PAPER

WTO Trade Policy Reviews of Major Economies

Implications and Lessons for Smaller Developing Countries and LDCs

Krista Joosep Alvarenga

CUTS International

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Authored by:

Krista Joosep Alvarenga

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Abstract

The current paper assesses WTO Trade Policy Reviews (TPR) of Japan (2017), the U.S (2018), and China (2018) and their implications on smaller developing countries and LDCs. The paper draws out trade barriers, market opportunities, policy uncertainties and policy options evident in these Trade Policy Reviews. The goal is to show that the TPRs can and should be used more regularly by LDCs and smaller developing countries to better understand the relevant policies and measures in their major export destinations as well as to take up specific issues being faced by their exporters with a view to finding solutions.

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Abbreviations

ACE	Automated Commercial Environment
ACP	Africa, Caribbean and Pacific
AD	Antidumping duties
AfT	Aid for Trade
AGOA	African Growth and Opportunity Act
ARC	Agricultural Risk Coverage
ANS	American National Standards
BAA	Buy American Act
CBI	Caribbean Basin Initiative
CBTPA	Caribbean Basin Trade Partnership Act
CFTA	Africa Continental Free Trade Area
CNY	Chinese Yuan
CVD	Countervailing duties
DDA	Doha Development Agenda
DFQF	Duty free quota free
DS	Dispute settlement
EEZ	Exclusive economic zones
FDA	Food and Drug Administration
FDI	Foreign Direct Investment
FTA	Free trade agreements
FY	Fiscal year
FSMA	Food Safety Modernization Act
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GPA	Government Procurement Agreement

GSP	General System of Preferences
HS	Harmonized System
HTSUS	Harmonized Tariff Schedule of the U.S.
ICT	Information and Communications Technology
IPR	Intellectual Property Rights
IUU	Illegal, unreported, and unregulated
JETRO	Japan External Trade Organization
LDBDC	Least Developed Beneficiary Developing Countries
LDC	Least developed countries
MFN	Most Favoured Nation
MRL	Maximum residual levels
NDRC	National Development and Reform Commission
NSSZ	National Strategic Special Zones
NTPP	Nepal Trade Preference Program
OECD	Organization for Economic Cooperation and Development
OSBP	One-Stop Border Posts
PLC	Price Loss Coverage
RMB	Renminbi
ROO	Rules of Origin
SAIC	State Administration for Industry and Commerce
SCM	Subsidies and Countervailing Measures
SME	Small-and medium-size enterprises
SOE	State-owned enterprises
SPS	Sanitary and Phytosanitary
SSA	Sub-Saharan African
STC	Specific trade concerns
STE	State trading enterprises
TBT	Technical Barriers to Trade
TFA	Trade Facilitation Agreement
TICAD	Tokyo International Conference on African Development

TISA	Trade in Services Agreement
TPEA	Trade Preferences Extension Act
TPP	Trans-Pacific Partnership agreement
T-TIP	Trans- Atlantic Trade and Investment Partnership
TPR	Trade Policy Review
TPRM	Trade Policy Review Mechanism
TRQ	Tariff Rate Quotas
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USAID	U.S. Agency for International Development
USD	United States Dollar
USDA	U.S. Department of Agriculture
USMCA	United States-Mexico-Canada Agreement
USTR	United States Trade Representative
VAT	Value-Added Tax
VCS	Voluntary consensus standards
WTO	World Trade Organization

Introduction

It is beneficial for Least Developed Country (LDC) and smaller developing country[1] governments, including through their Geneva Missions, to understand trade policies and regulation of their trade partners and be able to pass such information to their exporters or agencies dealing with trade. One of the main functions of the World Trade Organization (WTO) is to monitor its Members' trade policies and practices and their impact on the multilateral trading system. To undertake that monitoring, a Trade Policy Review Mechanisms (TPRM) was set up in Annex 3 of the Marrakesh Agreement that establishes the WTO. Developed WTO Members make extensive use of the Trade Policy Review (TPR), sometimes asking hundreds of questions from their trade partners in sectors where new regulation has been introduced, where they would like more liberalization, or where they believe their exporters are disadvantaged or could benefit from clarifications. Small developing country WTO Members could take better advantage to clarifying issues in areas where they export or exporters will be affected. The TPRs are very rich in information but smaller developing countries can focus on their goods and services export sectors and the regulations affecting those.

Four biggest world economies (U.S., China, Japan, EU) have been subject to a TPR every two years. Two of the biggest world economies are also the main export destination countries of LDCs and small developing countries (US, China). The paper looks at the TPRs of China (2018), U.S. (2018) and Japan (2017) and within them some of the overall policy and regulation concerns that ensued and then scrutinizes the trade policy implications on LDCs and smaller developing countries. The paper tackles the traditional areas of interest to LDCs but also discusses intellectual property, competition, e-commerce and other important issues and their potential implications for smaller developing and least-developed countries.

Why TPRs of major world economies are important to the LDCs and small developing countries?

First, the information gained from a TPR allows WTO members to reduce policy uncertainty. In a TPR, a WTO Member's commitments under different WTO agreements are monitored, which helps to understand how their trade policies are implemented. Second, a TPR helps to disclose any trade barriers as well as market opportunities. If trade-distorting measures become evident, they can be dealt with in different instances. Or, market opportunities can be communicated to exporters. Third, WTO Members can learn about new domestic policy options that they were not previously aware of. Fourth, a TPR is an efficient resource for trade monitoring, since for smaller WTO Member states it would be costly to try to undertake domestic reviews of policies and measures of the other Members.[2] The implications that the paper looks at have to do with these four categories.

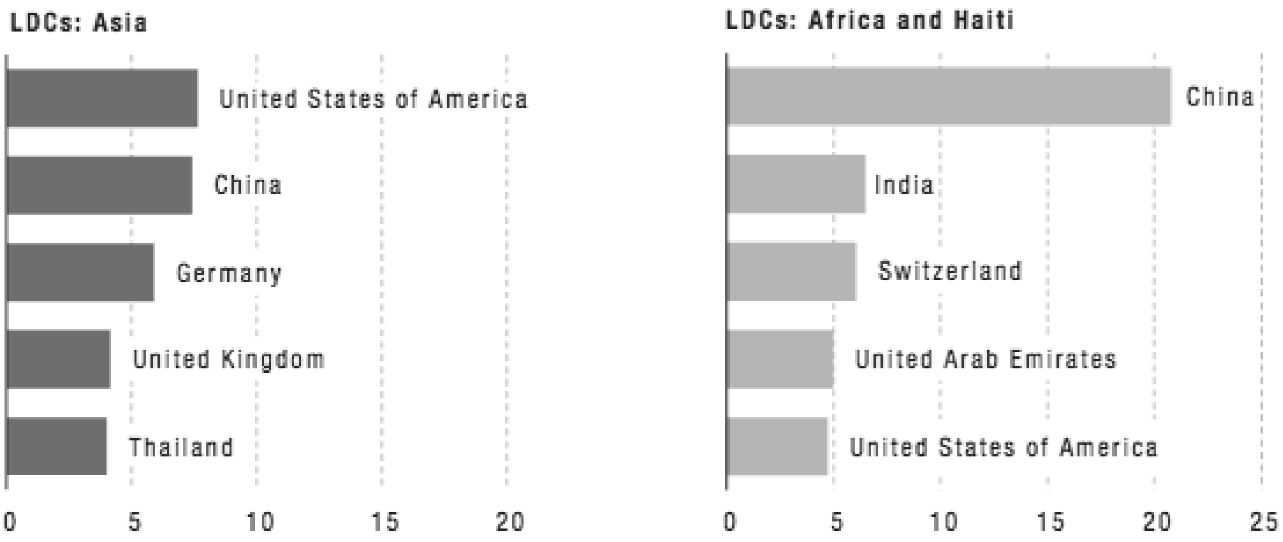
[1] Smaller developing countries are defined within this paper as developing countries that do not include for example the BRICS countries, Argentina and others in the similar economy size category.

[2] Grollier, J. "WTO Trade Policy Review Mechanism: Participation of Small Developing Countries", CUTS International, Geneva note, December 2017

LDCs' Trade Destination in the World

LDCs share in world trade is minimal but they hope to double their portion of global exports by 2020 under the UN Sustainable Development Goals (SDG 17 target 17.11).[3] Largest destination markets for LDCs are biggest world economies, such as USA and China (Chart 1). Quite a bit of their exports also go towards India as well as countries in Europe.

