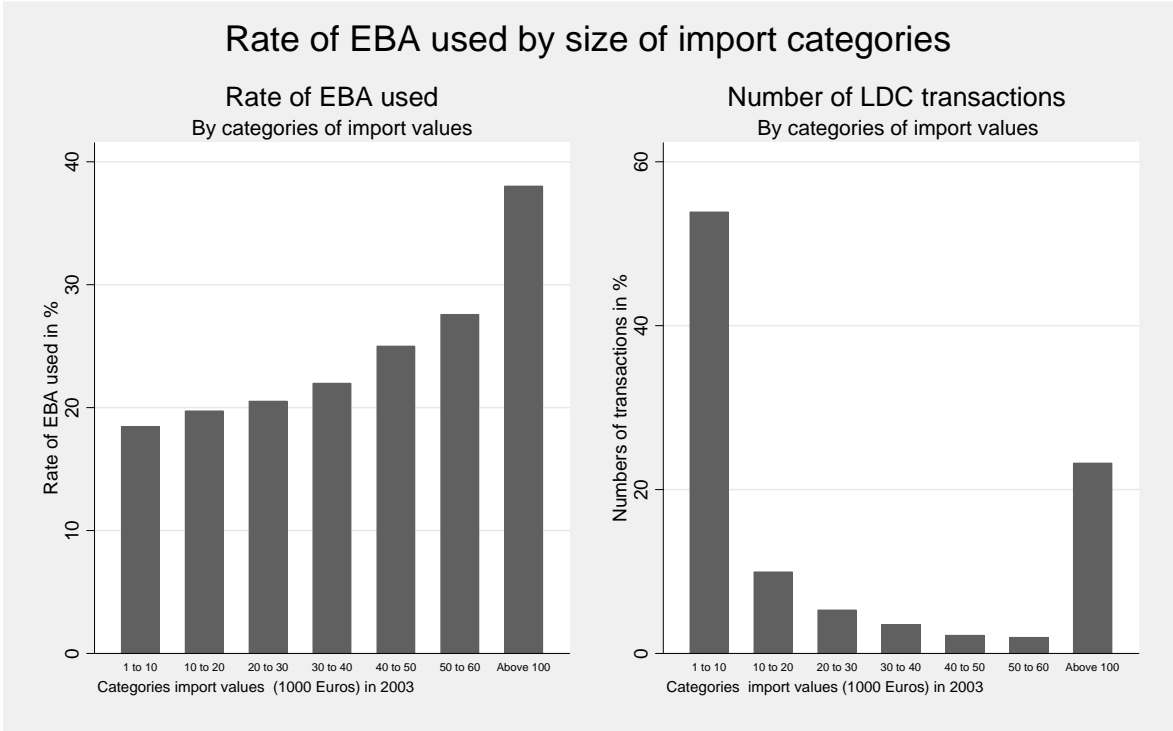
As has been previously seen, the fact that products are processed has a negative influence on the utilization of the EBA. The restrictions, which might apply more to the rules of origins' terms of application in relation to processed products, could in this respect be simplified. The rules of origin are an essential component of the Union's trade policy. They must comply with the general aim of granting preferences facilitating the total integration of developing countries in the world economy and supporting their social and economic development. These rules should reflect the nature and the importance of the link which must exist between the products and the countries concerned, particularly the degree of processing of external components in a given country, which is necessary so that the products obtained can be considered as originating from this country. Customs procedures have to be established in such a way as to show and check that these requirements have actually been fulfilled. And yet as the Commission admits⁶⁵, the current situation, which combines very often complex rules with weaknesses in their enforcement, is not satisfactory.

⁶⁴ As noted by CNUCED and the WTO (WT/COMTD/W/93, 2001) in the more general case of the GSP

⁶⁵ "The rules of origin in the preferential trade regimes. Orientations for the future", Communication of the Commission to the Council, the European Parliament and to the European social and economic committee, Brussels, 2005, COM(2005) 100 final

Following the Green Paper⁶⁶ on the future of rules of origin in preferential trade regimes, the Commission put forward a certain number of proposals in order to improve and simplify the determination of origin concerning "sufficiently worked or processed" products. To this end, the Commission would favour, as a starting point for this simplified procedure, the recourse to a method for assessing this sufficient processing based on a "value added criteria". According to this method, a product resulting from the working or processing of imported non-originating materials would be considered as originating if the value added in the country (or in a region in the event of cumulation) amounts at least to a certain threshold (a minimum "local or regional value content"), expressed as a percentage of the net production cost of the final product" COM(2005). This proposal, which is yet to be evaluated, corroborates a reduction of the negative effects, which have been identified here, concerning the use of processed products within the framework of the EBA.

Figure 6 : The utilization rate of the EBA according to the importance of imports



Sources : Taric (DG-Taxud), Comext (SAD)

The improvement perspectives for the functioning of the rules of origin can be complemented by taking into account the fact that import transactions concerning small flows do not use as much the EBA regime. The rules of origin compliance costs would be in this case more penalizing for LDCs. As it has been assessed, small sized transactions (< 20 000 euros) represent close to 65% of the number of transactions observed⁶⁷ and have a negative effect on the utilization of the EBA. The graph clearly illustrates this situation by describing, by category of importance of the import

⁶⁶ Green Paper on the future of rules of origin in preferential trade arrangements - COM(2003) 787

⁶⁷ The term transaction is here a language simplification to designate the flows per product, LDC partners, EU declaring country and adopted tariff measure. It goes without saying that the number of infra annual transactions is more important than the one that we aggregated here for the whole 2003 year.

values, the utilization rate of the EBA and the corresponding number of observed transactions. Accordingly, there are in the regulations facilities granted to this type of imports when they are below 6000 Euros. These facilities do not affect the rules of origin compliance requirements, but allow to dispense oneself from obtaining the certificate (form "A" of the GSP) by replacing it with the presentation of a simple invoice (Art.89, GSP). Raising significantly this threshold to 20 000 Euros⁶⁸ could be envisaged.

Finally, as it was already mentioned in section 4.4., a more thorough investigation of the reasons explaining why some "EBA products" exported by LDCs only enter the EU market in such limited quantities deserves to be pursued. Such an investigation, which should survey operators both in the EU and in LDCs, could shed light on the reasons why some products are not exported, and others are only exported in small quantities. It would make it more apparent whether the constraints are linked to the EBA (e.g. rules of origin requirements), or are outside the scope of the EBA (e.g. sanitary requirements).

⁶⁸ In 2003 the value of imports originating from LDCs concerning flows inferior to 20 000 Euros represent 28 million euros, or 1.1% of the total imports originating from LDCs.

