

11th WTO Ministerial: LDC issues and concerns

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Introduction

- ▶ The promise: A “development” round
- ▶ LDCs not required to reduce their applied tariffs
- ▶ Impact on LDCs largely depends on other countries’ actions
- ▶ Slow progress, deep divisions, questions over DR relevance
- ▶ Low expectations of MC11. Public food stockholding, domestic support, special safeguard mechanism, fisheries subsidies, e-commerce high on agenda
- ▶ This presentation: Key issues for MC11; DFQF, service waiver, trade facilitation, special and differential treatment, aid for trade

Doha Round

Potential effects on LDC real incomes

- ▶ Small benefits (or even losses) from deal on agriculture and non-agriculture market access [Bouet and Laborde (2011)]
- ▶ Preference erosion and adverse terms-of-trade reduce benefits
- ▶ Extending DFQF market access to 100% of products, including by emerging economies, can potentially offset losses
- ▶ Trade policy reforms by LDCs could yield benefits (cf. infant industry argument)
- ▶ Trade facilitation agreement: potential gains higher than from other parts of the DDA
- ▶ Operationalization of service waiver
- ▶ Aid for trade: exploit market access opportunities, assist trade adjustment, TF implementation

- ▶ Proposals recognize special needs of LDCs: exempt
- ▶ Treatment of blue box support
- ▶ Box shifting concerns
- ▶ Subsidies in emerging economies and LDC producers
- ▶ Product-specific limits; anti-concentration clauses
- ▶ Reductions a double-edged sword for LDCs

- ▶ A peace clause agreed at Bali Ministerial until a permanent solution is found by MC11
- ▶ Nairobi Ministerial: members agreed to hold negotiations in dedicated session to find permanent solution
- ▶ LDC group: exempt PSH support from de minimis calculation
- ▶ The EU, Brazil, Peru, Colombia, and Uruguay: PSH programmes involving traditional staple food crops be exempt from proposed reductions and exempt from AMS calculation if: LDC support; programmes in existence at 2013 Bali Ministerial; or no more than 10% of value of production

- ▶ G33: rejects linking PSH with reductions in domestic support
- ▶ G33: New annex (as Annex 6) to the AoA that exempts PSH support from AMS calculation - supported by many LDCs
- ▶ Developing as well as developed countries have concerns about G33 proposal
- ▶ Transparency requirements, safeguards – how strong?

Agriculture

Special safeguard mechanism (SSM)

- ▶ Nairobi decision: the right to have recourse to SSM as envisaged under paragraph 7 of the Hong Kong Ministerial Declaration; pursue negotiations in dedicated sessions
- ▶ LDC group seconded G33 position ahead of Nairobi
- ▶ G33 proposal (Job/Ag/111) contains a draft legal text; annex each for volume-based and price-based SSM; seeks concrete, operational SSM in MC11
- ▶ Some agriculture exporters want current SSM removed; EU, US want market access concessions in return
- ▶ LDCs: export interest vs domestic protection

- ▶ Negotiations on rules to discipline harmful fishery subsidies
- ▶ LDCs have limited capacity to provide subsidies but are hurt by subsidies elsewhere
- ▶ An informal document based on the proposals tabled was released in October 2017
 - Ban proposed on subsidies that contribute to overfishing and overcapacity, subsidies related to overfished stocks, and subsidies related to illegal, unreported, and unregulated (IUU) fishing
 - Issues: scope, flexibilities, operational issues, S&DT, concerns of subsistence, small-scale and artisanal fishers

New issues: E-commerce and MSMEs

- ▶ E-commerce: There are proposals that go beyond the mandate of the 1998 Work Programme on E-commerce (e.g., set up Working Party or Working Group on e-commerce at MC11)
 - Make permanent the moratorium on customs duties on electronic transmissions
 - Apply existing WTO agreements to e-commerce
 - Prohibitions on data localization
 - Need for caution: fast-evolving area with uncertain implications; rules on e-commerce not a magic bullet; more study needed
- ▶ MSMEs
 - Stated aim: MSMEs' integration into international trade
 - Concerns about pushing of interests in other areas
 - Can be discussed within existing mandates
 - MSME capacity building; assistance for integration into global value chains; marketing support; allowing financial support for MSMEs

Duty-free and quota-free market access

- ▶ Developed countries as well as developing countries have introduced/enhanced DFQF schemes for LDCs
- ▶ Exclusion of key products of interest to LDCs blunts meaningfulness of many schemes
- ▶ Coverage less than 97% in some schemes (e.g, US: 82.6%)
- ▶ Coverage is still lower when defined as the proportion of LDC exports to a preference-granting country that is not dutiable (e.g., 60% of LDC exports to the US were dutiable in 2015)

Duty-free and quota-free market access

Preferential rules of origin

- ▶ Stringent ROO make for low utilization
- ▶ Bali and Nairobi MCs: guidelines for simplifying and relaxing ROO
 - 25% value addition criterion when such criterion used
 - Value addition calculation based on non-originating material
 - Avoid using multiple criteria
 - Cumulation: consider requests for particular possibilities in case of specific sectors/products
 - Notification of ROO as per template, import data and implementation measures
- ▶ Jury still out on implementation
- ▶ Preference utilization just a partial picture: trade volume, types of products traded, supply-side capacity (NPL vs BGD)

- ▶ Two dozen members have submitted notifications granting preferences to LDC services and service suppliers
- ▶ Significant match between preferences offered and LDC collective request (across sectors and modes)
- ▶ Impressive offers of technical assistance and supply-side capacity building measures
- ▶ Next steps: spread the word that the waiver exists; identify assistance needs
- ▶ A dedicated programme under aid for trade to utilize preferences?

- ▶ Implementation of trade facilitation agreement (reached in Bali 2013)
- ▶ What others are doing (important especially for landlocked countries)
- ▶ Own measures (self-designation into Categories A, B, C)
- ▶ Category C: Identify needs and required assistance

- ▶ Aid for trade crucial for
 - Utilizing preferences (goods and services)
 - Implementing Trade Facilitation Agreement provisions
 - Trade adjustment: e.g., coping with losses from preference erosion, adverse terms of trade
- ▶ AfT issues: broad definition; flows under adjustment assistance have been nil or paltry

Special and differential treatment

- ▶ Doha Declaration calls for a review of S&DT provisions to make them more precise, effective and operational
- ▶ Several proposals tabled but little progress
- ▶ Ahead of MC10, G90 submitted 25 agreement-specific proposals; no consensus
- ▶ In July 2017, G90 made a fresh, pared-down submission (10 agreements)
 - TRIMS, GATT 1994 (two), SPS agreement, TBT agreement, SCV agreement, customs valuation and decision on minimum values, enabling clause, technology transfer, accession of LDCs.

Thank you