Chart 1: LDCs main export destinations in 2016 (Billions of USD)



Source: UNCTAD 2017 Handbook of Statistics[4]

[3] UN (2017), United Nations Committee for Development Policy: Support Measures Portal for LDCs, "Globalization and trade-related measures for LDCs", October 4, 2017, accessed 23.01.2019 at https://bit.ly/2DsQMHr

[4] UNCTAD (2017). Handbook of Statistics. 26 January 2018. Accessed at https://unctad.org/en/PublicationsLibrary/tdstat42_en.pdf

SECTION 1

Japan Trade Policy Review 2017

Japan is the third largest economy in the world, fourth largest exporter and importer of goods and services in 2017. Japan is a net importer of services and the second largest overseas investor worldwide. They are a strong supporter of development assistance.

LDCs export to Japan different products ranging from fuel to fish and textile to clothing. In 2015, Japan was the sixth largest export destination for LDCs, embodying about 3% of all LDCs' exports. Yet, LDCs from Asia have steadily increased their exports to Japan and have trade surplus with Japan, mostly due to garment and textile exports from Cambodia and Bangladesh. This positive outcome came about after Duty Free Quota Free (DFQF) market access was granted to LDCs in textile and clothing as well as in agriculture as a consequence of the WTO Ministerial Conference in Hong Kong.[5]

1.1 Main Issues that Came Up in Japan TPR 2017

Japan has relatively stable and predictable trade policy environment. Abenomics with its three arrows, composed of monetary policy, fiscal policy, and growth strategies is alleged to help Japan get out of its macroeconomic slumber. Since 2013, the Bank of Japan has undertaken monetary easing. The measure has helped Japan to defeat deflation; though, a 2% inflation target has not been achieved yet. Under the fiscal consolidation, there is a fiscal consolidation target for medium-term and dealing with public debt burden, which currently stands at about 245% of the GDP. Under the fiscal arrow, consumption tax has been increased from 5 to 8% in 2014 and will be increased from 8 to 10% in 2019. Under the structural reform, the government is trying to achieve a 3% increase annually on minimum wage.[6] For LDCs and small developing countries doing business with Japan it is important that Japan fares well macro economically in order to attract further goods and services from them and therefore contribute to their development.

Government procurement

Foreign participation in government procurement in 2014 was only 3%. Government procurement encompassed 38.3% of government expenditures and 16.2% of the GDP of Japan. Japan is criticised for the lack of transparency and competition in government tenders and needs to review its procedures and practices. On the positive side of small-and medium-size enterprises (SME) where also the LDCs and small developing countries could have a shot at, Japan has in place a “multiple award tendering", which allows for two or more companies to bid on a project if one of them cannot supply the entire bid alone, thus giving more opportunities for SMEs. This is applicable to cases where the central or local government is procuring a large amount of goods or services. Yet, a complicating factor, before one gets information on tendering systems and participate in government procurement, is a requirement for a foreign business to register for a business license, which can be complicated.

[5] WTO (2017). WT/TPR/M/351. Trade Policy Review Body – 8 and 10 March 2017 - Japan – Minutes of the Meeting

[6] WTO (2017). WT/TPR/M/351. Trade Policy Review Body – 8 and 10 March 2017 - Japan – Minutes of the Meeting

Often LDCs and small developing countries do not have the capacity to establish base in the importing country and cannot thus take advantage of the opportunity.

FDI

There are restrictions on FDI. Japan was the second largest investor in the world in 2015 (USD129 billion in 2015) but enjoys only meek entries of FDI. The inward FDI was about 4% of GDP in 2015, which is lower compared to other major developed countries. Reasons for modest FDI could be related to unclear regulatory environment, aging and inflexible labour market, insufficient language skills, high corporate tax (was reduced from 34.62% to 29.74% in 2018). Japanese government has envisioned doubling the inward FDI by 2020. In 2013, Japan started developing National Strategic Special Zones (NSSZs) as well as special economic zones abroad. Within the NSSZs companies will be provided tax relief, special beneficial regulatory measures, and subsidies. Japan External Trade Organization (JETRO) wanted to attract 470 foreign firms to Japan by FY2018.

Agriculture

Japan imports many agricultural products from the world. In 2013, Japan's net import of agricultural products was the second largest in the world. Japan has a considerable deficit in trade in agricultural goods with imports of over USD53.7 billion and exports of USD3.6 billion in 2015. Some of the main imports are cereals and oilseeds. Agricultural policy emphasises self-sufficiency target of 45% by FY2025 for calories obtained.

Agriculture is a very protected sector of Japan's economy. The simple average applied tariff (bound rate) for agriculture is 16.3%, which is almost five times higher than that of the non-agriculture sector products. Simple average applied MFN tariffs are also relatively high for footwear and headgear, prepared foods, vegetables, live animals, hides and skins, and textiles and clothing. Market access instruments, such as tariffs, special safeguards and tariff quotas have not changed much since the last review in 2015. Japan does not use export subsidies, which are illegal under their WTO commitments.

Tariff structures remain quite complex. Japan uses *ad-valorem* and non-*ad valorem* rates, specific rates, alternate rates, compound rates, differential duties and sliding duties, rendering importing complicated. There are also high tariff peaks. In FY2016, international tariff peaks apply to 7.6% of all Japan's tariff lines. 158 tariff lines remain unbound, subject to out of quota tariffs. 11 of those tariff lines are under state trading. 6.8% of tariff lines have non-*ad valorem* rates applied in FY2016 (93.2% have *ad-valorem* rates applied). Japan applies certain non-*ad valorem* tariffs in order to protect domestic industry. They are not planning on converting non-*ad valorem* rates into *ad valorem* rates. The high tariffs have permitted Japan to sustain higher domestic prices compared to those of the world.

In order to support its agriculture sector, Japan's government employs deficiency payments, payments related to production, and payments not linked to prices or production as well as general support such as research and extension services. It also uses market price support schemes, which are considered as the most trade and production distorting measures. The state trading enterprises (STEs) undertake the imports of key agricultural products. Yet, Japan is in accordance with the WTO Agreement on Agriculture with its price support policies, though its notifications to the WTO have not been as regular as required. STEs, such as a trading company under the Ministry of Agriculture and Forestry, and Fishery (MAFF), import 99% of total imports of rice, wheat and barley.

Japan uses quantitative restrictions on imports (import quotas) on some fish products. Eligible importers are given import quota allocation certificate. Some quotas are allocated on first-come-first-served basis, others on a lottery basis. Some of Japan's agricultural quotas are constantly underfilled (even less than 40%) such as for butter, skimmed milk, etc. The method for administering quotas has remained the same and overall complex.

By 2018, Japan has phased out its production quotas on rice and the direct payments for table rice will be abolished. The farmers can decide how much rice to produce without any government quota allocations.

1.2 Issues of Interest to Smaller Developing Countries and LDCs

DFQF and GSP

Japan overall makes use of the general system of preference (GSP), having in place preferential tariff rates for 138 developing countries and five territories (including all the LDCs). GSP applies to small and big countries that have preferential agreements with Japan. [7] Within the GSP scheme, preferential tariff rates apply to 408 tariff lines at the harmonized system (HS) 9-digit level for agricultural and fishery goods and 3,151 tariff lines for industrial products. Products that have been excluded include rice and rice products, meat and meat products, fish, dairy products, pineapples, cereal products, textiles and clothing, leather and leather products, and footwear. The GSP programme is reviewed every ten years. Next review takes place in 2021. Preferential rules of origin are applied under the GSP system. The preferential duties are obtained when the exporting country authority provides a certificate of origin of a GSP beneficiary that outlines how the product was "wholly obtained" or "substantially transformed" (change of tariff classification at the HS 4-digit level or 40% of the value added) in the exporting country. Myanmar exporters for example have been granted the right to use the GSP Form-A of Japan's GSP scheme for certifying the origin of their goods.

The Japanese government has prepared a system of graduation for countries that have achieved economic development commensurate of a developed country. An arrangement of graduation applies to products if they have attained a high level of global competitiveness. Products can have "partial graduation" (FY2018) or "entire graduation" (FY2019). The globally competitive products originating from the GSP beneficiary country can be excluded from the list of preferential treatment partially or entirely depending on if the beneficiary is categorized as a high income country, or upper middle income economy and the value of the export exceeds 1% of the total value of world exports in the "WTO statistics" for one or more consecutive years. Different criteria apply for product exclusion. Products under the special preferential treatment for LDCs are not subject to this exclusion.[8] Yet, the measures could affect other small GSP beneficiary countries.

