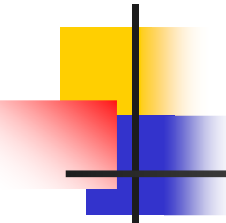




# EU Trade Policy and the Poor. Towards Improving the Poverty Impact of the GSP in Latin America

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Presentation by Andrew Mold  
based on  
Policy Report financed by EC-PREP  
24<sup>th</sup> May 2006, London



# Some (mis)conceptions over Preferences (1)

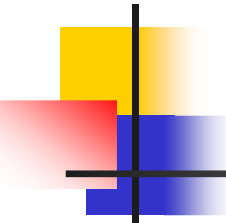
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*"Developing countries have made little use of preferential market access"*



# Use of EU Preferences

Country	1,000	in 1000€		in %		
	Total Imports	MFN= zero	MFN + Cotonou zero	Imports under MFN or Cotonou	MFN = 0	Cotonou Preferences
<b>Ivory Coast*</b>	2,600,303	1,652,511	2,470,654	95.0%	63.6%	36.4%
<b>Angola</b>	2,264,214	2,194,183	2,264,203	100.0%	96.9%	3.1%
<b>Kenya</b>	845,305	281,319	834,662	98.7%	33.3%	66.7%
<b>Mozambique</b>	582,737	25,265	573,894	98.5%	4.3%	95.7%
<b>Senegal</b>	404,990	81,540	399,211	98.6%	20.1%	79.9%
<b>Uganda</b>	259,375	127,682	259,310	100.0%	49.2%	50.8%
<b>Ethiopia</b>	183,860	139,661	175,019	95.2%	76.0%	24.0%
<b>Mali</b>	65,450	55,334	65,107	99.5%	84.5%	15.5%
<b>Lesotho</b>	10,255	6,573	10,255	100.0%	64.1%	35.9%
<b>African ACP Countries – Total</b>	23,326,717	17,279,488	22,698,061	98.0%	74.10%	23.20%



## Some (mis)conceptions over Preferences (2)

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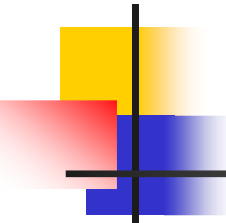
*" Preferential Market Access provides an incentive to diversification "*

# Overall protection in agriculture

(Percent tariff equivalent)

Type of protection	United States	Canada	European Union	Japan
Tariffs	8.8	30.4	32.6	76.4
Subsidies	10.2	16.8	10.4	3.2
<b>Total</b>	<b>19.9</b>	<b>52.3</b>	<b>46.4</b>	<b>82.1</b>

*Source: Cline, 2004*



## Some (mis)conceptions over Preferences (3)

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*"The empirical evidence shows that preferences have had a negligible impact on export performance"*



# Share of ACP Countries in EU Imports

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	1980	1990	2000
Mlns Euro/ECU	21,721	20,986	28,551
Share of EU Total	7.7	4.7	2.7
Trade balance	-3,736	-3,579	-2,217

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*Source: EU Commission*



## *Econometric Studies on GSP*

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- Three papers - Ozden and Reinhardt (2002), Rose (2002), and Cline (2004)
- Contradictory Messages
- Rose - gravity model, 178 countries, 1948-1999.
- Result? Member of GATT/WTO does not increase trade, but GSP does!
- Cline – Lome raised exports 8.8 percent annually between 1981-2001.



**Slide 8**

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ANDY, I WOULD SUGGEST GOING THROUGH THIS ONE VERY QUICKLY

User name placeholder, 19/05/2006



## Limited efficiency, due to

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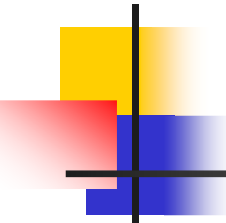
- Preference margin erosion (av. tariffs 40% 1950, now 3%)
- Proliferation of free trade agreements
- Decline in terms of trade (e.g. Ocampo y Parra, 2003)



# Why have Preferences not been more effective?

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- Uncertainty (unilateral nature)
- Lack of information about GSP
- Weak supply-side capacity
- Rules of origin



## Some (mis)conceptions over Preferences (4)

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*"Rules of Origin are inevitable in any kind of preferential or regional arrangement"*



## Some (mis)conceptions over Preferences (5)

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*"The benefits of preferential  
access accrue to developing  
country exporters"*