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ANNEX

Annex 1 :Table of nomenclature correspondance (Section and SH code 2 digits)

Section of nomenclature abbreviation	SH 2 Code	SH2 abbreviation
1 - Live animals; animal products	1	LIVE ANIMALS
1 - Live animals; animal products	2	MEAT AND EDIBLE MEAT OFFAL
1 - Live animals; animal products	3	FISH AND CRUSTACEANS, MOLLUSCS AND OTHER AQUATIC INVERTEBRATES
1 - Live animals; animal products	4	DAIRY PRODUCE; BIRDS' EGGS; NATURAL HONEY; EDIBLE PRODUCTS OF ANIMAL ORIGIN, NO
1 - Live animals; animal products	5	PRODUCTS OF ANIMAL ORIGIN, NOT ELSEWHERE SPECIFIED OR INCLUDED
2 - Vegetable products	6	LIVE TREES AND OTHER PLANTS; BULBS, ROOTS AND THE LIKE; CUT FLOWERS AND ORNAME
2 - Vegetable products	7	EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS
2 - Vegetable products	8	EDIBLE FRUIT AND NUTS; PEEL OF CITRUS FRUITS OR MELONS
2 - Vegetable products	9	COFFEE, TEA, MAT+ AND SPICES
2 - Vegetable products	10	CEREALS
2 - Vegetable products	11	PRODUCTS OF THE MILLING INDUSTRY; MALT; STARCHES; INULIN; WHEAT GLUTEN
2 - Vegetable products	12	OIL SEEDS AND OLEAGINOUS FRUITS; MISCELLANEOUS GRAINS, SEEDS AND FRUIT; INDUST
2 - Vegetable products	13	LAC; GUMS, RESINS AND OTHER VEGETABLE SAPS AND EXTRACTS
2 - Vegetable products	14	VEGETABLE PLAITING MATERIALS; VEGETABLE PRODUCTS NOT ELSEWHERE SPECIFIED OR I
3 - Animal or vegetable fats and oils and the	15	ANIMAL OR VEGETABLE FATS AND OILS AND THEIR CLEAVAGE PRODUCTS; PREPARED EDIBL
4 - Prepared foodstuffs; beverages, spirits a	16	PREPARATIONS OF MEAT, OF FISH OR OF CRUSTACEANS, MOLLUSCS OR OTHER AQUATIC IN
4 - Prepared foodstuffs; beverages, spirits a	17	SUGARS AND SUGAR CONFECTIONERY
4 - Prepared foodstuffs; beverages, spirits a	18	COCOA AND COCOA PREPARATIONS
4 - Prepared foodstuffs; beverages, spirits a	19	PREPARATIONS OF CEREALS, FLOUR, STARCH OR MILK; PASTRYCOOKS' PRODUCTS
4 - Prepared foodstuffs; beverages, spirits a	20	PREPARATIONS OF VEGETABLES, FRUIT, NUTS OR OTHER PARTS OF PLANTS
4 - Prepared foodstuffs; beverages, spirits a	21	MISCELLANEOUS EDIBLE PREPARATIONS
4 - Prepared foodstuffs; beverages, spirits a	22	BEVERAGES, SPIRITS AND VINEGAR
4 - Prepared foodstuffs; beverages, spirits a	23	RESIDUES AND WASTE FROM THE FOOD INDUSTRIES; PREPARED ANIMAL FODDER
4 - Prepared foodstuffs; beverages, spirits a	24	TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES
5 - Mineral products	25	SALT; SULPHUR; EARTHES AND STONE; PLASTERING MATERIALS, LIME AND CEMENT
5 - Mineral products	26	ORES, SLAG AND ASH
5 - Mineral products	27	MINERAL FUELS, MINERAL OILS AND PRODUCTS OF THEIR DISTILLATION; BITUMINOUS SUBST
6 - Products of the chemical or allied indust	28	INORGANIC CHEMICALS; ORGANIC OR INORGANIC COMPOUNDS OF PRECIOUS METALS, OF R
6 - Products of the chemical or allied indust	29	ORGANIC CHEMICALS
6 - Products of the chemical or allied indust	30	PHARMACEUTICAL PRODUCTS
6 - Products of the chemical or allied indust	31	FERTILISERS
6 - Products of the chemical or allied indust	32	TANNING OR DYEING EXTRACTS; TANNINS AND THEIR DERIVATIVES; DYES, PIGMENTS AND O
6 - Products of the chemical or allied indust	33	ESSENTIAL OILS AND RESINOIDS; PERFUMERY, COSMETIC OR TOILET PREPARATIONS
6 - Products of the chemical or allied indust	34	SOAP, ORGANIC SURFACE-ACTIVE AGENTS, WASHING PREPARATIONS, LUBRICATING PREPA
6 - Products of the chemical or allied indust	35	ALBUMINOIDAL SUBSTANCES; MODIFIED STARCHES; GLUES; ENZYMES
6 - Products of the chemical or allied indust	36	EXPLOSIVES; PYROTECHNIC PRODUCTS; MATCHES; PYROPHORIC ALLOYS; CERTAIN COMBU
6 - Products of the chemical or allied indust	37	PHOTOGRAPHIC OR CINEMATOGRAPHIC GOODS
6 - Products of the chemical or allied indust	38	MISCELLANEOUS CHEMICAL PRODUCTS
7 - Plastics and articles thereof; rubber and	39	PLASTICS AND ARTICLES THEREOF
7 - Plastics and articles thereof; rubber and	40	RUBBER AND ARTICLES THEREOF
8 - Raw hides and skins, leather, furskins ar	41	RAW HIDES AND SKINS (OTHER THAN FURSKINS) AND LEATHER
8 - Raw hides and skins, leather, furskins ar	42	ARTICLES OF LEATHER; SADDLERY AND HARNESS; TRAVEL GOODS, HANDBAGS AND SIMILAF
8 - Raw hides and skins, leather, furskins ar	43	FURSKINS AND ARTIFICIAL FUR; MANUFACTURES THEREOF
9 - Wood and articles of wood; wood charcc	44	WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL
9 - Wood and articles of wood; wood charcc	45	CORK AND ARTICLES OF CORK
9 - Wood and articles of wood; wood charcc	46	MANUFACTURES OF STRAW, OF ESPARTO OR OF OTHER PLAITING MATERIALS; BASKETWARI
10 - Pulp of wood or of other fibrous cellulose	47	PULP OF WOOD OR OF OTHER FIBROUS CELLULOSIC MATERIAL; RECOVERED (WASTE AND S
10 - Pulp of wood or of other fibrous cellulose	48	PAPER AND PAPERBOARD; ARTICLES OF PAPER PULP, OF PAPER OR OF PAPERBOARD
10 - Pulp of wood or of other fibrous cellulose	49	PRINTED BOOKS, NEWSPAPERS, PICTURES AND OTHER PRODUCTS OF THE PRINTING INDUS
11 - Textiles and textile articles	50	SILK
11 - Textiles and textile articles	51	WOOL, FINE OR COARSE ANIMAL HAIR; HORSEHAIR YARN AND WOVEN FABRIC
11 - Textiles and textile articles	52	COTTON
11 - Textiles and textile articles	53	OTHER VEGETABLE TEXTILE FIBRES; PAPER YARN AND WOVEN FABRICS OF PAPER YARN
11 - Textiles and textile articles	54	MAN-MADE FILAMENTS
11 - Textiles and textile articles	55	MAN-MADE STAPLE FIBRES
11 - Textiles and textile articles	56	WADDING, FELT AND NONWOVENS; SPECIAL YARNS; TWINE, CORDAGE, ROPES AND CABLES
11 - Textiles and textile articles	57	CARPETS AND OTHER TEXTILE FLOOR COVERINGS
11 - Textiles and textile articles	58	SPECIAL WOVEN FABRICS; TUFTED TEXTILE FABRICS; LACE; TAPESTRIES; TRIMMINGS; EMBR
11 - Textiles and textile articles	59	IMPREGNATED, COATED, COVERED OR LAMINATED TEXTILE FABRICS; TEXTILE ARTICLES OF
11 - Textiles and textile articles	60	KNITTED OR CROCHETED FABRICS
11 - Textiles and textile articles	61	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, KNITTED OR CROCHETED
11 - Textiles and textile articles	62	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, NOT KNITTED OR CROCHETED
11 - Textiles and textile articles	63	OTHER MADE-UP TEXTILE ARTICLES; SETS; WORN CLOTHING AND WORN TEXTILE ARTICLES;