Imports from LDCs enjoy already for 98% tariff lines DFQF market access into Japan. DFQF market access is granted to 47 LDCs. But rice, sugar, fishery products and articles of leather are exempt from DFQF benefits, which, if not exempt, could help the LDCs to increase their exports. Products under DFQF market access both for the

[7] MOFA (2016), Ministry of Foreign Affairs of Japan, "GSP: Explanatory Notes for Japan's Scheme," December 15, 2016, accessed 23.01.2019 at https://bit.ly/2FSfdzH

[8] "1506 Graduation/Exclusion from the GSP scheme", Japan Customs, 9.12.2018, http://www.customs.go.jp/english/c-answer_e/imtsukan/1506_e.htm

LDCs and the GSP schemes are reviewed once a year within the annual tariff revision.

LDCs are interested in further product coverage in products of interest to them. According to Japan, the exempted items take into account domestic sensitivities and need careful study to consider if further product coverage can be achieved.[9] Also, the rules of origin provisions could be made more transparent and up-to-date according to the WTO Nairobi Ministerial Decision of December 2015.

SPS and TBT

The Sanitary and Phytosanitary (SPS) requirements are often more rigorous than international standards. Japan has not harmonized some of its technical and regulatory standards with international standards. The stringent maximum residual levels (MRLs) for agricultural chemicals, chemical products, additives for food products etc. are hindering entry and increase costs for exporters. There are currently 161 agricultural chemicals that trigger a non-codex MRL restriction on hundreds of agricultural products imported into Japan. The MRL standards for some chemicals residues on products higher than those of the Codex standards are for example for coconut, green coffee bean, chickpeas, corn, barley, cucumber, eggs, cashew nuts, milk, rice, soybean, etc. According to calculations done by India, based on global MRL database, when considering 527 agricultural products, only 1% of the MRL levels corresponded to that of Codex levels and 32% of times the levels were higher while in 41% of times it was lower than Codex standard. Many of the food additives and pesticides that Japan applies higher standards than Codex are considered safe in the rest of the world. These stringent MRL standards are a potential inhibitor for every exporter but especially for smaller developing countries that mostly trade in agricultural products.

According to Japan, it takes into account the Codex standards whenever reviewing MRLs for agricultural chemicals and food additive standards, in accordance with Article 3.1 of the WTO SPS Agreement and sometimes the government sets foods standards in accordance with Article 3.3 of the SPS Agreement, different from the Codex standards but considering scientific evidence in order to protect human, plant or animal life or health.

Japan's WTO SPS notifications sometimes miss specific language on legislative changes, such as final wording as well as an exact testing method. The SPS approval procedures are also problematic because Japan imposes countrywide bans when an animal disease outbreak transpires in a country. Japan could streamline its expectation process for medium-and-low-risk products and improve bilateral cooperation on food certification with other countries.

Fisheries

Japan as a big consumer and importer in the fishing sector also provides subsidies in the sector. Japan is one of the world's biggest importers of fisheries products, with imports of over US$15 billion and exports of just under US$2 billion in 2013. According to Japan, prohibition of fishery subsidies (such as for fuel) is necessary where the subsidies cause overfishing and overcapacity and also to combat illegal, unreported, and unregulated (IUU) fishing. Import quotas are applied to several fish species, such as herring, cod, mackerel, sardines, and saury. Import quotas are an important way for the Japanese to control the fishery resources.

[9] WTO (2017). WT/TPR/M/351. Trade Policy Review Body – 8 and 10 March 2017 - Japan – Minutes of the Meeting

Fishery exports from developing countries generate more revenue than many other agricultural products, including rice, sugar, meat, and tobacco combined. Japan's leadership in the fishing subsidies talks is important for smaller developing countries and LDCs' artisanal and subsistence fishermen that export fish and fish products as they compete with big subsidizing country vessels that fish close to or in their national exclusive economic zones (EEZ).[10]

Aid and cooperation

Japan is one of the main donors to the Aid for Trade (AfT) initiative. In 2015, they provided AfT amounting to USD11.8 billion. In 2017 the government of Japan was the first to contribute to the WTO's DDA Global Trust Fund (DDA GTF), which backs LDCs in their participation in their trade negotiations. Moreover, under the Trade Facilitation Agreement (TFA), Japan has contributed to establishing electronic customs procedures and the implementation of a single window system in ASEAN as well as the establishment and operation of One-Stop Border Posts (OSBP) in Africa.

Japan also has a Tokyo International Conference on African Development (TICAD) where currently topics such as economic diversification and industrialization and the improvement of business environment in Africa are discussed. Within these discussions, Japan announced it would invest USD30 billion for the future of Africa.

Services sector

Services sector makes up a crucial element of Japan's economy, contributing 72% of the GDP. Services sector is broadly open to competition. Under the General Agreement on Trade in Services (GATS), Japan has commitments in 10 out of 12 sectors. Broadcasting and medical services are closed.

In services preferences, Japan notified preferences pursuant to the LDC Services waiver covering many sectors identified as of interest to LDC services suppliers (such as tourism, construction, health and education service). Japan notified "None"[11] in modes 1 to 3 for entertainment, convention, franchising, hotels and restaurants, investigation, security guard, rental of commercial vehicles with operator, telephone answering, and tourist guides.

LDCs are hoping that Japan could set a good example with the LDCs services waiver implementation. LDCs are hoping for further enhanced preferences by cutting down some administrative red tape in fees for visa, work permit, residency permit and licensing applications. For LDCs all costs matter and refunds on fees for visas, licenses or permits not granted alone would go a long way. It is important that LDCs keep on confronting Japan with specific requests as Japan is in the position to grant it to them.

[10] Tipping, Alice., ICTSD, "Tackling Fisheries Subsidies at the WTO: What's in it for LDCs?", Brideges Africa Vol 6 - No 8, 8 November 2017, accessed 10.12.2018.

[11] Most country GATS schedules are divided in two parts. Part I ("horizontal commitments") contains limitations, which apply to all service sectors included in the Schedule. The purpose of having such a section is to avoid repeating the same entry many times in the Schedule. Part II presents the sector-specific commitments. "None," when used in the sector-specific part of a Member's GATS Schedule, means that there are no limitations specific to this sector under the relevant mode except the conditions set out in the horizontal section.

SECTION 2

The U.S. Trade Policy Review 2018

In 2015, total U.S. imports from LDCs were valued at USD17 billion. Of this amount, USD 7.1 billion, or 41.5%, entered duty-free. Supplementary, 25.1%, or USD 4.3 billion, had to do with U.S. imports of petroleum in three tariff lines that accrued insignificant duty rates of 5.25 or 10.5 cents per barrel.

2.1 Main Issues that Came up in the U.S. TPR 2018

Buy America Act and Government Procurement

The Buy American Act (BAA) main legislation has been in place since 1933, requiring the Federal Government to purchase domestic goods. It remains one of the main legislation with regard to government procurement. The other is the Trade Agreements Act of 1979, which also allows the President of the U.S. to grant waivers to the BAA. Large part of the U.S. government procurement is done at the sub-central level. 37 States are involved in the GPA. The Buy America legislation and its related local content restrictions have a significant trade restricting effect on the U.S. partners. The Buy American measures should not become a possible way for protectionism and should be congruent with the WTO Government Procurement Agreement (GPA). The BAA does not apply to services sector. Parties to the WTO GPA, most of U.S. free trade agreements, LDCs, and certain Caribbean Basin countries have the Buy America Act waived for them for eligible products in order that the US could comply with its trade agreements' obligations. For the LDCs, it would be interesting to ask at the TPR which products are eligible for the waiver.

Trade Remedy Measures

The U.S. uses heavily antidumping (AD) duties and countervailing duties (CVD) for extended periods of time. According to the WTO Anti-Dumping Agreement, AD measures must expire five years after the date of imposition or be renewed. Some of U.S. AD measures have been in place for twenty-thirty years. On average, the measures stay in place for eleven years (2017 estimation). As of 31 December 2017, excluding suspension agreements, 321 definitive AD measures were in place with negative implications for the rest of the world. Between 2015 and 2017, there were 133 new AD investigation initiations.[12] In 2016, there was no AD measure against an LDC, but it has been a case before with Bangladesh and cotton towels.

