



## Note

# Towards MC11: A Synopsis of Small Developing Countries and LDCs Interests

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### Summary

Least Developed Countries (LDCs) face a multitude of challenges that have hindered their effective integration in the multilateral trading system. These have been acknowledged by the World Trade Organisation (WTO) membership and as a result a number of Ministerial Conferences have made decisions favourable to resolving the challenges faced by LDCs. Nevertheless, despite some progress, a number of issues in their interest remain unresolved. Some of the outstanding LDC-specific issues are related to agriculture, cotton, special and differential treatment provisions, and fisheries subsidies.

## Introduction

It is acknowledged that small developing countries and least developed countries (LDCs) are faced with challenges that have marginalised them from effectively participating in international trade. Indeed, the World Trade Organization (WTO), 2001 Doha Ministerial Declaration, in paragraph 3 underscores the Members commitment to ensure the integration of LDCs in the multilateral trading system by addressing the critical issues preventing them from leveraging trade for development.

Subsequently, the 2005 Hong Kong Ministerial Declaration explicitly reaffirmed the WTO Members commitment to meaningfully integrate LDCs in the multilateral trading system by addressing issues of their interest. This mandate has been carried on through Ministerial Conferences, where LDC specific issues are addressed.

From the outset, it should be highlighted that progress has been achieved in addressing small developing countries and LDC specific issues, which provides a positive basis for the road ahead in tackling the pending issues. A case in point is the streamlining and simplification of preferential rules of origin, which following the Bali and Nairobi Ministerial Decisions, progress has been made with an agreed template already in place. Further, a number of preference granting countries have commenced utilisation of the template. The preferential rules of origin issue has now reverted to the regular committee for monitoring implementation.

Despite the progress made, imbalances persist in agricultural and allied sectors that are of paramount importance to small developing

countries and LDCs. Since small developing countries and LDCs share central characteristics with regard to their economic strength, their vulnerability to volatile international food prices, their dependence on agriculture, as well as their limited integration in the multilateral trading system, this issue note is based on the assessment that the interests of small developing countries and LDCs should be treated similarly with regard to WTO rules on agricultural and allied sectors, as well as the agenda setting of the WTO in the short and medium-term future. Here below is a synopsis of the outstanding small developing countries and LDC specific issues, which should be considered at the forthcoming Ministerial Meeting in Buenos Aires (MC11) follows:

## Agriculture

Most small developing countries and LDCs are heavily dependent on the agricultural sector which employs majority of the workforce. However challenges in the sector such as low productivity and production persist and in many cases have resulted in food insecurity. Most farming in small developing countries and LDCs is small scale, semi-subsistence and characterised by rudimentary technology. The international agricultural policies have exacerbated the challenges faced by small developing countries and LDCs. Issues such as trade distorting subsidies and changing and unpredictable standards would need to be addressed for the small developing countries and LDCs to become competitive in this critical sector for their development.

Integrating small developing countries and LDCs in world agricultural markets would no doubt boost their productivity, this calls for

access to requisite technologies, financing, and most crucially addressing the issue of trade-distorting domestic support that despite the many years of negotiations over the issue, such support continues to displace small developing countries and LDCs from global agricultural markets in products they would otherwise be very competitive in trading.

The last WTO Ministerial Conference in Nairobi reaffirmed Members commitment to advance negotiations on remaining Doha issues including domestic support, and in doing so, ensuring that the specific interests to LDCs are prioritised. It is in this light that LDCs now call for an outcome from the next Ministerial Conference that would ensure substantial decrease in trade-distorting domestic support, including addressing asymmetries in permitted domestic support measures. Such measures should have a focus on the products of particular interest for LDCs exports, which would be in line with Members commitment to address LDCs interests towards their integration in the multilateral trading system.

Moreover, the LDCs clearly emphasise that Special and Differential Treatment (S&DT) remains a core element relating to domestic support disciplines; LDCs shall be exempted from domestic support disciplines to provide them with the maximum possible policy space to develop and become self-reliant with regard to food security. The reaffirmation of S&DT and development is central to an outcome at MC11 which serves the interests of small developing countries and LDCs.

