



# TRADE and TARIFFS

Trade grows as  
tariffs decline

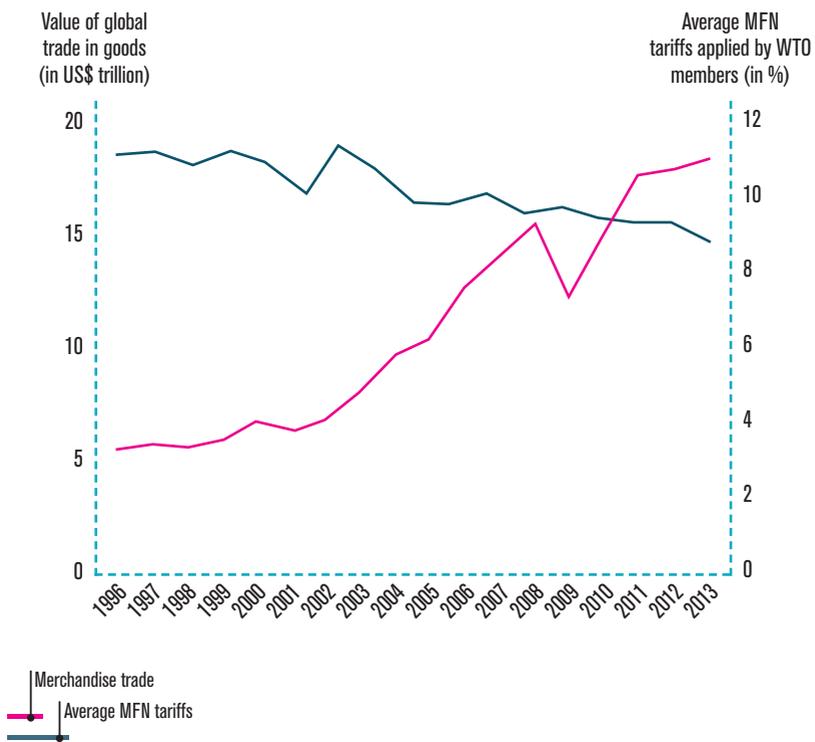
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# Did you know?

Over the past 20 years, global trade in goods has nearly quadrupled, reaching US\$ 19 trillion in 2013 compared with US\$ 5 trillion in 1996. This represents an annual growth rate of 7.6 per cent on average. Over the same period, there has been a 15 per cent reduction in average tariffs applied by WTO members.



Chart 1: Tariffs applied by WTO members and global trade in goods: 1996-2013



Sources: International Trade Statistics, World Tariff Profiles

9%

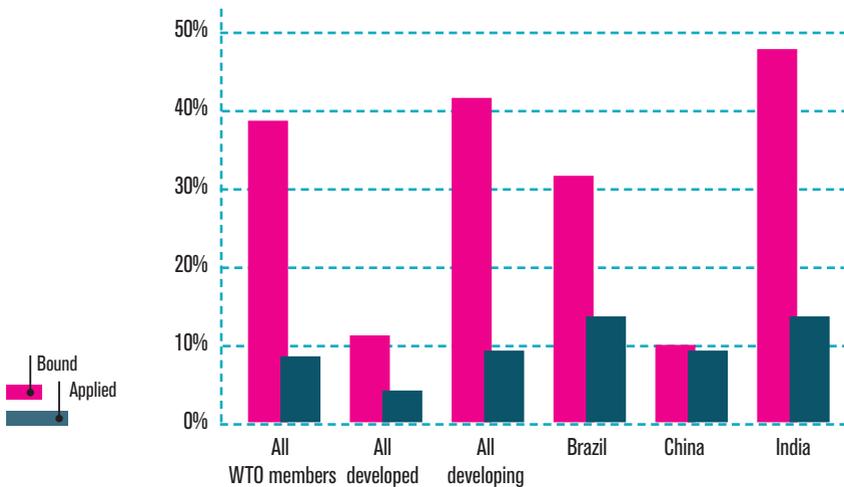
Average tariff applied by  
WTO members in 2013

## “Bound” and applied tariffs

On joining the WTO, new members commit to keep their tariffs beneath a “bound” level, as specified in their schedules of commitments. But the tariffs they actually apply can be far lower than these bound rates.