The AD amount is based on the way the U.S. calculates its anti-dumping duty margins and Members find that it is contrary to its WTO obligations. U.S. has used the "zeroing" method and "non-market economy" methodologies. Dispute Settlement cases, DS464 and DS471, involving the U.S. have ruled that there should be no use of "zeroing." The U.S. is requested to review and recalculate the margins and curb measures also in other cases in order that legitimate competition can take place. According

[12] WTO (2018). WT/TPR/S/382. Trade Policy Review Body - USA - Report by the Secretariat

to some Members, a legitimate trade policy measure is being used as a protectionist measure and instead other kinds of measures could be used to remedy, for example, the China steel and aluminium situation where the underlying causes of the overcapacity need to be addressed.[13]

Steel and aluminium products make up a small portion of the U.S. trade, yet majority of its AD measures investigations are in these sectors. At the same time, the U.S. is still the world's largest importer of steel, importing four times more than exporting. The global excess capacity of steel is 700 million tons (2018), which is seven times more than the annual capacity to consume steel in the U.S. China is the biggest producer and exporter of steel. If a tariff is put on China, it needs to be applied on MFN basis also to all other steel exporters to the U.S (Brazil; Costa Rica; Egypt; India; Malaysia; Korea, Republic of; Russia; South Africa; Thailand; Turkey; and Viet Nam). A quota or a duty could be applied. Eventually, a 25% *ad valorem* tariff on steel articles was applied on 23 March 2018. The President of the U.S. stated that the tariff was necessary because steel imports were a threat to their national security but proposed to also talk with countries that the U.S. had security relationships about alternative ways to address the threat by also possibly removing the steel restrictions from these countries. As a result, a few countries were removed from the measure. Aluminium and steel products that are subject to the Trade Expansion Act Section 232 [14] duties cannot claim preferential tariff treatment under the GSP or African Growth and Opportunity Act (AGOA) and accrue MFN tariff rate plus the additional tariff.[15]

US Dollar as Global Reserve

The U.S. trade deficit was widening in 2016 and as the currency appreciates, there is always a chance of considerable widening of trade deficit. But as the U.S. dollar is a global reserve currency, the deficit can be sustained without welfare problems to the U.S. Approximately $580 billion in U.S. bills are used outside the country. That makes 65% of all dollars. In 2018, the dollar exchange rate has been falling but it could reverse course. When dollar exchange rate falls, and if the prices are indicated in the USD, the commodity exporters will experience a rise of inflows of dollars and possibly also a boost to the GDP. This is the case especially for commodities, such as oil and precious metals that are usually marked in the USD. If the dollar falls, developing countries can grow faster. 40% of world's debt is also in the USD.

2.2 Issues of Interest to Smaller Developing Countries and LDCs

Technical Barriers to Trade

It is difficult to find what are the applicable standards for exporters to the U.S. markets. This is not only for the developing countries but it is also challenging for developed countries, such as Sweden. The private sector develops voluntary consensus standards (VCS). There are about 240 different bodies that create the American National Standards (ANSs), which are a type of VCS. There is not much standardisation at the federal level. Several WTO Members request a single point of inquiry for the TBT measures. U.S. provided 295

[13] WTO (2017). G/ADP/M/52. Committee on Anti-dumping Practice - 28 July 2017 – Minutes of the Regular Meeting

[14] Section 232 of the Trade Expansion Act of 1962, the Secretary of Commerce is granted authority to conduct investigations to determine the effects of imports of any article on the national security of the United States.

[15] WTO (2018). WT/TPR/S/382. Trade Policy Review Body - USA - Report by the Secretariat

TBT notifications to the WTO in 2017. Four specific trade concerns were raised against U.S. during the review period in WTO TBT Committee.[16]

In 2012, U.S. created "Standard Alliance," which provides expertise to developing countries to effectively implement the WTO Agreement on TBT. Its trainings teach countries how to use international standards and how to submit notifications of technical regulation to the WTO. The U.S. also provides bilateral technical assistance and capacity building to developing countries on TBT-related activities through the U.S. Agency for International Development (USAID), the U.S. Trade and Development Agency, the U.S. Department of Commerce's Commercial Law Development Program (CLDP) and Market Development Cooperator Program, and NIST's Standards in Trade Program.

Sanitary and Phytosanitary Standards

For food exporting developing countries, it is necessary to understand the Food and Drug Administration (FDA) and the U.S. Department of Agriculture (USDA) procedures and requirements and how to adhere to them. FDA regulates food products while USDA regulates meat, poultry, Siluriformes fish and fish products (catfish), and processed egg products. There are also a plethora of other agencies involved in SPS measures. SPS measures concern proper labelling and packaging, safety from animal and plant pests and diseases, maximum residue limits of herbicides and fungicides, etc. The 2011 FDA Food Safety Modernization Act (FSMA) that changed regulatory approach from response to prevention of food safety hazards was mostly finalized in 2015/2016 and the majority of regulations included a phased-in compliance dates for "small" and "very small" businesses (2-4 years from date of publication), taking into consideration the capacities of smaller developing countries. The U.S. submitted 159 regular SPS notifications to the WTO in 2016; 88 in 2017; and 41 in the first half of 2018. Two specific trade concerns were submitted against the U.S. in the WTO SPS Committee during the review period.

Import procedures for animal and plant products and the verifications, certification, audit, inspection needed are burdensome even for the EU. Country, such as India are struggling with rice, mango and other fruit SPS measures, naming lack of scientific study based maximum residual limits on these products. LDCs' capacity to comply with established standards is critical, particularly considering exports of high-value agro-food products. To comply with the SPS conditions will remain a challenge for the LDCs as long as they have financial, human, administrative, scientific and technical capacity constraints to comply with foreign standards.

In June 2017, the FDA launched a website where foreign government agencies or private entities can become accredited certification bodies that undertake consultative and/or regulatory food safety audits, and issue certifications to eligible food producing entities. It is called the Accreditation of Third-Party Certification Bodies to Conduct Food Safety Audits and to Issue Certifications ("Accreditation Third-Party Certification Rule"). This is a good opportunity for developing countries to have their agricultural foods assessed ahead of time in their own countries and to avoid hiccups on the U.S. border.

[16] WTO (2018). WT/TPR/S/382. Trade Policy Review Body - USA - Report by the Secretariat

Organic Products

The USA has equivalency arrangement with some countries (Canada, the EU, Japan, etc), allowing selling organic products on the partner's market without additional certification. This kind of arrangement could be of interest to many smaller developing countries that have advantages in organic agricultural production.

Trade Facilitation

By the end of 2016, U.S. had implemented the Single Window (a trade facilitation measure), known in the U.S. as the Automated Commercial Environment (ACE). WTO Members are cognisant of the huge advancement the U.S. has made in trade facilitation (TF) and the developing WTO Members want to get a better sense of the new procedures (2016) as well as the help that the U.S. has granted to be able to put in place TF measures in their own countries. The U.S. provides most of its support for capacity building and technical assistance for TF through the Global Alliance for Trade Facilitation.

Services

The United States is the world's largest exporter and importer of services. Services sector accounts for 80% of U.S. GDP. For services imports the largest sectors are travel, other business services, transport, insurance, and charges for the use of intellectual property. The sector requests made by LDCs under the LDCs services waiver are mostly already liberalized within the U.S. Also, there are few if any nationality requirements, meaning that an LDC services supplier to obtain a license to practice in U.S. is the same as that required from an U.S. citizen. LDCs regard their main constraints in mode 4, referring to better access to visas and permits and their duration and costs. U.S. plans to provide LDCs the level of access to the U.S. services market that the U.S. is aiming to provide under Trade in Services Agreement (TISA) in the future.

Services providers from the LDCs need to gain better awareness and capacity to take advantage of the opportunity provided. The U.S. proposes that in order to increase LDCs' share in visas in the U.S. market (mode 4), services export capacity concerns to access the U.S. market need to be addressed and that can be done through several aid initiatives of the USAID. USAID has a Development Credit Authority that provides partial credit guarantees to summon local financing in developing countries. The guarantee helps private lenders to lend to underserved borrowers. They have success cases, one being on a Ugandan entrepreneur able to expand its business and service supply because he was able to receive a big enough loan. [17]

Agriculture

The U.S. is the leading producer and exporter of agricultural products in the world, even though agriculture only accounts about 1% of its GDP and 1.5% of its employment. The U.S. is the world's biggest producer of soybeans, maize, beef, chicken, and turkey, and third in the world in the production of pig meat and cotton. This entails great potential impact on world price developments for these commodities.