Source : Estimation from TARIC (DG-Taxud) and Comext (EUROSTA)

Annex 1 (continuation):Table of nomenclature correspondance (Section and SH code 2 digits)

(Continuation) Section of nomenclature abbreviation	SH 2 Code	SH2 abbreviation
12 - Footwear, headgear, umbrellas, sun un	64	FOOTWEAR, GAITERS AND THE LIKE; PARTS OF SUCH ARTICLES
12 - Footwear, headgear, umbrellas, sun un	65	HEADGEAR AND PARTS THEREOF
12 - Footwear, headgear, umbrellas, sun un	66	UMBRELLAS, SUN UMBRELLAS, WALKING-STICKS, SEAT-STICKS, WHIPS, RIDING-CROPS AND I
12 - Footwear, headgear, umbrellas, sun un	67	PREPARED FEATHERS AND DOWN AND ARTICLES MADE OF FEATHERS OR OF DOWN; ARTIFIC
13 - Articles of stone, plaster, cement, asbe	68	ARTICLES OF STONE, PLASTER, CEMENT, ASBESTOS, MICA OR SIMILAR MATERIALS
13 - Articles of stone, plaster, cement, asbe	69	CERAMIC PRODUCTS
13 - Articles of stone, plaster, cement, asbe	70	GLASS AND GLASSWARE
14 - Natural or cultured pearls, precious or s	71	NATURAL OR CULTURED PEARLS, PRECIOUS OR SEMI-PRECIOUS STONES, PRECIOUS METAL
15 - Base metals and articles of base metal	72	IRON AND STEEL
15 - Base metals and articles of base metal	73	ARTICLES OF IRON OR STEEL
15 - Base metals and articles of base metal	74	COPPER AND ARTICLES THEREOF
15 - Base metals and articles of base metal	75	NICKEL AND ARTICLES THEREOF
15 - Base metals and articles of base metal	76	ALUMINIUM AND ARTICLES THEREOF
15 - Base metals and articles of base metal	78	LEAD AND ARTICLES THEREOF
15 - Base metals and articles of base metal	79	ZINC AND ARTICLES THEREOF
15 - Base metals and articles of base metal	80	TIN AND ARTICLES THEREOF
15 - Base metals and articles of base metal	81	OTHER BASE METALS; CERMETS; ARTICLES THEREOF
15 - Base metals and articles of base metal	82	TOOLS, IMPLEMENTS, CUTLERY, SPOONS AND FORKS, OF BASE METAL; PARTS THEREOF OF
15 - Base metals and articles of base metal	83	MISCELLANEOUS ARTICLES OF BASE METAL
16 - Machinery and mechanical appliances;	84	NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREC
16 - Machinery and mechanical appliances;	85	ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS AND F
17 - Vehicles, aircraft, vessels and associat	86	RAILWAY OR TRAMWAY LOCOMOTIVES, ROLLING-STOCK AND PARTS THEREOF; RAILWAY OR
17 - Vehicles, aircraft, vessels and associat	87	VEHICLES OTHER THAN RAILWAY OR TRAMWAY ROLLING-STOCK, AND PARTS AND ACCESSO
17 - Vehicles, aircraft, vessels and associat	88	AIRCRAFT, SPACECRAFT, AND PARTS THEREOF
17 - Vehicles, aircraft, vessels and associat	89	SHIPS, BOATS AND FLOATING STRUCTURES
18 - Optical, photographic, cinematographic	90	OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDIC/
18 - Optical, photographic, cinematographic	91	CLOCKS AND WATCHES AND PARTS THEREOF
18 - Optical, photographic, cinematographic	92	MUSICAL INSTRUMENTS; PARTS AND ACCESSORIES OF SUCH ARTICLES
19 - Arms and ammunition; parts and acces	93	ARMS AND AMMUNITION; PARTS AND ACCESSORIES THEREOF
20 - Miscellaneous manufactured articles	94	FURNITURE; BEDDING, MATTRESSES, MATTRESS SUPPORTS, CUSHIONS AND SIMILAR STUFF
20 - Miscellaneous manufactured articles	95	TOYS, GAMES AND SPORTS REQUISITES; PARTS AND ACCESSORIES THEREOF
20 - Miscellaneous manufactured articles	96	MISCELLANEOUS MANUFACTURED ARTICLES
21 - Works of art, collectors' pieces and anti	97	WORKS OF ART, COLLECTORS' PIECES AND ANTIQUES

Source : Estimation from TARIC (DG-Taxud) and Comext (EUROSTA)

Annex 2 :EBA advantage on ACP, GSP-LDCs, EBA schemes (SH 6 digits).