The average tariff applied by WTO members stands at 9 per cent whereas the average bound rate is as high as 39 per cent. The difference between bound and applied tariffs is even more marked for developing countries (see Chart 2). This is because developing countries negotiated much higher ceilings for their tariffs when joining the WTO. However, the tariffs they have actually applied have declined by 22 per cent over the past 20 years, far exceeding the global average decline of 15 per cent.

Chart 2: Bound tariffs and tariffs actually applied by WTO members



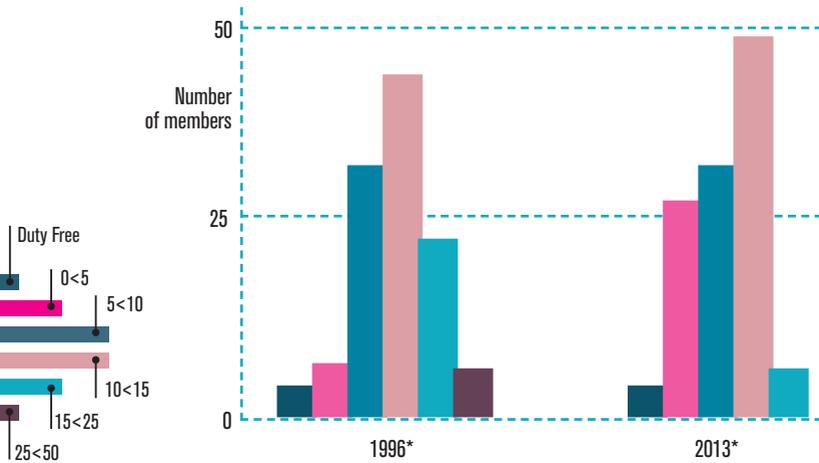
Source: WTO, World Tariff Profiles

## Tariff rates applied by WTO members

The tariffs applied by WTO members vary depending on the categories of goods being imported. Chart 3 shows that over the last ten years or so, tariffs in the 15-25 per cent range have declined dramatically while tariffs averaging 25 per cent or more have disappeared altogether. The majority of tariffs are in the 10 to 15 per cent range.

The greatest reduction in tariffs over the last ten years has been recorded by Mauritius, which has reduced the average rate it applies to goods from 28.5 per cent in 1996 to just 0.8 per cent today, one of the lowest rates in the world. The only WTO members applying lower tariffs are the “duty-free” economies of Singapore, Hong Kong (China) and Macao (China), which impose import duties on only a few agricultural products.

Chart 3: Range of tariffs applied by WTO members



Source: WTO, *World Tariff Profiles*.

\* or closest available year with data

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# Case study

## Information Technology Agreement

Sectoral agreements, such as the WTO's Information Technology Agreement (ITA), have significantly boosted trade by lowering tariffs. Signed in 1996, the ITA commits participants to completely eliminate duties on all IT products covered by the Agreement. Currently, 81 WTO members have signed up to this agreement.

The Agreement obliges the parties to provide duty-free access not only to imports from other ITA parties but also to WTO members that are not party to the Agreement.

Exports of IT products totalled US\$ 1.5 trillion in 2013, an almost fourfold increase since 1996 when the total was US\$ 439 billion (see Chart 4a). This represents an average annual increase of 8 per cent.

ITA participants account for 97 per cent of world trade in products covered by the Agreement. Over the past 18 years, developing countries' share in this trade has grown to almost 60 per cent compared with just 27 per cent in 1996.

Charts 4a and 4b show the top 10 exporters and importers of products covered by the ITA and how the value of world trade has evolved since 1996. The most marked increase has been recorded by China, which has increased its exports from US\$ 11 billion in 1996 to US\$ 549 billion in 2013 and the corresponding imports from US\$ 13 billion to US\$ 412 billion.

Among the top ten exporters/importers of IT products, only Mexico is not a member of the ITA. However, the average tariff it applies to products covered by the Agreement is just 2.0 per cent, far below its bound rate of 35 per cent.