## Cotton

The cotton issue remains of paramount importance to small developing countries and

LDCs, particularly to the West African countries (Benin, Burkina Faso, Chad and Mali - C4) that are highly dependent on cotton production and whose cotton exports contribute considerably to their total exports. However, the global cotton market has witnessed a drastic collapse of cotton prices, mainly because of increased subsidies programs in developed countries and large developing countries. This is why the export revenues of the C4 and other cotton dependent producers have been falling short of the possible and much needed income opportunities when exporting cotton.

Since cotton prices have not experienced a steady increase and the share of world cotton production receiving direct government assistance has increased significantly over the recent years, with 76 per cent in 2015/16, the need for a resolution of the cotton issue in the interest of small developing countries and LDCs, particularly the C4, persists.

However, despite the initial commitment to address cotton ambitiously, expeditiously, and specifically; so far only incremental progress has been made in areas relating to market access, export competition and the development component as provided in the last Ministerial Conference declaration held in Nairobi in 2015.

The core issue of reducing support and protecting cotton producers is yet to be addressed through effective, concrete, substantial and measurable means. Small developing countries and LDCs, in particular the C4 that are greatly affected by non-resolution of the cotton issue have put forward a proposal detailing the specific actions required to set an overall limit on the sum of all trade-distorting domestic support measures for cotton in the forthcoming Ministerial.

## Public Stockholding for Food Security Purposes (PSH)

Public Stockholding programs for food security purposes (PSH) are important for the basic responsibility of governments to address hunger and fight volatility in both food prices and availability, and therefore contribute to the achievement of Sustainable Development Goal 2 (SDG 2). Presently, the relevance of PSH programs towards achieving food security in small developing countries and LDCs is greater than ever since global hunger is on the rise again and the global food market has been and will be characterised by scarcity of products, as well as high and volatile prices in the short and medium-term future. As a consequence, it is of paramount importance to small developing countries and LDCs to become more self-reliant in food security issues.

Since the peace clause on PSH agreed upon at MC9 in Bali 2013 gave Members a mandate to find a permanent solution on PSH programs by MC11, the issue will be of outstanding importance to the upcoming negotiations in Buenos Aires.

In the course of 2017, a number of proposals for a permanent solution on PSH have emerged, covering the issues of program, country and product coverage, safeguard and anti-circumvention measures and notifications and transparency. Across all these sections, a permanent solution on PSH should offer S&DT to small developing countries and LDCs.

Most importantly, both existing and future PSH programs should be covered by the permanent solution, given that the issue of food security is unlikely to disappear in the short-term future.

With regard to the issue of program, country and product coverage, a permanent solution on PSH programs should ensure that PSH programs arranged by small developing countries and LDCs are not required to be accounted for in their AMS/de minimis calculations. This would take care of the concern that many small developing countries and LDCs run into danger of breaching their commitments on domestic support under the Agreement on Agriculture (AOA).

Along these lines, small developing countries and LDCs should be given legal protection from challenges by other Members under the WTO Dispute Mechanism when maintaining their PSH programs.

Moreover, programs for the purchase of food at administered prices by the government in small developing countries and LDCs with the objective of offering the entire bottom part of the society, including the rural and urban poor, permanent access to sufficient quantities of food at constant prices should enjoy similar S&DT, being exempted from AMS/de minimis calculations and being protected from legal challenges.

Developed countries will only accept a permanent solution which includes safeguards that limit the acquisition of stockholdings and protect other Members from direct exports from public stocks at artificially low prices. Hence, small developing countries and LDCs should accept that direct exports from the stocks are prohibited and do not distort trade.

However, since food products cannot be stored for a very long time, there must be a mechanism governing surpluses of food stocks and their potential release on international markets

should be put in place.

With regard to notifications and transparency, a permanent solution, in general, should put the smallest possible burden on small developing countries and LDCs. To easily detect rules violation, Members must commit themselves to notify PSH programs to the Committee on Agriculture, including several relevant statistics on the operation of PSH programs.

## Fisheries

The fisheries sector is very important for many small developing countries and LDCs as a source of food security, protein intake and sustenance of livelihoods. With 116 million employees in the fisheries sector coming from developing countries, 108 million people being found in small-scale fisheries and 60 million people operating in artisanal and subsistence fishing universally, the fisheries sector is particularly crucial for the bottom part of the societies in small developing countries and LDCs.