A selection of main products (advantage >5%)

EBA advantage on GSP-LDCs and Cotonou (>25%)											
HS6	libel	MFN %	GSP %	ACP %	EBA %	HS6	libel	MFN %	GSP %	ACP %	EBA %
10290	Live bovine animals (excl. pur	74,3	70,9	63,1	0	40690	Cheese (excl. fresh cheese, in	36,1	36,1	36,1	0
10391	Live pure-bred swine, weighing	16,0	13,6	13,4	0	40700	Birds' eggs, in shell, fresh,	8,0	6,8	6,7	0
10392	Live pure-bred swine, weighing	21,8	18,5	18,3	0	40811	Dried egg yolks, whether or no	46,8	39,8	39,3	0
10519	Live domestic ducks, geese and	8,1	6,9	6,8	0	40819	Egg yolks, fresh, cooked by st	20,2	17,2	17,0	0
10592	Live fowls of the species Gall	7,7	6,5	6,5	0	40891	Dried birds' eggs, not in shel	31,0	26,3	26,0	0
10593	Live fowls of the species Gall	12,0	10,2	10,1	0	40899	Birds' eggs, not in shell, fre	14,5	12,3	12,2	0
10599	Live domestic ducks, geese, tu	12,4	10,5	10,4	0	40390	Buttermilk, curdled milk and c	32,5	23,7	25,3	0
20110	Carcases or half-carcases of b	74,3	70,1	60,3	0	40410	Whey and modified whey, whet	37,5	31,3	31,4	0
20120	Fresh or chilled bovine cuts,	77,8	73,6	63,8	0	40490	Products consisting of natural	48,7	40,8	40,8	0
20130	Fresh or chilled bovine meat,	73,8	69,6	59,8	0	40510	Butter (excl. dehydrated butte	79,4	67,5	66,7	0
20210	Frozen bovine carcasses and hal	49,5	45,3	35,5	0	40520	Dairy spreads of a fat content	62,5	52,0	51,8	0
20220	Frozen bovine cuts, with bone	83,2	79,0	69,2	0	40590	Fats and oils derived from mil	79,8	67,8	67,0	0
20230	Frozen, boneless meat of bovin	105,5	101,3	91,5	0	40610	Fresh cheese, i.e. unripened o	55,9	55,9	55,9	0
20311	Fresh or chilled carcasses and	24,8	24,8	24,8	0	40620	Grated or powdered cheese	16,4	16,4	16,4	0
20312	Fresh or chilled hams, shoulde	34,6	34,6	34,6	0	40630	Processed cheese, not grated c	28,9	28,9	28,9	0
20319	Fresh or chilled meat of swine	26,9	26,9	26,9	0	40640	Blue-veined cheese	27,0	27,0	27,0	0
20321	Frozen carcasses and half-carca	20,1	20,1	20,1	0	70200	Tomatoes, fresh or chilled	31,9	31,9	31,9	0
20322	Frozen hams, shoulders and cut	38,4	38,4	38,4	0	70700	Cucumbers and gherkins, fresh	41,4	34,4	38,8	0
20329	Frozen meat of swine (excl. ca	30,0	30,0	30,0	0	70910	Fresh or chilled globe articho	20,3	17,1	16,9	0
20410	Fresh or chilled lamb carcasses	63,9	49,9	49,9	0	70952	Fresh or chilled truffles	6,7	5,6	5,6	0
20421	Fresh or chilled sheep carcase	79,5	65,5	65,5	0	70990	Fresh or chilled vegetables (e	13,1	9,9	9,7	0
20422	Fresh or chilled cuts of sheep	49,9	35,9	35,9	0	71040	Sweetcorn, uncooked or cooke	17,4	11,8	11,8	0
20423	Fresh or chilled boneless cuts	54,3	40,3	40,3	0	71120	Olives, provisionally preserve	11,3	11,3	11,3	0
20430	Frozen lamb carcasses and half-	67,7	53,7	53,7	0	71190	Vegetables and mixtures of veç	83,5	75,7	9,4	0
20441	Frozen sheep carcasses and half	57,0	43,0	43,0	0	71410	Fresh, chilled, frozen or drie	18,1	18,1	16,9	0
20442	Frozen cuts of sheep, with bon	55,0	41,0	41,0	0	80510	Fresh or dried oranges	23,6	16,5	14,9	0
20443	Frozen boneless cuts of sheep	71,8	57,8	57,8	0	80520	Fresh or dried mandarins incl.	27,4	16,5	14,0	0
20450	Fresh, chilled or frozen meat	50,6	36,6	36,6	0	80530	FRESH OR DRIED LEMONS A	20,9	20,9	20,9	0
20610	Fresh or chilled edible offal	119,5	105,5	105,5	0	80810	Fresh apples	17,2	17,2	17,2	0
20629	Frozen edible bovine offal (ex	202,1	188,1	188,1	0	80820	Fresh pears and quinces	18,5	18,5	18,5	0
20711	Fresh or chilled fowls of the	19,3	19,3	19,3	0	80910	Fresh apricots	26,0	21,4	21,4	0
20712	Frozen fowls of the species Ga	26,0	26,0	26,0	0	80920	Fresh cherries	19,1	15,1	19,1	0
20713	Fresh or chilled cuts and edib	24,5	24,5	24,5	0	80930	Fresh peaches, incl. nectarine	24,1	21,4	21,4	0
20714	Frozen cuts and edible offal o	33,5	33,5	33,5	0	80940	Fresh plums and sloes	12,7	11,7	6,3	0
20724	Fresh or chilled turkeys of th	13,6	13,6	13,6	0	81110	Frozen strawberries, uncooked	29,0	7,3	8,0	0
20725	Frozen turkeys of the species	21,2	21,2	21,2	0	81120	Frozen raspberries, blackberri	28,4	6,7	6,7	0
20726	Fresh or chilled cuts and edib	20,5	20,5	20,5	0	81190	Frozen fruit and nuts, uncooke	26,5	5,9	5,5	0
20727	Frozen cuts and edible offal o	26,4	26,4	26,4	0	100110	Durum wheat	8,4	8,4	8,4	0
20732	Fresh or chilled ducks, geese	19,8	19,8	19,8	0	100190	Wheat and meslin (excl. durum	15,1	15,1	15,1	0
20733	Frozen ducks, geese and guinea	21,6	21,6	21,6	0	100200	Rye	22,1	22,1	22,1	0
20735	Fresh or chilled cuts and edib	15,0	15,0	15,0	0	100300	Barley	21,0	21,0	21,0	0
20736	Frozen cuts and edible offal o	25,5	25,5	25,5	0	100400	Oats	26,0	26,0	26,0	0
20900	Pig fat, free of lean meat, an	29,0	27,0	26,9	0	100590	Maize (excl. seed)	27,2	27,2	26,5	0
21011	Hams, shoulders and cuts there	22,1	22,1	22,1	0	100610	Rice in the husk, 'paddy' or r	22,6	22,6	7,5	0
21012	Bellies 'streaky' and cuts the	12,4	12,4	12,4	0	100620	Husked or brown rice	27,8	27,8	9,1	0
21019	Meat of swine, salted, in brin	23,2	23,2	23,2	0	100630	Semi-milled or wholly milled r	61,9	61,9	20,0	0
21020	Meat of bovine animals, salted	38,6	33,5	21,8	0	100640	Broken rice	45,0	45,0	14,6	0
21090	MEAT AND EDIBLE OFFAL, SA	46,4	42,5	35,5	0	100700	Grain sorghum	13,3	13,3	7,9	0
40120	Milk and cream of a fat conten	37,9	32,1	31,7	0	100810	Buckwheat	11,1	11,1	11,1	0
40130	Milk and cream of a fat conten	76,1	64,7	63,9	0	100890	Cereals (excl. wheat and mesli	19,5	19,5	19,5	0
40210	Milk and cream in solid forms,	39,8	39,8	39,8	0	110100	Wheat or meslin flour	20,1	17,1	16,9	0
40221	Milk and cream in solid forms,	37,8	37,8	37,8	0	110210	Rye flour	36,4	30,9	30,5	0
40229	Milk and cream in solid forms,	40,9	40,9	40,9	0	110220	Maize 'corn' flour	16,4	16,4	15,8	0
40291	Milk and cream, concentrated b	34,6	34,6	34,6	0	110230	Rice flour	19,3	19,3	18,9	0
40299	Milk and cream, concentrated a	140,2	140,2	140,2	0	110290	Cereal flours (excl. wheat, me	9,6	9,6	9,2	0
40310	Yogurt, whether or not flavour	25,3	17,0	18,4	0	110311	Groats and meal of wheat	28,3	24,0	23,7	0

Source : Estimation from TARIC (DG-Taxud) and Comext (EUROSTA)

Annex 2 (continuation): EBA advantage on ACP and GSP-LDCs schemes.