In July 2015, WTO members concluded negotiations on expanding the number of products covered by the Agreement. The new list covers an additional 200 products valued at about US\$ 1 trillion in annual trade.

Chart 4a: Top 10 leading exporters of products covered by the Information Technology Agreement, 1996-2013

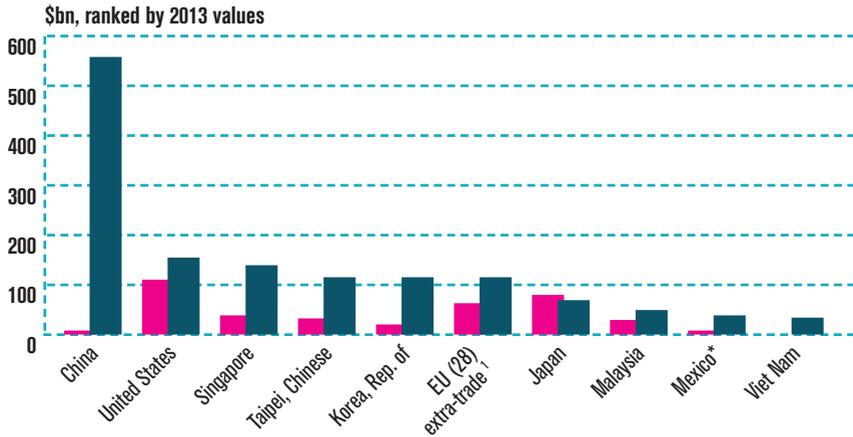
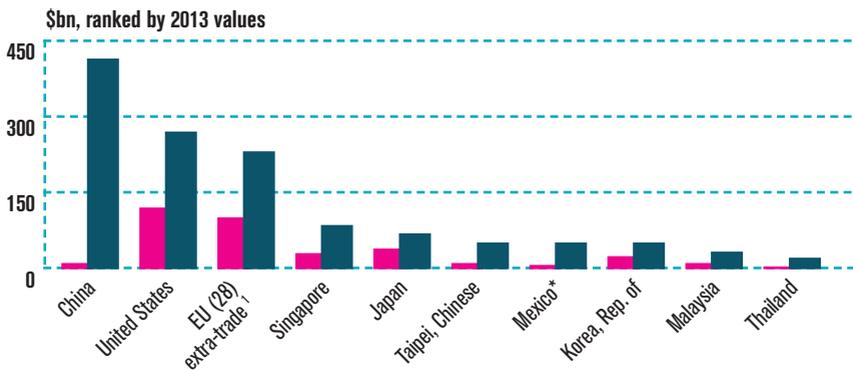


Chart 4b: Top 10 leading importers of products covered by the Information Technology Agreement, 1996-2013



Source: UN Comtrade database

1 1996: EU (27)

\* Non-ITA member



# Conclusions

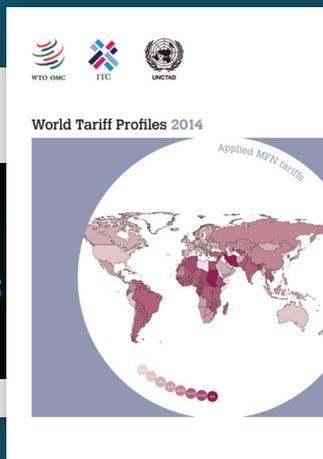
Global trade in goods has been boosted by the reduction in import tariffs over the past 20 years. Even when countries have negotiated high ceilings for their tariffs on joining the WTO, they have consistently reduced the tariffs they have actually applied to their imports since becoming a WTO member. In addition, sectoral agreements such as the Information Technology Agreement have further boosted trade by obliging its participants to completely eradicate tariffs on products covered by the Agreement and to offer the same concessions to all other WTO members. This has helped to further open up trade and to lead to trade growth.

## Further information on trade and tariffs

WTO publications can be purchased from the WTO Online Bookshop and from a worldwide network of distributors.



15 Years of the Information Technology Agreement:  
Trade, innovation and global  
production networks



World Tariff Profiles 2014



International Trade  
Statistics 2014

WTO Tariff Analysis Online facility  
<https://tariffanalysis.wto.org>

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