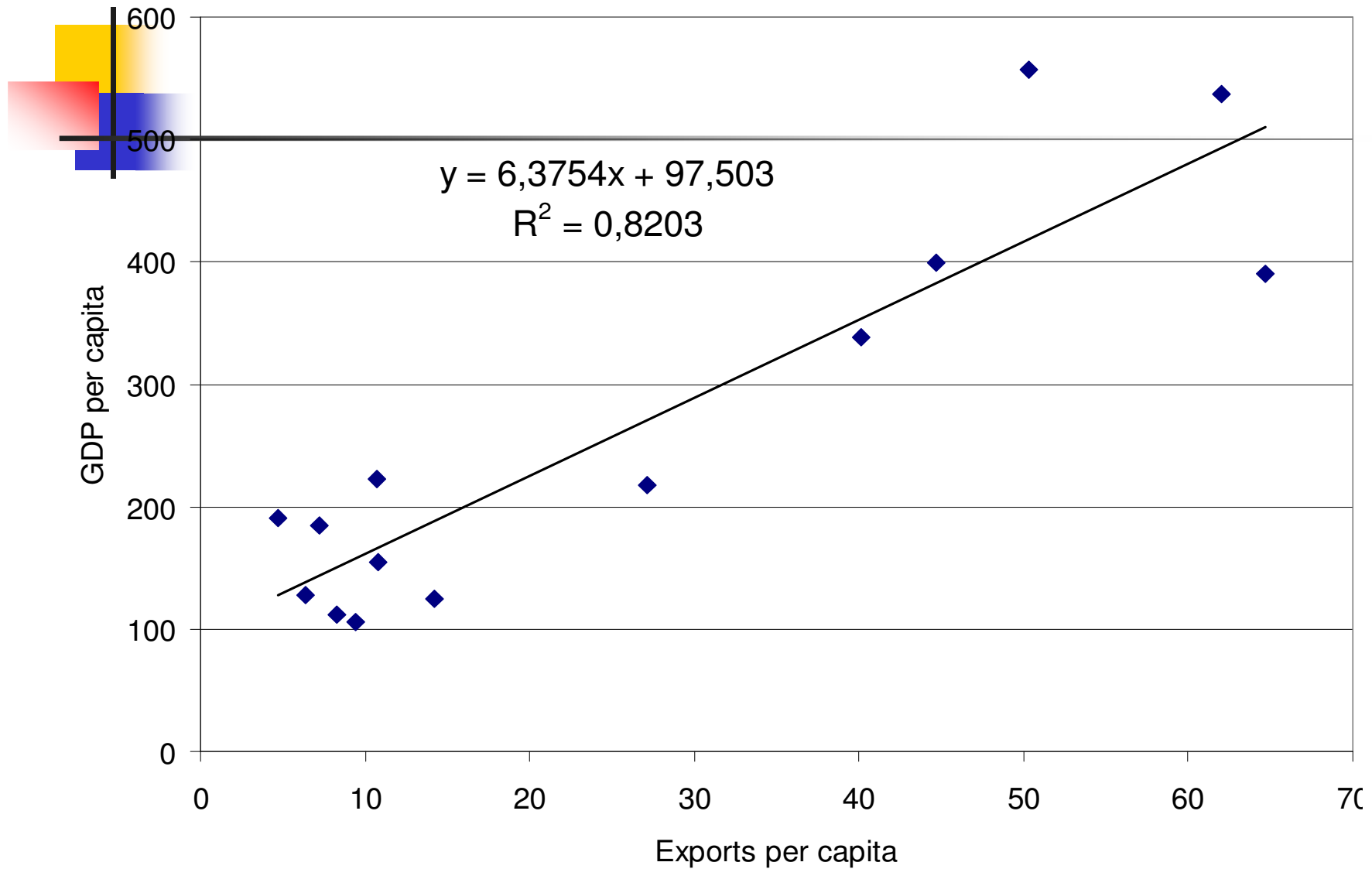


# The poverty and trade nexus

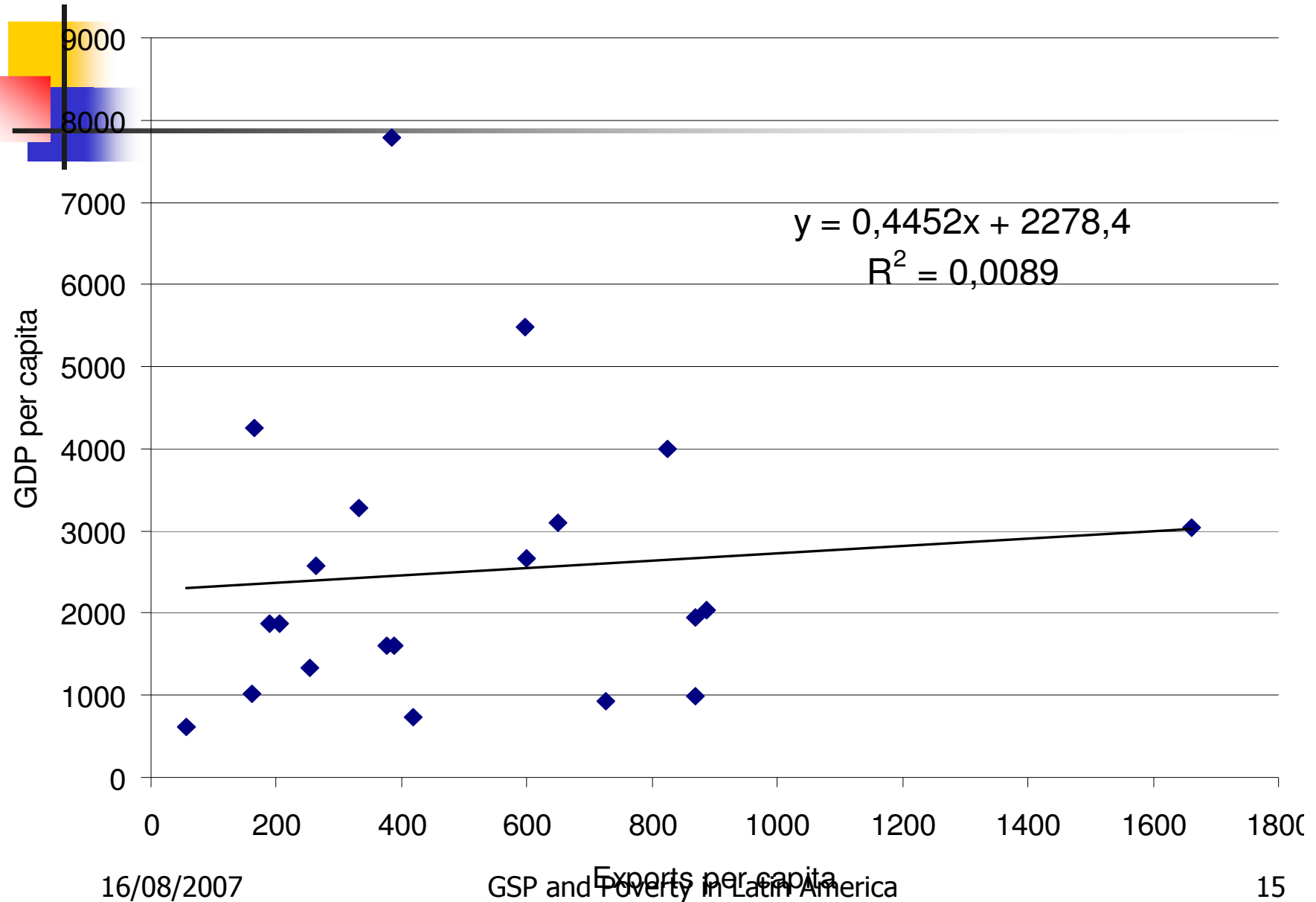
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- Difficult interface issue- little micro-economic research
- LA context - increased inequality. Poverty reduction elasticities with respect to growth low.
- Gains from trade not passed on to poor (e.g. Carter and Barham, 1996, Gibbons and Ponte, 2005)
- Gender dimension e.g. less than 10% of landholders in Paraguay & Guatemala women