A selection of main products (advantage >5%)

HS6	libel	MFN %	GSP %	ACP %	EBA %	HS6	libel	MFN %	GSP %	ACP %	EBA %
110312	GROATS AND MEAL OF OATS	7,6	7,6	7,3	0	170490	Sugar confectionery not contai	23,5	20,9	22,0	0
110313	Groats and meal of maize 'corn	24,9	24,9	24,0	0	180610	Cocoa powder, sweetened	22,2	13,9	13,9	0
110314	RICE GROATS AND MEAL	14,2	14,2	13,8	0	180620	Chocolate and other food prepa	33,3	31,2	72,8	0
110319	Groats and meal of cereals (ex	17,1	17,1	16,5	0	180690	Chocolate and other preparatio	23,6	20,8	22,6	0
110321	WHEAT PELLETS	19,0	16,1	15,3	0	190110	Food preparations for infant u	30,0	21,8	21,7	0
110329	CEREAL PELLETS (EXCL. WH	12,6	12,6	12,2	0	190120	Mixes and doughs of flour, gro	61,9	53,7	57,1	0
110411	ROLLED OR FLAKED GRAINS	17,7	17,7	17,1	0	190190	Malt extract; food preparation	37,2	29,3	20,7	0
110412	Rolled or flaked grains of oat	8,4	8,4	8,1	0	190211	Uncooked pasta, not stuffed or	26,9	18,5	18,5	0
110419	Rolled or flaked grains of cer	17,8	17,8	17,2	0	190219	Uncooked pasta, not stuffed or	28,1	19,7	19,7	0
110421	HULLED, PEARLED, SLICED, I	29,9	29,9	29,2	0	190230	Pasta, cooked or otherwise pre	18,2	11,2	11,2	0
110422	Hulled, pearled, sliced, kibbl	21,4	21,4	20,8	0	190240	Couscous, whether or not prepa	23,2	15,5	15,5	0
110423	Hulled, pearled, sliced, kibbl	19,6	19,6	19,1	0	190410	Prepared foods obtained by sw	17,5	12,4	12,4	0
110429	Grains of cereals, hulled, pea	22,6	22,6	22,0	0	190420	Prepared foods obtained from u	24,7	18,4	18,4	0
110620	Flour, meal and powder of sago	8,0	8,0	7,0	0	190490	Cereals (excl. maize [corn]) i	33,0	23,9	23,9	0
110710	Malt (excl. roasted)	12,9	12,9	12,9	0	190520	Gingerbread and the like, whet	18,8	8,5	8,5	0
110720	Roasted malt	36,0	36,0	36,0	0	190530	SWEET BISCUITS, WAFFLES	30,2	27,2	26,7	0
110811	Wheat starch	21,6	21,6	19,4	0	190590	Bread, pastry, cakes, biscuits	28,1	25,7	25,8	0
110812	Maize starch	9,4	9,4	8,1	0	200410	Potatoes, prepared or preserve	101,6	93,4	93,4	0
110814	Manioc starch	30,6	21,4	13,2	0	200490	Vegetables and mixtures of veg	13,4	7,8	7,8	0
110819	Starch (excl. wheat, maize, po	10,0	9,2	7,4	0	200580	Sweet corn 'Zea Mays var. Sac	15,0	9,4	9,4	0
110900	Wheat gluten, whether or not d	24,0	16,8	14,6	0	200600	Vegetables, fruit, nuts, fruit	25,8	7,5	7,4	0
121291	Sugar beet, fresh, chilled, fr	32,8	27,9	27,4	0	200791	Citrus fruit jams, jellies, ma	28,5	7,7	9,0	0
150100	Pig fat, incl. lard, and poul	6,5	5,5	5,4	0	200911	Frozen orange juice, unferment	41,9	16,5	20,0	0
150910	Virgin olive oil and its fract	48,3	48,3	48,3	0	200919	Orange juice, unfermented, wh	55,6	30,2	30,2	0
150990	Olive oil and fractions obtain	29,7	29,7	29,7	0	200930	JUICE OF CITRUS FRUIT, WH	40,1	18,5	27,9	0
151000	Other oils and their fractions	19,2	19,2	19,2	0	200960	GRAPE JUICE, INCL. GRAPE	48,5	20,6	12,9	0
151710	Margarine (excl. liquid)	32,0	22,9	22,9	0	200970	APPLE JUICE, WHETHER OR	44,1	20,1	20,1	0
151790	Edible mixtures or preparation	32,4	23,3	23,3	0	200980	Juice of fruit or vegetables,	35,6	12,6	15,3	0
152200	Degras; residues resulting fro	13,8	13,8	13,8	0	200990	Mixtures of fruit juices, incl	38,2	18,1	18,9	0
160100	Sausages and similar products,	21,7	21,7	21,7	0	210112	Preparations with a basis of e	35,5	25,8	42,2	0
160210	Homogenised prepared meat, o	18,2	16,1	16,0	0	210120	Extracts, essences and concen	16,5	8,9	8,9	0
160220	Preparations of liver of any a	17,5	15,5	15,4	0	210500	Ice cream and other edible ice	22,5	13,6	13,6	0
160231	Meat or offal of turkeys 'Gall	9,9	9,9	9,9	0	210610	Protein concentrates and textu	25,0	15,3	15,3	0
160232	Meat or offal of fowls of the	16,6	16,6	16,6	0	210690	Food preparations, n.e.s.	21,6	13,6	13,6	0
160239	Prepared or preserved meat or	13,1	13,1	13,1	0	220290	Non-alcoholic beverages (excl.	15,8	9,7	9,7	0
160241	Hams and cuts thereof, prepare	29,4	24,9	24,7	0	220410	Sparkling wine of fresh grapes	6,6	6,6	6,6	0
160242	Prepared or preserved shoulder	48,3	41,1	40,6	0	220421	Wine of fresh grapes, incl. fo	5,6	5,6	5,6	0
160249	Prepared or preserved meat an	30,2	25,6	25,3	0	220429	Wine of fresh grapes, incl. fo	7,5	7,5	7,5	0
160250	Prepared or preserved meat or	48,1	48,1	48,1	0	220430	Grape must, of an actual alcoh	68,2	42,2	42,2	0
160290	Prepared or preserved meat, of	28,1	26,7	26,1	0	230210	Bran, sharps and other residue	6,0	6,0	5,5	0
170111	Raw cane sugar (excl. added fl	55,8	55,8	55,8	0	230230	Bran, sharps and other residue	28,0	28,0	24,5	0
170211	Lactose in solid form and lact	8,6	7,3	7,2	0	230310	Residues of starch manufacture	70,7	49,5	26,5	0
170220	Maple sugar, in solid form, an	8,3	7,0	6,9	0	230690	Oilcake and other solid residu	19,4	19,4	19,4	0
170230	Glucose in solid form and gluc	9,9	9,3	6,9	0	230910	Dog or cat food, put up for re	7,5	6,9	6,8	0
170260	Fructose in solid form and fru	10,8	9,2	9,1	0	230990	Preparations of a kind used in	14,2	12,5	12,3	0
170410	Chewing gum, whether or not su	14,2	7,7	7,7	0	330210	Mixtures of odoriferous substa	18,3	8,6	8,6	0