U.S. subsidies under the Farm Bills have had for years trade distorting effects on international agricultural market. The support given between 2014-2018 under programs of the Farm Bill were worth about USD489 billion. In February 2014, the new Farm Bill was signed into law (expired 30 September 2018), stopping direct income payments to farmers and risk and insurance

[17] WTO (2015). Council for Trade in Services. S/C/M/121 – Report of the Meeting held on 5 February 2015 – note by the secretariat.

instruments were put in place. These were major changes introduced to the Farm Bill. The programmes of concern for the WTO Members within the Farm Bill were the Price Loss Coverage (PLC) and the Agricultural Risk Coverage (ARC). Farmers had to choose one of the programs for the covered commodities. The PLC programme helped to alleviate farm income deficiencies by payments when commodity prices plummet. According to the USDA Farm Service Agency, payment totalled for the 2016 crop year USD3.25 billion, for wheat (USD1,273 million), long grain rice (USD736 million), peanuts (USD528million), sorghum (USD342 million), and maize (USD208 million). The ARC programme compensated a producer's revenue loss compared to a benchmark revenue for a commodity. For the 2016 crop year, close to one million farmers had received ARC payments totalling USD3.76 billion mainly for historical base acres of maize (USD2.8 billion), wheat (USD651 million), and soybeans (USD201 million). The OECD suggests that the risk management instruments should be reviewed, to guarantee that risks that should be borne by farmers do not end up in the public budget.

Though, according to the OECD, the potentially most distorting support of direct payments is lower than the OECD average,[18] the subsidies still have a negative effect on livelihoods and food security in the exporting and importing developing countries and their small-and medium-size producing farmers by depressing product price and undercutting their income.[19] One example is cotton-producing countries, trying to compete with the U.S. subsidies on cotton. The U.S. is the number one exporter and third largest producer of cotton in the world. Upland cotton was not part of the covered commodity under the PLC and ARC programmes in the 2014 Farm Bill but had another subsidisation protection option. The LDCs have to keep on searching for exemptions in order to remain competitive. The LDCs are interested in the commitments the U.S. undertook in Nairobi with regard to DFQF market access, export subsidies, and development dimension of cotton. Cotton products on the list established by the Nairobi Ministerial Decision on DFQF market access extend not only to AGOA countries but also to GSP beneficiary countries, and include all cotton products in the Annex of the Ministerial Decision on Cotton (WT/MIN(15)/46 — WT/L/981) with the exception of cotton, not carded or combed, having a staple length of 34.925 mm or more.[20] The U.S. had put in place a West Africa Cotton Import Program (WACIP) project, which the beneficiary countries have highly appreciated.

GSP and AGOA

The General System of Preferences (GSP) has been in force since Trade Act of 1974, which provides developing countries that meet certain requirements special duty-free access to the U.S. market. The current preferences that the U.S. provides are under four programmes: the African Growth and Opportunity Act (AGOA), the GSP, the Caribbean Basin Initiative (CBI)/Caribbean Basin Trade Partnership Act (CBTPA), and the Nepal Trade Preference Program (NTPP). Additionally, HOPE and HELP programmes, which allow apparel and textile products duty-free entry from Haiti (in force till 30 September 2025). The GSP is a preference programme for developing and least-developed countries (LDCs) granting preferential duty-free entry. The AGOA was ratified in May 2000 and it permits eligible Sub-Saharan African (SSA) countries exports to enter

[18] WTO (2018). WT/TPR/S/382. Trade Policy Review Body - USA - Report by the Secretariat

[19] WTO (2016). WT/TPR/M/350. Trade Policy Review Body - 19 and 21 December 2016 - United States - Minutes of the meeting

[20] WTO (2016). WT/TPR/M/350/Add.1. Trade Policy Review Body - 19 and 21 December 2016 - United States - Minutes of the meeting addendum

the U.S. market duty-free for about 5,000 tariff lines, of which 1,800 of the tariff lines are specific to AGOA countries. The Asian LDCs would also like to have a programme similar to AGOA, which they could try to pursue with the U.S.

The GSP was extended until 31 December 2020. The authorising and amending of unilateral programmes is the responsibility of the US Congress. They initiate and pass laws on it. As it happened, the GSP scheme disappeared for a couple of years, which creates a real security and investment problem for those operating under these programmes. Developing countries would appreciate if the duty-free market access scheme would be more predictable and not have to undergo constant duration and scope renewal. There is uncertainty about the duration of preferences and there are exemptions on goods that are particularly important for small developing countries. It is also a question of investments by the developing countries.

Counting tariff lines, which the U.S. has bound at MFN zero, in 2016, 83% of non-AGOA GSP recipients' tariffs were duty free into the U.S. About 5,000 tariff items are eligible for GSP benefits. 3,500 of these tariff lines are available to all GSP countries (121 countries) and approximately 1,500 are accessible only to Least Developed Beneficiary Developing Countries (LDBDCs) (44 LDCs). The United States International Trade Commission publishes the qualified duty-free entry goods in the Harmonized Tariff Schedule of the U.S. (HTSUS). Under the GSP scheme, certain sensitive products are exempt from duty-free entry, such as textiles and apparel, watches, most footwear, certain glassware, and some gloves and leather products. The GSP Sub-Committee examines and amends the list of products eligible for the GSP scheme on an annual basis. The review process is available on United States Trade Representative (USTR) website under the GSP programmes. The Committee accepts and deliberates on requests of adding products for duty-free listing under the GSP. Any country or person can petition the Committee for additions.[21]

It would be interesting to learn through TPR reports and process about cases of new item listing or delisting on the duty-free market access scheme and how this impacted the LDCs and small developing countries.

Under the AGOA, differently from the GSP countries, there are more duty-free products that enter the U.S. market, such as apparel and footwear, wine, certain motor vehicle components, a variety of agricultural products, chemicals, and certain steel products, among others. The AGOA is currently in force until 2025. Total U.S. goods imported from SSA (40 eligible SSA countries) were USD24.9 billion in 2017, which marks a 23.7% increase from 2016. Major exports from AGOA countries came from Nigeria, Angola, South Africa, Chad, and Kenya, exporting mineral fuels, motor vehicles and parts, woven apparel, ferroalloys, and knit apparel.[22] A country can be removed from AGOA beneficiaries list if it does not comply or aspire towards criteria, such as political plurality, market-based economy, workers' rights protection, etc. Though, they can be reinstated after a petition.

Africa's exports under AGOA benefits from 97.5% of tariff lines but increasing duty-free benefits to all Africa's exports would boost the continent's exports by over USD105 million.[23] Africa's groundnuts, sweetened cocoa, cotton, tobacco, and sugar could be put in the special duty-free or reduced duty tariff treatment category, as was

[21] WTO (2018). WT/TPR/S/382. Trade Policy Review Body - USA - Report by the Secretariat

[22] WTO (2018). WT/TPR/S/382. Trade Policy Review Body - USA - Report by the Secretariat

[23] Lande, S and Matanda, D., *Defining and Redefining U.S.-Africa Trade Relations During the Trump Presidency,* AJIL unbound, Vol 111, 27 Nov 2017, pp. 389-394, accessed 12.12.2018 https://bit.ly/2QI6YfF

done under President Obama's administration with upland cotton for four West African LDCs in 2015 without much political nor economic consequences.[24]

An example of beneficial impact on an LDCs with regard to AGOA is the garment industry in Lesotho. AGOA allows garments to be exported to the U.S. under favourable conditions, which makes garments now Lesotho's number one employment sector.[25] Textile and apparel have their own set of rules of origin (ROO) and requirements. Meanwhile, it is vital to note that the SSA garment industry with no real barriers to entry into the U.S. market exported in 2015 only USD1 billion worth of goods to the U.S. while an Asian LDC (Bangladesh) exported about USD6 billion worth while trading under the MFN rates. Africa has to learn to take better advantage of the AGOA. One way would be to take greater advantage of the U.S. Agency for International Development that has regional Trade and Investment Hubs in Ghana, Kenya, and South Africa, which promote AGOA utilization, diversification of exports, and greater participation in value chains across their respective regions.