# GDP and Exports per capita, 19 LA countries, 1913

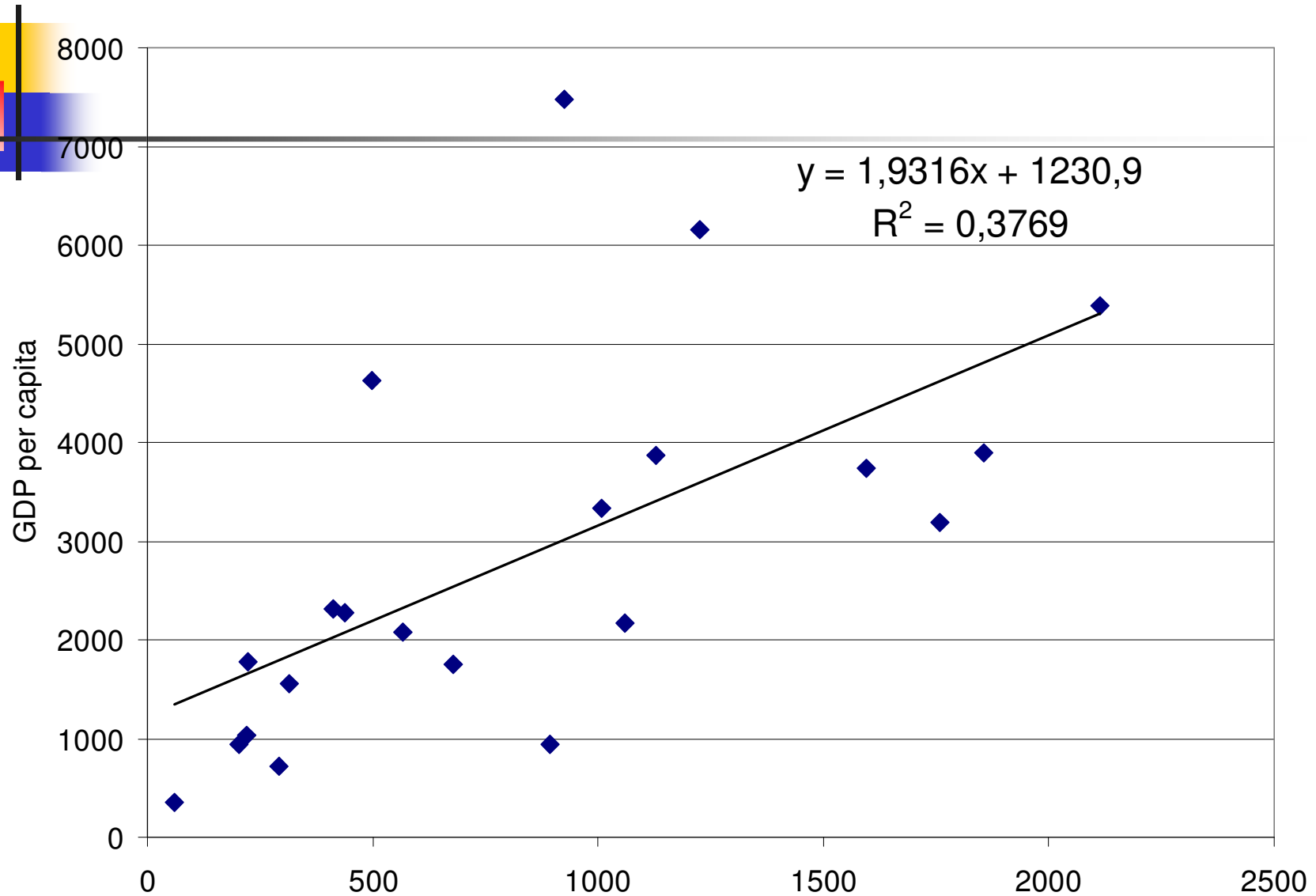


# GDP and Exports per capita, 21 LA