Sources : Estimation from TARIC (DG-Taxud) and Comext (EUROSTA)

Annex 2 (continuation): EBA advantage on GSP-LDCs only.

A selection of main products (advantage >5%)

HS6	Libel	MFN %	GSP %	EBA %
10410	Live sheep	52,8	52,8	0
10420	Live goats	30	30	0
70320	Garlic, fresh or chilled	10	5,7	0
80300	Bananas, incl. plantains, fres	102	102	81,2
100820	Millet (excl. grain sorghum)	21,3	21,3	0
170250	Chemically pure fructose in so	64,9	48,2	0
170290	Sugars in solid form, incl. in	7,4	6	0
180631	Chocolate and other preparatio	23,1	20,2	0
180632	Chocolate and other preparatio	23	19,7	0
190300	Tapioca and substitutes theref	29	22	0
190540	Rusks, toasted bread and simil	36	25,6	0
200310	Mushrooms of the genus 'Agaric	173	154	0
200520	Potatoes, prepared or preserve	42,7	33,5	0
200799	Jams, jellies, marmalades, pur	32,5	7,5	0
200920	Grapefruit juice	35,3	11,5	0
200940	Pineapple juice	53,3	27,9	0
220840	Rum and tafia	11,6	11,6	0

Sources : Estimation from TARIC (DG-Taxud) and Comext (EUROSTA)

Annex 3 :The components of the growth (by values) in LDC exports of "EBA products" to the EU according to the countries and products

The components of the growth in LDC exports of "EBA products" to the EU according to the countries

LDCs Export to EU (Selection of countries)	Growth 2000-1996 1000 \$ Export 1996	Export growth decomposition by effects			Growth 2003-2000 1000 \$ Export 2000	Export growth decomposition by effects		
		Demand	Performance	Diversification		Demand	Performance	Diversification
		1000 \$ Export 1996	1000 \$ Export 1996	1000 \$ Export 1996		1000 \$ Export 1996	1000 \$ Export 2000	1000 \$ Export 2000
Bangladesh	-	-	-	-	3155	3993	-2942	2104
Burkina Faso	-	-	-	-	3133	14	-512	3632
Cambodia	-	-	-	-	1684	0	0	1684
Congo	1861	-1188	3131	-82	-1369	138	-1538	31
Ethiopia	-1326	-1074	-354	101	8466	140	216	8110
Madagascar	-15254	-2820	-4435	-7999	-1223	539	-1200	-562
Malawi	4218	-1888	6578	-472	16625	457	16488	-321
Mali	-1742	-3379	319	1317	-2074	373	-1172	-1274
Mozambique	-4886	-2147	55	-2793	5636	90	-163	5709
Nepal	-	-	-	-	5469	14	-5	5459
Senegal	2662	-676	2080	1258	3078	1288	2093	-303
Somalia	-10593	-604	0	-9989	-	-	-	-
Sudan	-11280	-16568	7419	-2131	-	-	-	-
Tanzania	-	-	-	-	3931	185	4263	-518
Togo	1340	98	418	824	1309	573	272	465
Uganda	-	-	-	-	1141	4	10	1127
Zambia	-1387	-749	-805	168	17303	1218	16541	-456
All LDCs	-34902	-30850	14577	-18629	68217	21413	22828	23976

Source: BACI (CEPII)

The components of the growth in LDC exports of "EBA products" to the EU according to products

LDCs Products Export to EU (Selection of products)	HS Code	Growth 2000-1996 1000 \$ Export 1996	decomposition by effects			Growth 2003-2000 1000 \$ Export 2000	decomposition by effects		
			Demand	Performance	Diversification		Demand	Performance	Diversification
			1000 \$ Export 1996	1000 \$ Export 1996	1000 \$ Export 1996		1000 \$ Export 1996	1000 \$ Export 2000	1000 \$ Export 2000
TURKEYS, DUCKS, GEES, GUINEA FOWLS, I	10599	-3814	-3613	0	-201	-	-	-	-
MEAT OF BOVINE ANIMALS, BONELESS, FRO	20230	-7609	-1370	0	-6239	-	-	-	-
TOMATOES, FRESH OR CHILLED	70200	-	-	-	-	1848	545	1303	0
GARLIC, FRESH OR CHILLED	70320	-	-	-	-	896	0	0	896
GLOBE ARTICHOKE, FRESH OR CHILLED	70910	-	-	-	-	878	0	0	878
VEGETABLES, NESOI, FRESH OR CHILLED	70990	-	-	-	-	8678	4962	3715	0
ROOTS & TUBERS NESO, FRESH OR DRIED; \$	71490	-	-	-	-	-1142	115	-1257	0
BANANAS AND PLANTAINS, FRESH OR DRIED	80300	-10686	-595	0	-10091	-	-	-	-
CORN (MAIZE), OTHER THAN SEED CORN	100590	-1383	-647	-736	0	-	-	-	-
RICE, SEMI- OR WHOLLY MILLED, POLISHED	100630	-	-	-	-	1161	0	0	1161
GRAIN SORGHUM	100700	-5939	-10056	4117	0	-	-	-	-
CANE SUGAR, RAW, SOLID FORM, W/O ADDE	170111	-349	-6170	6361	-541	51003	501	28042	22460
CANE MOLASSES FROM EXTRACTION OR RE	170310	-6777	-9252	2474	0	-	-	-	-
FRUIT & EDIBLE PLANT PARTS NESOI, PREP	200899	-	-	-	-	1073	0	0	1073
OILCAKE ETC, FROM VEGETABLE FATS AND	230690	-	-	-	-	2100	160	1940	0
ANIMAL FEED PREP EXCEPT DOG OR CAT FO	230990	-2906	1222	0	-4129	-	-	-	-
All Ldcs		-34902	-30850	14577	-18629	68217	21413	22828	23976