In 2016, the LDC group was wondering when the USA would be in a position to implement its Nairobi Decision on Preferential Rules of Origin for LDCs. Rules of origin calculation has been an issue for the LDCs. It is calculated on the basis of valuation of non-originating materials when determining the substantial transformation of products entering the US from the LDCs. To meet the preference criteria, the products must display a minimum of 35% value added created in the countries of origin and the inputs of the eligible products must undergo a substantial transformation. LDCs, however, may face real difficulties in reaching the 35% threshold, given their low production capacity and limited markets. The U.S. rules of origin allow beneficiaries to procure inputs from a range of sources and supply chains involving beneficiary countries. The general rules of origin of the Caribbean Basin Initiative (CBI) and AGOA allow 15% of the 35% of the minimum originating content to come from the USA, facilitating meeting the value thresholds for beneficiary countries under these programs. The Trade Preferences Extension Act of 2015 (TPEA) extended accumulation prospects by permitting AGOA beneficiaries to reflect the direct costs of processing performed in other AGOA beneficiary countries or former beneficiary countries to the minimum originating content requirement. If a beneficiary country wants to use inputs from a co-member in a regional organization to meet the rules of origin, they are required to have evidence if asked by the US Customs and Border Protection.[26]

LDCs argue that in order to be able to participate effectively in regional and global value chains, they must be able to import inputs and intermediate products of all origins, provided that they can obtain them efficiently and at low cost, independently of restrictive ROOs. The origin rules could acknowledge that supply chains can assemble and produce intermediary components in poorer countries and final assembly taking place in Africa before shipping to the U.S. The problem currently is that the assembly value in Africa does not accrue 35% of direct processing cost and thus the duty-free tariff provision will not be applied. For African countries it would be useful to ratify in their parliaments the signed

[24] Lande, S and Matanda, D., *Defining and Redefining U.S.-Africa Trade Relations During the Trump Presidency,* AJIL unbound, Vol 111, 27 Nov 2017, pp. 389-394, accessed 12.12.2018 https://bit.ly/2QI6YfF

[25] Other countries that qualify for apparel and textile benefits amont the eligible 40 countries are Benin, Botswana, Burkina Faso, Cameroon, Cape Verde, Chad, Ethiopia, the Gambia, Ghana, Kenya, Madagascar, Mali, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Niger, Rwanda, Senegal, Sierra Leon, Senegal, South Africa, Swaziland, Tanzania, Uganda, Zambia.

[26] WTO (2016). WT/TPR/M/350/Add.1. Trade Policy Review Body - 19 and 21 December 2016 - United States - Minutes of the meeting addendum

(March 2018) Africa Continental Free Trade Area (CFTA) and establish a common external tariff, which would ease complex ROO requirements under AGOA and increase movement of goods across African borders.[27]

TRQs

The U.S. shields some of its agricultural subsectors by placing 54 tariff rate quotas (TRQs) on 200 tariff lines and about ten groups of agricultural commodities. Dairy, cotton and sugar account for the majority of the TRQs. There are also TRQs on beef, peanuts and peanut butter, chocolate, cocoa, olives, mandarin oranges (satsumas), animal feed, and tobacco, which are there to protect the American producer safeguard them against erratic trade patterns.[28] Within the GSP schemes, there is an exclusion of several agricultural products, such as peanuts, tobacco, and sugar, which are subject to tariff rate quotas.

It would be beneficial for small developing countries under the GSP to have some quota easing with regard to their exports in important export articles. Though, under the AGOA program a limited number of agricultural products are subject to tariff rate quotas, AGOA beneficiary countries receive duty free treatment within the quotas for their exports under the TRQs.

Tariff Peaks

U.S. tariffs for agricultural products in 2016 had an average tariff of 9.1%, which was double that of the tariffs on non-agricultural goods. The U.S. is invited to review its non-*ad valorem* and high tariff rates, as well as tariff peaks on products of interest for developing country exporters, such as on apparel, textiles, and agricultural products. Some products still have non-*ad valorem* tariffs or high tariff rates. For example, products under the WTO Agreement on Textiles and Clothing have enjoyed worldwide quantitative restrictions removal for many years already but in the USA they are still treated as sensitive and accrue *ad valorem* duties up to 25%. Textile, clothing, and footwear have usually above average tariffs. Some of the highest tariffs (above 100% *ad valorem* or estimated *ad valorem* equivalent) are on dairy products, peanuts, and tobacco. For example, tobacco can have a tariff peak as high as 350%.

The LDCs have asked if the USA would consider removing tariff peaks and quotas on the important products from the LDCs, particularly in the agriculture sector. The U.S. indicating that it allows for petitions to be submitted on reviewing tariffs.

FTAs and RTAs

The interests and needs of small developing countries and LDCs could be recognized within the free trade agreements (FTAs) that the U.S. concludes, even if the LDCs and small developing countries are not party to these agreements. If the USA starts implementing the mega regional agreements, which aim to liberalize trade in nearly all goods and services, they could potentially undermine the multilateral trading system under the WTO. Currently, the U.S. retracted from the Trans-Pacific Partnership (TPP) in 2017 and the Trans- Atlantic Trade and Investment Partnership (T-TIP) agreement negotiations were put on halt at the end of 2016.[29] On the other hand, NAFTA with Canada and Mexico has been renegotiated and is now titled

[27] Lande, S and Matanda, D., *Defining and Redefining U.S.-Africa Trade Relations During the Trump Presidency,* AJIL unbound, Vol 111, 27 Nov 2017, pp. 389-394, accessed 12.12.2018 https://bit.ly/2QI6YfF

[28] Lande, S and Matanda, D., *Defining and Redefining U.S.-Africa Trade Relations During the Trump Presidency,* AJIL unbound, Vol 111, 27 Nov 2017, pp. 389-394, accessed 12.12.2018 https://bit.ly/2QI6YfF

United States-Mexico-Canada Agreement (USMCA).

SSA should pay close attention to the USMCA where the U.S. administration has tried to decrease the use of third-country fabric in the manufacture of eligible clothing. If these provisions were passed over to Africa, they would undermine the third-country-fabric provision, which is the most meaningful provision in the current AGOA program.[30] In essence, AGOA countries traders in garments would compete with those of Asia. Similar erosions could happen under the TTIP and TPP.

[30] Lande, S and Matanda, D., *Defining and Redefining U.S.-Africa Trade Relations During the Trump Presidency,* AJIL unbound, Vol 111, 27 Nov 2017, pp. 389-394, accessed 12.12.2018 https://bit.ly/2QI6YfF

China Trade Policy Review 2018

China is the world's second largest economy today and a main trade partner for 120 trading partners and regions in the world.[31] By the 2016 TPR of China, China was already the biggest export destination for LDCs as a group, embodying more than a quarter of LDCs' total exports of goods.[32] Yet, most countries trading with China have a large trade gap, meaning China exports more to LDCs than imports from them.

African countries and LDCs export to China mainly natural resources like timber and cotton, agricultural products like coffee, grains, livestock, and semi-processed goods like ores, precious metals, fuel, and textiles. A large proportion of preferential trade from LDCs to China comprise of non-agricultural primary products, such as ores and petroleum.

2.3 Main Issues that Came Up in China TPR 2018

State Owned Enterprises

China's state-owned enterprises (SOEs) and the role of Chinese state in the market is a high concern among many WTO Members. Financial support in terms of tax preferences, direct transfers, and access to credit for SOEs has increased over several years. Some Chinese industries are inundated by excess capacity as Chinese government aims to increase industrial development domestically. These companies can access credit and subsidies even while being little profitable. Some of these industries produce steel (support slowly decreasing), iron, semi-conductors, electrolytic aluminium, automobiles (increasing support), cement, sheer glass and vessels.[33] The problem with excess capacity is that it has the potential to depress world market prices for the stimulated products or have an impact on trade flow directions.[34] Furthermore, private companies have to compete with the SOEs.

The SOEs are whether commercial or public welfare entities. In 2016, around 3,000 companies listed in the Shanghai and the Shenzhen Stock Exchanges received government support, totalling RMB 123.215 billon. But the overall number of SOEs reaches 9898 companies plus sub-central and local level SOEs. China has been trying to make some progress in reforming them. Since 2015, mixed-ownership has been introduced in 2/3 of the SOEs dealing with electricity, oil, gas, telecommunication, etc. The reforms are aimed to make the SOEs more competitive. But the State is a majority shareholder in all but one of the 100 largest publicly listed Chinese companies. The Anti-Monopoly Law (AML) allows SOEs to be the sole operator in sectors regarded essential for China's economy or national security.

China is taking its state support even further with its "Made in China 2025" plan that calls for domestic content on core component requirement in some cases up to 70%. However, domestic

[31] WTO (2018). WT/TPR/W/152. Trade Policy Review Body - 11 and 13 July 2018 – China - draft minutes of the meeting.

[32] WTO (2016). WT/TPR/M/342. Trade Policy Review Body - 20 and 22 July 2016 – China -Minutes of the meeting.

[33] WTO (2018). WT/TPR/S/375/Rev.1 - Trade Policy Review Body - China - Report by the Secretariat

[34] WTO (2018). WT/TPR/W/152. Trade Policy Review Body - 11 and 13 July 2018 – China - draft minutes of the meeting.

and foreign enterprises will be treated equally within the Plan. The goal according to China is to guide manufacturing industry to improve quality and efficiency. They want to overcome the issues of international technical blockages and export restrictions, which create supply side constraints in some key areas. China has defended its SOEs, saying that if a member has a problem with Chinese government support and their domestic industry is affected by Chinese exports in the SOE sectors, the WTO has the Subsides and Countervailing Agreement under which Member can conduct a countervailing investigation.