countries, 1980



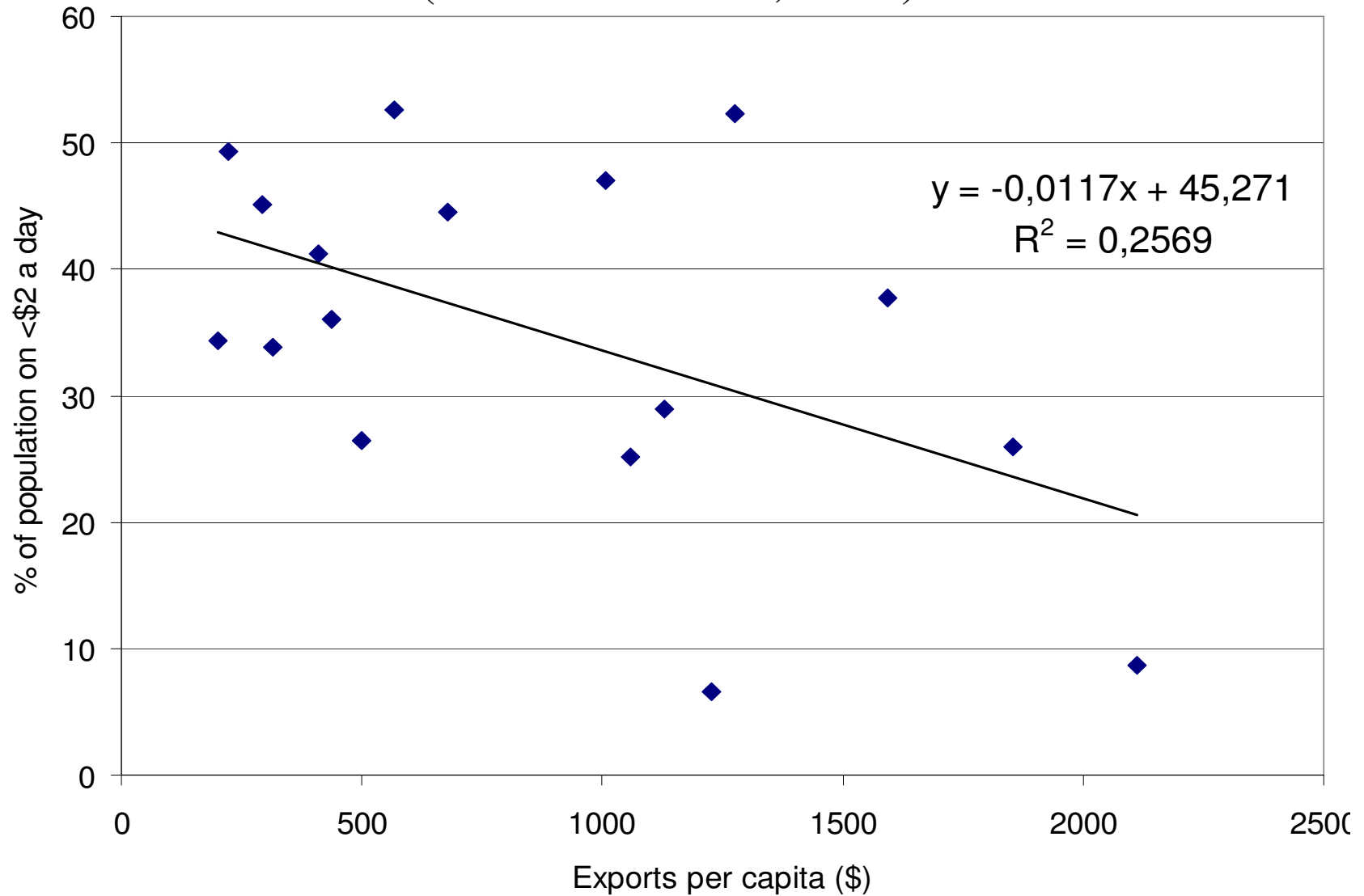


# GDP and Exports per capita, 21 LA countries, 2001