Source: BACI (CEPII)

The components of the growth in LDC exports of "EBA products" to destinations other than the EU

LDCs Export to Others Countries than EU Selection of Countries	Growth 2000-1996 1000 \$ Export 1996	Export growth decomposition by effects			Growth 2003-2000 1000 \$ Export 2000	Export growth decomposition by effects		
		Demand 1000 \$ Export 1996	Performance 1000 \$ Export 1996	Diversification 1000 \$ Export 1996		Demand 1000 \$ Export 2000	Performance 1000 \$ Export 2000	Diversification 1000 \$ Export 2000
Bangladesh	-	-	-	-	5162	1232	354	3576
Burkina Faso	-	-	-	-	-6911	662	-3421	-4153
Djibouti	-	-	-	-	7590	221	1625	5744
Ethiopia	10172	-417	5187	5402	19430	3438	13579	2413
Malawi	-7315	-3197	-2727	-1391	14932	369	16456	-1893
Mali	-58173	-9252	-11054	-37866	-	-	-	-
Mozambique	-13574	-9205	1421	-5790	-	-	-	-
Myanmar	-73611	-2127	-62567	-8917	28427	742	13224	14460
Nepal	41975	-667	26620	16022	-21486	4459	-6198	-19747
Niger	13117	-3495	11821	4791	-	-	-	-
Sao Tom and Principe	12036	5	0	12031	-11829	1116	-754	-12191
Senegal	-	-	-	-	17117	790	13647	2679
Somalia	-34955	-17251	-21266	3563	-29395	18317	-45046	-2666
Sudan	18152	-26859	41869	3142	35481	44582	-2001	-7100
Tanzania (United Repub)	19128	-642	4603	15167	10098	-3950	15727	-1680
Togo	9940	-344	6169	4115	12237	283	7907	4048
Uganda	-19345	-4420	-15124	200	5290	1021	3791	479
Yemen	7568	-418	10771	-2785	-	-	-	-
All LDCs	-86850	-94963	4660	3453	84421	87787	20382	-23748

Source: BACI (CEPII)

The components of the growth in LDC exports of "EBA products" to destinations other than the EU according to products

LDCs Products Export to Other Countries than EU (Selection of products)	HS Code	Growth 2000-1996 1000\$ Export 1996	Export growth decomposition by effects			Growth 2003-2000 1000\$ Export 2000	Export growth decomposition by effects		
			Demand 1000\$ Export 1996	Performance 1000\$ Export 1996	Diversification 1000\$ Export 1996		Demand 1000\$ Export 2000	Performance 1000\$ Export 2000	Diversification 1000\$ Export 2000
BOVINE ANIMALS, LIVE, NESOI	10290	-12572	-5203	7546	-14915	-	-	-	-
SHEEP, LIVE	10410	-32688	-33761	15146	-14073	26646	58345	-31585	-115
GOATS, LIVE	10420	-17022	-4203	-12819	0	-8174	3345	-11518	0
CARCASSES & HALF-CARCASSES OF SHEEP	20421	6863	-1128	7991	0	5706	3100	2606	0
CARCASSES AND HALF-CARCASSES OF LAM	20430	-	-	-	-	5352	-2339	7691	0
BUTTER	40510	6485	-22	6569	-62	-6659	-230	0	-6430
DAIRY SPREADS	40520	6295	-21	6376	-60	-6463	-223	0	-6241
FATS AND OILS DERIVED FROM MILK, N.E.S.	40590	6295	-21	6376	-60	-6463	-223	0	-6241
CORN (MAIZE), OTHER THAN SEED CORN	100590	-28498	-8372	-20125	0	18985	1209	14222	3554
RICE, SEMI- OR WHOLLY MILLED, POLISHED	100630	-62341	-1962	-60380	0	2307	-1879	8683	-4497
RICE, BROKEN	100640	-	-	-	-	11571	-95	10734	932
GRAIN SORGHUM	100700	-	-	-	-	-6495	-740	-5755	0
CEREALS NESOI, INCLUDING WILD RICE	100890	-	-	-	-	9030	729	8301	0
WHEAT OR MESLIN FLOUR	110100	-	-	-	-	-5294	-123	0	-5171
GROATS AND MEAL OF WHEAT	110311	6191	0	0	6191	-5675	3573	-9247	0
GROATS AND MEAL OF RICE	110314	6146	0	0	6146	-6146	-5637	0	-509
CANE SUGAR, RAW, SOLID FORM, W/O ADDE	170111	-13483	-6066	-3459	-3958	9105	-181	13331	-4046
All LDCs		-86850	-94963	4660	3453	84421	87787	20382	-23748

Source: BACI (CEPII)

Annex 4 :The utilization of the different preferential " sugar " quotas by LDCs

DELIVERIES OF PREFERENTIAL SUGAR IN 00/01

(tonnes white value - based on Member States annual communications and partially on commercial sources)

State or country of origin	Agreed quantities in 00/01	Supply obligation in 00/01	Deliveries in 00/01	Under/Over delivery	Supply obligation in 01/02
Madagascar	10 760,00	0,00	7 398,00	7 398,00	3 362,00
Malawi	20 824,40	0,00	20 104,63	20 104,63	719,77
Tanzania	10 186,10	0,00	9 529,53	9 529,53	656,57
Zambia	0,00	0,00	0,00	0,00	0,00
TOTAL	41 770,50	0,00	37 032,16	37 032,16	4 738,35

DELIVERIES OF PREFERENTIAL SUGAR IN 01/02

(tonnes white value - based on Member States annual communications and partially on commercial sources)

State or country of origin	Agreed quantities in 01/02	Supply obligation in 01/02 (1)	Reallocation 01/02	Deliveries in 01/02	Under/Over delivery	Supply obligation in 02/03
Madagascar	10 760,00	0,00	469,80	9 483,50	-1 276,50	12 036,50
Malawi	20 824,40	0,00	523,30	22 460,94	21 937,64	-1 113,24
Tanzania	10 186,10	0,00	466,80	10 190,87	9 724,07	462,03
Zambia	0,00	0,00	412,70	412,70	0,00	0,00
TOTAL	41 770,50	0,00	1 872,60	42 548,01	30 385,21	11 385,29

DELIVERIES OF PREFERENTIAL SUGAR IN 02/03

(tonnes white value - based on Member States annual communications and partially on commercial sources)

State or country of origin	Agreed quantities in 02/03	Supply obligation in 02/03 (1)	Reallocation 02/03	Deliveries in 02/03	Under/Over delivery	Supply obligation in 03/04
Madagascar	10 760,00	0,00	0,00	3 981,00	3 981,00	6 779,00
Malawi	20 824,40	0,00	848,00	21 204,33	20 356,33	468,07
Tanzania	10 186,10	0,00	601,00	10 714,76	10 113,76	72,34
Zambia	0,00	0,00	677,00	677,00	0,00	0,00
TOTAL	41 770,50	0,00	2 126,00	36 577,09	34 451,09	7 319,41