In the TPR, Members really went above and beyond to find out information on how and according to which criteria investment capital is contributed to the SOEs. China says that relevant information can be found on Ministry of Finance website or China's notification on subsides 2015-2016, which can be at times challenging for those that do not speak Mandarin.

Issues of Transparency

There are various outstanding notifications on WTO agreements under Subsidies and Countervailing Measures (SCM) on subsidies on fisheries, agricultural domestic support and again on state-trading companies. These subsidies are both at central and sub-central levels of governance. By the time of the 2018 TPR, China submitted the 2015-2016 central and local subsidies. Those of 2016-2017 remained pending. China's justification is insufficient experience and capacity constraints to collect information at the independent sub-central level of a large country as a developing Member of the WTO.

Some developing countries support China on the issue, referring to the importance of policy space. For developing countries it remains still important that they can leverage domestic policies for development. Yet, following WTO rules is important; if Members don't, it puts others that follow the rules and execute their obligations in a disadvantaged and unfair position.

FDI (technology transfer, IPR, joint ventures)

One of the main issues from China's TPR is conditions for foreign investors. China has a Catalogue for Industries for the Guidance of Foreign Investment (Investment Catalogue), reviewed in 2017. It is China's main instrument to guide Foreign Direct Investment (FDI). The negative list has positive changes for foreign investors as of 2017, as the restricted or prohibited industries where foreign investors can only participate through a joint venture with a Chinese company or require a minimum amount of Chinese equity participation, was reduced from 122 to 95 areas. Also, special administrative measures restricting foreign investment were cut from 63 to 48 compared to 2015. At the same time, for some industries China's dominant position requirements were removed but for certain other sectors, instead of requirements of senior management composition or shareholding, the whole industry was removed from the 'encouraged' classification into negative list, meaning not wanted on Chinese territory. Therefore, some Members ask for a reduction of the number of restricted categories and to provide more commercially meaningful access to foreign investors.

China asserts that the government has never made technology transfer mandatory for FDI nor is there any law that mandates transfer of technology. Some WTO Members' views differ, stating that China insists on joint ventures with Chinese companies for foreign investors and *de facto* technology transfers in various sectors as a condition for permitting investment and access to the market. According to them, the foreign ownership restrictions, such as joint ventures and foreign equity limitations, administrative reviews and licensing procedures constitute *de facto* forced technology transfers. The U.S. and EU have both pointed out to China that greater IP protection for investors are needed. Prior to the TPR, in the WTO Council for Trade in Goods on 26 March 2018, the U.S. referred to its U.S. Trade Representative (USTR) report, claiming that China's technology transfer policies and practices are causing at least 50 billions dollars in losses annually to US businesses and individuals.[35] Section 301 of the USTR Report of 2018, which focuses on IP rights underlies that IP rights violations in China include coercive technology transfer practices and barriers to effective IP enforcement, including trade secret theft, online piracy, and counterfeit manufacturing, long IPR litigation duration, problems collecting evidence, and insufficient compensation.[36] Moreover, the American Chamber of Commerce in Shanghai positions inadequate IPR protection as the principal regulatory challenge facing U.S. companies in China's market.

IPR enforcement remains a major challenge. China defends itself by saying that they have set up new IPR courts and dedicated tribunals. Since 2014, the State Administration for Industry and Commerce (SAIC) together with other authorities in China have been conducting campaigns and investigations into abusing, infringing, or counterfeiting reputed trademarks, foreign trademarks, and online trademark infringement crimes and sale of counterweighted products. One such campaign was carried out from September 2017 to March 2018. The end results of it were almost 2000 cases were closed, CNY 25.33 million was confiscated, and 48 dens making and selling counterfeit goods were destroyed.

2.4 Issues of Interest to Smaller Developing Countries and LDCs

TRQs

Tariff rate quota (TRQ) in-quota and out-of-quota rates have not changed; they are all *ad valorem* (a percentage of the price of the product), with the exception of the out-of-quota rate for one type of cotton (HS 52.01.00.00). Out-of-quota rates for products are, in most cases, equal to bound rates (indicated tariffs on product). China's TRQ list of products has also not changed since the last review. TRQ in 2017 were applied to 47 tariff lines including for the HS Chapters 10 (wheat and meslin, maize, rice), 11 (cereal flours other than of wheat or meslin, cereal groats), 17 (cane or beet sugar), 31 (mineral or chemical fertilizers), 51 (wool, carded or combed), and 52 (cotton). The TRQs apply to crops that have to do with food security and protecting Chinese producers. But as it may, the TRQs are applied on many agricultural crops that LDCs produce, such as wheat, maize, meslin, cane sugar, cotton, and wool. Though it would be challenging, the LDCs beneficiary countries could try to contest TRQ provisions applicability to their exports as they often export them in small quantities.

There is also a low TRQ fill rate for many bulk agricultural commodities despite strong demand for these commodities in the Chinese market. The fill rates for China's TRQs varied strongly by product. The in-quota imports in 2016 for sugar (7 lines), wool (6 lines), cotton (2 lines) were 100% filled while for wheat (7 lines), corn (5

[35] WTO (2018). WT/TPR/S/382. Trade Policy Review Body - USA - Report by the Secretariat

[36] USTR (2018). "2018 Special 301 Report," accessed 12.12.2018, https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/april/ustr-releases-2018-special-301-report

lines) and rice (14 lines) were in most cases not even half filled.

China is asked to make changes to its TRQ administration regime to take care of the low in-quota rates as well as increase transparency. In 2017, the U.S. brought a WTO dispute settlement (DS) complaint against China on its administering the TRQ on certain imported farm products, such as wheat, short- and medium- grain rice, long grain rice. U.S.'s complaint was that China does not administer its TRQ in a transparent, predictable or fair basis with clearly specified administrative procedures and requirements as outlined in Part I of China's Accession Protocol paragraph 1.2 and has also failed to administer its TRQ in a reasonable manner according to Article X:3(a) of the GATT 1994. The TRQ on wheat, short- and medium- grain rice, long grain rice are also inconsistent with Article XI:1 of the GATT 1994 because China keeps prohibitions or restrictions on the importation of each product other than duties, taxes, or other charges. They are also inconsistent with Article XIII:3(b) of the GATT 1994 because they do not provide public notice of quantities permitted and changes to quantities permitted to be imported under each TRQ.[37] Parties interested in the settlement of the case as third parties include Viet Nam, Ecuador, and Guatemala, among others.

State Trading Enterprises and Price Support

China is one of the biggest importers and producers of agriculture products in the world. Yet, imports of agricultural products represented only 6.3% of the total merchandise imports in 2017. To feed its people and stabilize the market, China often uses state-trading enterprises (STEs), minimum purchase price supports and public stockpiling.

Some products under TRQs (e.g. grains, cotton, and sugar) are also state traded. One part of the quota is allocated to STEs and the other part to other enterprises. Chinese STEs have the sole right to import or export the following products: grain, sugar, tobacco, rice, corn, cotton, coal, crude oil, processed oil, chemical fertilizers, tungsten, antimony and silver.[38]

OECD reports that total support to agriculture increased steadily from RMB 807 billion in 2011 to RMB 1,727 billion 2015, and then declined to RMB 1,641 billion in 2016. While some food grains (wheat, rice, maize and soya beans) and cotton were covered by programmes in the early 2000s, additionally added were rapeseed (2005), pigs (2007), potatoes (2009), and peanuts and barley (2010). As of January 2016, grains, cotton, edible vegetable oil, sugar, silk and tobacco leaf were removed from the list of products subject to price controls, though the State continues to hold the monopoly right to handle tobacco. Also in 2016, the temporary stockpiling scheme for maize was discontinued. Cotton procurement price system and the stockholding programme were discontinued in 2014.[39] After several years of price increase for

[37] WTO (2018) document series WT/DS/517 and WTO document series WT/DS517/6. *China — Tariff Rate Quotas for Certain Agricultural Products.* Dispute Settlement. Accessed: November 22, 2018.

[38] WTO (2018). WT/TPR/S/375/Rev.1 - Trade Policy Review Body - China - Report by the Secretariat

[39] Every year a target price is set. If the market price falls below the target price, the central Government provides a subsidy to cotton farmers. As of 2017, only 85% of the national cotton production can benefit from the mechanism.

rice, since 2015 minimum purchasing price for rice has been reduced [40] and since 2018 for wheat, but minimum purchasing prices for wheat and rice remain in place and are set yearly by National Development and Reform Commission (NDRC).