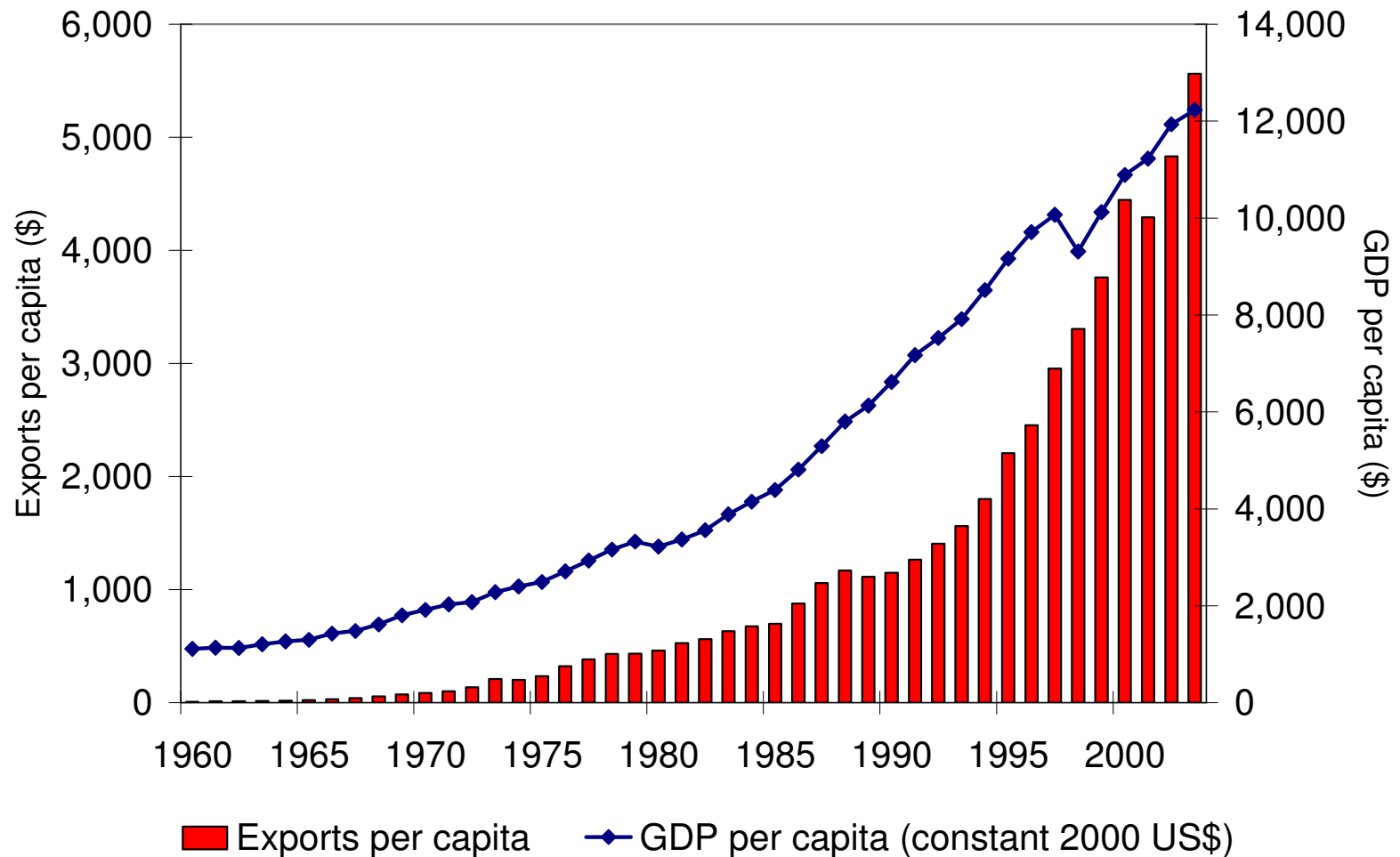


# Poverty and per capita Exports

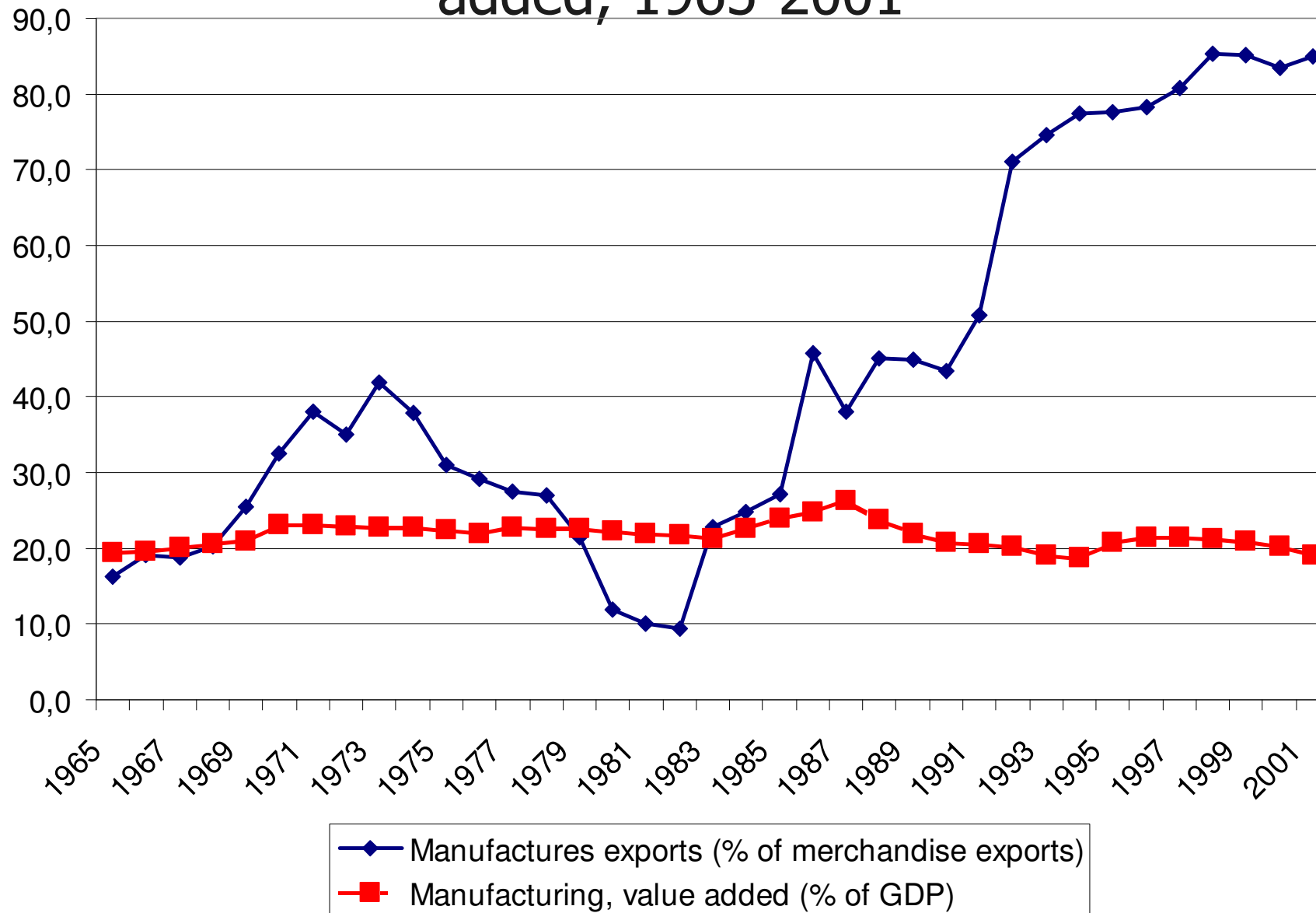
(19 LA countries, 2001)