(*) Deliveries include the quantities imported during the extended delivery period

DELIVERIES OF PREFERENTIAL SUGAR IN 03/04

tonnes white value - based on Member States communications (Article 7(1) b) of Reg (EC) n 1159/2003)

State or country of origin	Agreed quantities in 03/04 (2)	Supply obligation in 03/04 (1)	Reallocation 99/00	Deliveries in 03/04	Under/Over delivery	Supply obligation in 04/05
Madagascar (3)	10 760,00	18 815,50	0,00	13 686,70	-5 128,80	15 888,80
Malawi (3)	20 824,40	20 564,84	0,00	20 564,84	0,00	20 824,40
Mozambique (2)	6 000,00	6 000,00	0,00	0,00	-6 000,00	12 000,00
Tanzania	10 186,10	10 189,35	0,00	10 316,53	127,18	10 058,92
Zambia (2)	7 215,00	7 215,00	0,00	0,00	-7 215,00	14 430,00
TOTAL	54 985,50	62 784,69	0,00	44 568,07	-18 216,62	73 202,12

(1) regulation (EC) n 919/2004 + Commission Decision 17 mars 2004 (shortfall barbados)

(2) Commission Decision (JO C 283 of 20 November 2004)

(3) Deliveries to be confirmed

(4) Supply obligation 04/05 takes into account transfer of 6 858,11 tons for Zimbabwe

Annex 5 : EBA products hardly if not exported to EU

A. Main products not exported to EU

LDCs exports of EBA products not exported to EU	HS Code	LDCs Export 1000 \$
ABBREVIATION		
BOVINE ANIMALS, LIVE, NESOI	10290	32084
SHEEP, LIVE	10410	99164
GOATS, LIVE	10420	18308
CARCASSES/HALF-CARCASSES OF BOVINE ANMLS	20110	157
MEAT OF BOVINE ANIMALS, BONELESS, FROZEN	20230	1328
CARCASSES & HALF-CARCASSES OF SHEEP, FRE	20421	21800
MILK AND CREAM, NT CONCNTRD, NT SWEETD,	40110	232
MILK/CREAM NT CNCTRD/SWT, FAT CONTENT OV	40120	356
MILK AND CREAM, CONCENTRATED, NOT SWEETE	40291	2691
BUTTERMILK/KEPHIR/CURDLED FERMNTD ACIDFD	40390	127
BIRDS' EGGS, IN THE SHELL, FRESH, PRESER	40700	391
OLIVES, PROVISIONALLY PRESERVED, INEDIBL	71120	105
PEARS AND QUINCES, FRESH	80820	335
APRICOTS, FRESH	80910	652
PLUMS, PRUNE PLUMS AND SLOES, FRESH	80940	147
DURUM WHEAT	100110	998
BUCKWHEAT	100810	140
GROATS AND MEAL OF WHEAT	110311	1372
PELLETS OF WHEAT	110321	914
MARGARINE, EXCLUDING LIQUID MARGARINE	151710	739
PREPARED OR PRESERVED BOVINE MEAT ETC, N	160250	272
GLUCOSE (DEXTROSE), UNDER 20% FRUCTOSE I	170230	137
GLUCOSE & GLUCOSE SYRUP CONTAINING 20-49	170240	124
GINGERBREAD AND THE LIKE	190520	122
PROTEIN CONCENTRATES & TEXTURED PROTEIN	210610	242
BRAN SHARPS & OTH RESIDUES DERIVED FRM M	230210	643
BRAN SHARPS & OTH RESIDUES DERIVED FRM M	230220	811
BRAN SHARPS & OTH RESIDUE DERIVED FRM MI	230230	7295
BRAN SHARPS & RESIDUE DERV FRM MILLNG CE	230240	932
Total		192618

Source: BACI (CEPII)

B. Products hardly exported to EU

LDCs exports of EBA products hardly exported to EU	HS Code	LDCs Export to EU 1000 \$	All LDCs Export 1000 \$
MEAT OF BOVINE ANIMALS, BONELESS, FRESH	20130	15	136
MLK & CRM,CNTD,SWTND,POWDR/SOLIDS, OVER	40229	273	2461
CHEESE (UNRPND/UNCURD) FRSH INCL WHEY CH	40610	3	186
BANANAS AND PLANTAINS, FRESH OR DRIED	80300	412	10615
LEMONS AND LIMES, FRESH OR DRIED	80530	11	167
RICE IN THE HUSK (PADDY OR ROUGH)	100610	43	798
RICE, HUSKED (BROWN)	100620	195	3256
RICE, SEMI- OR WHOLLY MILLED, POLISHED E	100630	1372	17779
MILLET	100820	19	1227
CEREALS NESOI, INCLUDING WILD RICE	100890	119	11757
RYE FLOUR	110210	5	164
GROATS AND MEAL OF CORN (MAIZE)	110313	43	461
GRAINS ROLLD/FLAKD OF CEREALS, NESOI	110419	4	128
GRAINS WORKED ETC, OF CEREAL, NESOI	110429	35	730
PREPARED ETC, SWINE MEAT, OFFAL, ETC, NE	160249	5	114
SUGAR CONFECTION (INCL WH CHOC), NO COCO	170490	60	2602
COCOA PREPARATIONS, NOT IN BULK FORM, NE	180690	11	435
FOOD PREPARATIONS FOR INFANTS, RETAIL SA	190110	25	551
PASTA, PREPARED NESOI	190230	77	1105
PREP FOOD, SWELLING/ROASTING CEREAL/CERE	190410	20	329
PREP FOOD FROM UNROASTED CEREAL FLAKES/M	190420	20	329
CEREALS (NOT CORN) IN GRAIN FORM, PREPAR	190490	33	564
CRISPBREAD	190510	4	275
COOKIES (SWEET BISCUITS), WAFFLES AND WA	190530	295	3786
BREAD, PASTRY, CAKES, ETC NESOI & PUDDIN	190590	124	2679
ORANGE JUICE, OTHER THAN FROZEN, SWEETEN	200919	131	1187
CITRUS FRUIT JUICE FROM A SINGLE FRUIT,	200930	31	1758
JUICE OF ANY SINGLE FRUIT/VEGTBLE UNFERM	200980	44	1961
MIXTURES OF FRUIT AND/OR VEGETABLE JUICE	200990	87	1385
FOOD PREPARATIONS NESOI	210690	275	5888
NONALCOHOLIC BEVERAGES, NESOI	220290	98	2736
MIXTURES ODORIFEROUS SUBSTANCE USE FOOD/	330210	131	2118
Total		4019	79665

Source: BACI (CEPII)