11th WTO Ministerial: LDC issues and concerns

Paras Kharel

South Asia Watch on Trade, Economics and Environment (SAWTEE)

November 15, 2017
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
Agriculture
Domestic support

▶ 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
Agriculture
Public stockholding I

- 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
Fisheries

- 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)
Service waiver

- 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?
Trade facilitation

- 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

- 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