# Korean Exports and GDP per capita 1960-2003

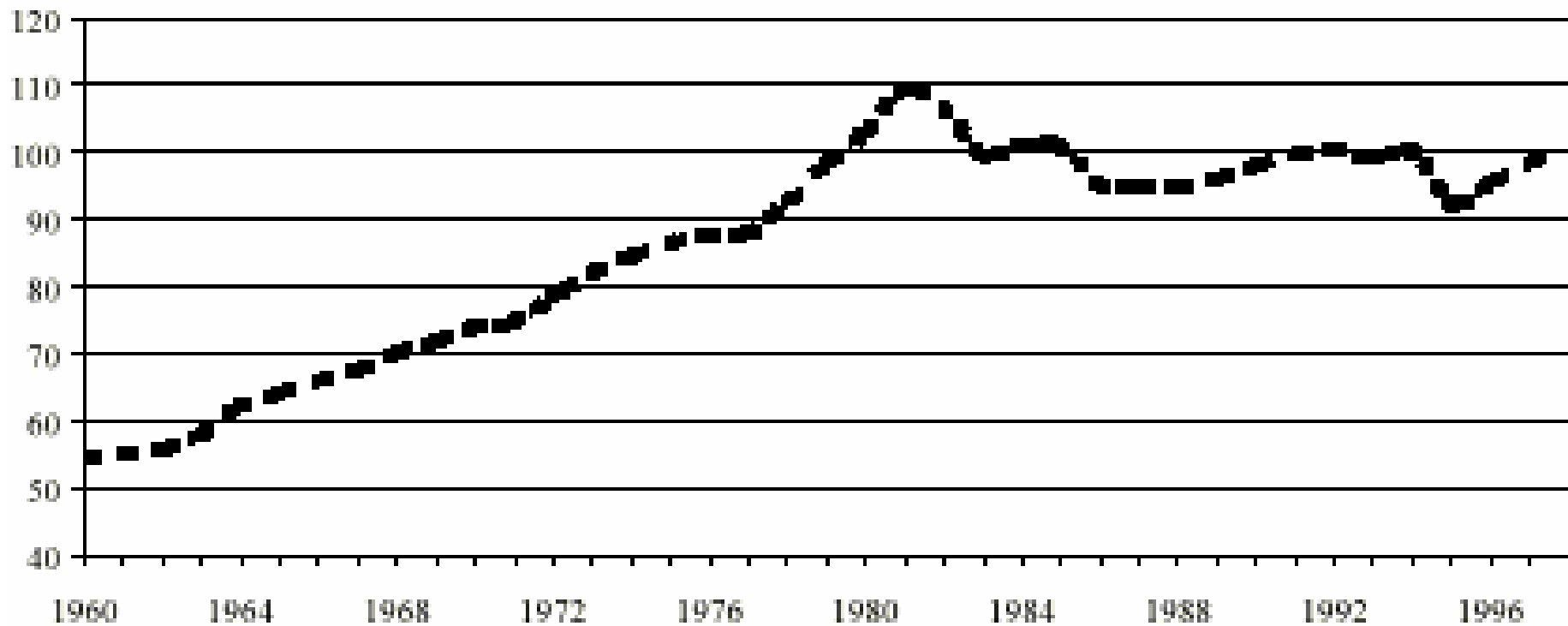


# Mexican manufactured exports and value-added, 1965-2001

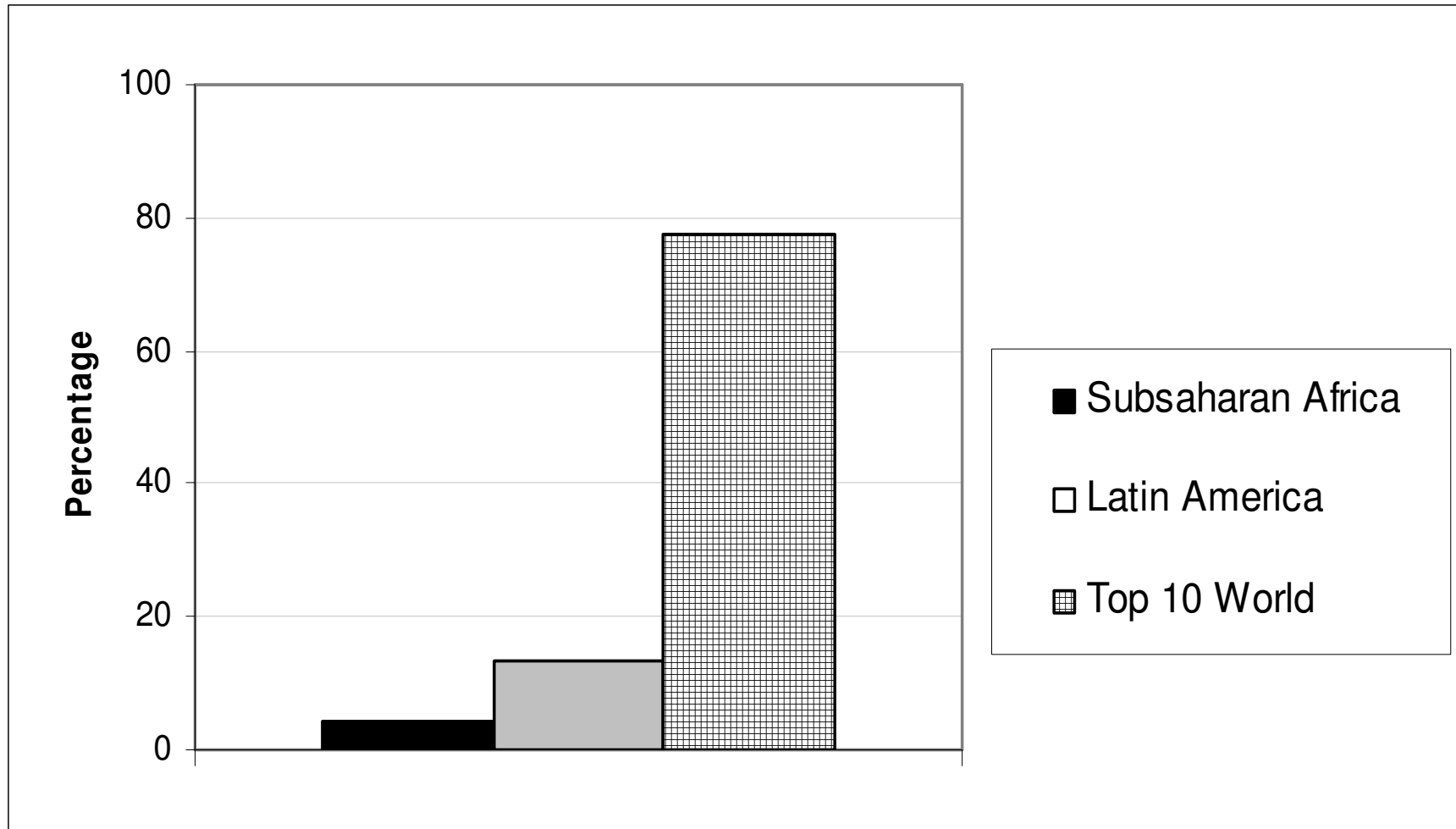




## Per capita income, Mexico 1960-2000



# Share of preferential imports in comparison (Average 2001-2002)





## Changes introduced by EU GSP+ (2006-08)

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- Simplification from 5 to 3 arrangements - General, “GSP-Plus”, EBA
- “GSP-Plus” for ‘vulnerable countries’:
- Ratified and implemented 16 international conventions - at least 7 of another list of 11.
- 11 of 15 countries designated by EU as legible Latin American



## Key points from policy paper

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- **LA is not one of the poorest regions, but it is not “emerging” either.**
- **40% are poor (20% desperately poor) and inequality is extreme;**
- **Despite economic reforms, region suffers from low-growth, high debt, and weak terms of trade.**
- **LA needs external support. EU has offered “strategic partnership”, but could it go further?**

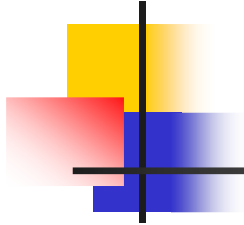




## Conclusions....

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- Preferences are controversial, and the empirical evidence is mixed, but...
- They are still needed and should be reformed
- A number of misnomers surround preferences (e.g. low utilisation rates)
- Existing preferences too complex, too unstable, and politically determined....



The report is available at:

<http://www.ucm.es/info/icei/pdf/WP%2002-04.pdf>

or

[www.ec-prep.org/](http://www.ec-prep.org/)

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