Fisheries also contribute significantly to export earnings of many small developing countries and LDCs, which is why the fisheries sector is recognised as an important component to both the economic growth and the social welfare of small developing countries and LDCs.

However, the fisheries sector has been experiencing high levels of exploitations and misuse, with small-scale fishers suffering from a wide range of institutional, regulatory and environmental issues over a long period. This is why an outcome on fisheries at MC11 is crucial for small developing countries and LDCs to protect the remaining fish stocks.

Developments in the fisheries subsidies

negotiations at the WTO so far point towards a possible outcome at MC11. It is in this light that critical issues for small developing countries and LDCs should be part of the eventual outcome and these specifically include prohibition of fisheries subsidies that facilitate over-capacity and subsidies that facilitate illegal, unreported and unregulated (IUU) fishing practices, with the latter being a major reason for the rapid decline of fish in global waters.

However, it must be taken into consideration that the small-scale fisheries in small developing countries and LDCs do not contribute to the issues of overcapacity and IUU and require the maximum possible policy space with regard to subsidies to ensure that they can optimally and sustainably develop their fisheries sector. Therefore, S&DT should be a fundamental part of the fisheries subsidy negotiations at MC11 to establish new rules on fisheries that promote the fishery diversity, food security and social welfare of the citizens employed in the fisheries sector in small developing countries and LDCs.

An agreement on fisheries subsidies disciplines should also provide for technical assistance for small developing countries and LDCs to ensure IUU's vessels do not cross into their territories. Additionally, small developing countries and LDCs would also need assistance to overcome the lack of capacity to monitor fish stocks towards improving sustainability in their territories, which requires human resources, data collection, information on catches made etc.

Trade preferences for small developing countries and LDCs should be maintained in order to protect their products from tariff escalation, which in sum requires policy space that would enable development of landing,

processing, and marketing facilities through provision of subsidies.

With regard to transparency as well as monitoring and evaluation of agreed disciplines, it is suggested that countries owning vessels involved in IUU activities should be obliged to sanction, and penalise them and that steps taken in this regard should be regularly reported to WTO.

Also, in addition to a requirement of self-notification of actions taken in the implementation of an agreement on fisheries subsidies disciplines, small developing countries and LDCs should be provided with capacity to monitor and implement obligations in their territorial waters, further, disciplines in this relation should extend to the high seas where illegal activities such as trans boarding take place.

In order to ensure effective monitoring and evaluation of outcomes, Members should be required to have internal processes that feed into the WTO periodic reporting on conformity with any disciplines put in place; however small developing countries and LDCs should be exempted from this requirement until they have obtained or been provided with assistance to do so.

## Special and Differential Treatment (S&DT)

The principle of special and differential treatment (S&DT) is important for developing countries, more so for small developing countries and LDCs for their effective integration in the multilateral trading system. The global share of LDCs' exports that stood at

less than one percent in 2015 illustrates the need for such measures, which are necessary to spur their development efforts. This calls for enhancing LDCs manufacturing capacity that would spur backward and forward linkages with other sectors of the economy. It is in light of this that S&DT for LDCs should be categorically strengthened and/or provided for in the areas of their interests. In the move towards MC11, the specific areas of interest for small developing countries and LDCs S&DT include the following:

- Trade Related Investment Measures (TRIMs); wherein LDCs inter alia propose permanent derogation from the TRIMs Agreement until graduation from LDC status.
- Sanitary and Phytosanitary Measures (SPS); wherein it is inter alia proposed that developed countries should not ban the importation and marketing of products originating from small developing countries and LDCs.
- Agreement on Subsidies and Countervailing measures; provide flexibilities for non-actionable subsidies as well as local content subsidies among others.
- Accession; full implementation of the 2002 and 2012 LDCs Accession Guideline

## Way Forward

The challenges faced by small developing countries and LDCs that have prevented them from effectively integrating in the global trading system are widely acknowledged. In fact WTO Members committed themselves to address

these challenges and have indeed made some progress towards this end. However a number of critical issues remain to be addressed as highlighted in this synopsis.

The forthcoming 11<sup>th</sup> Ministerial Conference is yet another opportunity to take forward efforts

in assisting small developing countries and LDCs to better integrate in the multilateral trading system. An outcome that addresses some of the issues highlighted above, would go a long way in boosting this group of countries efforts to overcome their development challenges.



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