To ensure national grain security and livelihoods of farmers, lower Value-Added Tax (VAT) applies to grains, some vegetables, salts, and tap water (the VAT on domestic and imported agricultural goods was 10% or 16% in 2018). As of 2017, a *Circular* was issued on Policy Simplifying and Consolidating Value-Added Tax Rates (Cai Shui 2017 No. 37), which notifies which agricultural products have 10% VAT. Furthermore, agricultural goods produced and sold directly by Chinese farmers remain exempt from VAT. Grain is bought from farmers at a fixed minimum price when the price fall under that fixed price.

Grain reserves have been maintained by the central and local authorities to regulate the supply and demand of grains, stabilize the grain market, and cope with major natural disasters. But the stockpiles of rice, maize, wheat, and cotton have either doubled or tripled since 2012 to 2018. In the case of maize and cotton have declined from their peaks in 2015-2017. As a result of relatively high levels of domestic production and market price support, tariff protection, government purchases, and other programmes, domestic prices are, in general, greater than import prices, particularly for wheat and milk. Minimum support levels for staple food production have remained despite falling world prices. Since food security measures are on such a large scale for wheat, rice, maize and cotton, they are highly important also for the stability of the world markets. Some more precautions are needed and certainty required avoiding spillover effects on international market when releasing the stockpiles. While China is trying to make sure that its farmers get a reasonable price for their product, its price support and stockpiling actions should not further lower global prices and significantly impact the livelihoods of small LDC or developing country producers and exporters.

DFQF Market Access and Rules of Origin

Preferential tariffs that LDCs have with China are already very good. The average tariff on goods from LDCs have only 0.7% tariff for the majority of LDCs and 96.5% of the product lines are completely duty free. These benefits are granted per arrangements of diplomatic notes. LDCs that have not been granted these benefits do not have an arrangement with China. Tariffs are a little higher for Bangladesh with 5.1% tariffs on average and only 61.1% of the product lines allowed into China are duty-free. 35 LDCs can export their agricultural products into China duty free for 93.4% of the product lines with the average tariff of 2.4% and the figures for non-agricultural products are 0.4% average tariff and 97.0% of product lines duty free. For example, Nepal has duty-free quota-free (DFQF) market access for 8,030 Nepali goods exported to China.

Though China provides for the majority of the LDCs DFQF market access for about 97% of the tariff lines, the concerns are rules of origin (ROO) for the scheme to be effective for the LDCs. ROOs were amended by the *Administrative Measures of the PRC Customs on Rules of Origin of Imported Goods from the Least Developed Countries Entitled to Special Preferential Tariff Treatment* (GACC Decree no. 231, ''the Decree'') effective since April 1, 2017. The *Decree* expands on rules of origin criteria and streamlines consignment processes. African exporters interested in exporting to China must attentively evaluate the

[40] The STE Sinograin is required to purchase grains at the minimum purchase price when the market price falls below the minimum price for three consecutive days. Sinograin may also entrust other STEs to do so.

requirements of the *Decree*, with regard to the ROO, *Rule of Cumulation* and the *Rule of De Minimis*, as value chains can create some regulatory challenges for them.[41] China's ROO require the entire product to originate from the exporting country, or it needs to have undergone substantial transformation that changes the product's tariff line, or the value of non-originating parts remain less than 40%. The final phase of processing has to be in the originating country and the final good needs to enter China directly. The cumulation clause allows materials for production to be sourced from specific countries or region without affecting the origin. Final goods exported by LDCs to China can have material inputs from non-beneficiary countries, if these countries have diplomatic relations with China.[42]

Still ROOs and Africa's lack of manufacturing often ends up making African countries pay duties and compete with others. For example, Ethiopian wine is not sold in China despite the DFQF market access they enjoy. A UN study from a few years ago exemplified how only about 50% of agricultural products from LDCs actually entered China duty free despite the DFQF market access measures.[43] The best would be if LDCs could export their goods into China even if only partially manufactured in their countries and if they did not have to follow all the ROO criteria.

Nepal is asking China to simplify the DFQF market access facility and modify its Harmonized System (HS) code from eight digits to six in order for Nepal to better address its expanding trade deficit with China[44]. China is further encouraged to expand product coverage on products of interest to the LDCs, such as Cambodia. The products under interest are particularly garments, natural rubber products and rice. If done so, the hope is that millions of people can be lifted out of poverty.

African LDCs recognize the huge potential of taking advantage of DFQF market access opportunities that China provides for them in agriculture, fisheries, mineral resources, infrastructure, education, health, and tourism sectors, according to Central African Republic. According to Guinea, LDCs and small developing countries take little advantage of the DFQF market access benefits because there are few business deals between Chinese and their small and medium size enterprises. Small developing countries are interested in promoting more business-to-business engagements with Chinese businesses, first to attract more investments and second to facilitate exports to China. In this light, China organized an international import expo in November 2018, where poorest African country representatives were offered free spaces to exhibit their products or services.

Small developing countries, for example, Sri Lanka enjoys a preferential market access with China for about 40% of its exports, yet there is a sensitive list of products, which could be reviewed in order for Sri Lanka to actually take advantage of the market access opportunity and increase its exports. Also, for small developing countries not part of LDCs group, such as Sri Lanka, even if China's bound MFN tariff average was reduced slightly, the tariffs remain high (average tariff on agricultural products is 14.8%), which is an impediment to small developing exporting countries.

[41] Crisafulli, G, "China-Africa Trade to Benefit from Growing Economic Cooperation", China briefing by Dezan Shira and Associates, August 8, 2018 https://bit.ly/2SIcRGK

[42] UN Committee for Development Policy: Support meaasures portal for LDCs, "Overview of China's duty-free, quota-free market access programme for LDCs," accessed 12.12.2018, https://bit.ly/2rz5gyS

[43] UN Committee for Development Policy: Support meaasures portal for LDCs, "Overview of China's duty-free, quota-free market access programme for LDCs," accessed 12.12.2018, https://bit.ly/2rz5gyS

[44] WTO (2018). WT/TPR/W/152. Trade Policy Review Body - 11 and 13 July 2018 – China - draft minutes of the meeting.

Tariff Wars

In March 2018, the U.S. announced global tariffs of 25% on steel and aluminium imports to the U.S. On June 15, 2018, as a measure under section 301 against China's IPR infringements, the U.S. imposed further USD50 billion worth of tariffs on China involving about a thousand tariff lines (mostly on aerospace, ICT, robotics, industrial machinery, new materials, and automobiles). On June 15, China announced it would impose countermeasures worth USD50 billion by applying extra 25% tariffs on soybeans, corn, wheat, rice, sorghum, beef, pork, poultry, fish, dairy products, nuts and vegetables, autos, etc. On 18 June, the President of the U.S. directed the USTR to identify USD200 billion worth of Chinese goods for additional tariffs at a rate of 10%.[45]

Tariff wars can increase tariffs for smaller developing countries by tens of percentage points because of their connectedness to supply chains. The products manufactured in China have many components coming from South East Asian countries and when the final products accrue a tariff hike in the U.S. market, the demand of these products will decrease. Tariff war threats will make companies withhold their investments and in the end the impact is felt on the neighbours and their neighbours. Yet, tariff wars could also see some benefits for smaller developing countries in South East Asia as manufacturing could be shifted there from China. Benefits could also be accrued for Africa, Caribbean and Pacific (ACP) countries as the tariffs that China has put on the U.S. are mostly on agricultural goods. As the prices of U.S. agricultural goods, which are heavily subsidised, will get more expensive with the tariffs, it will be beneficial for the ACP countries (that cannot subsidise their agriculture to such an extent), as the prices of the agricultural goods will become more equalised and give a better opportunity to the ACP countries that already enjoy a DFQD market access to China. Nevertheless, as most smaller developing countries and LDCs are importers of U.S. and China manufactured goods and if these goods get more expensive, then the smaller countries' economies will still lose out.

Overall, tariffs are not so problematic for LDCs and smaller developing countries. It is the non-tariff barriers (certification requirements, sanitary requirements, etc), understanding the markets in big countries, and transport costs that are the most important.[46]

TBT and SPS Measures

Importers to China are required to comply with the inspection and quarantine requirements as well as with the Catalogue of Import and Export Commodities Subject to Compulsory Inspection. The Catalogue is amended every year to add or remove commodities. China's Customs gives out ratings for enterprises. Enterprises are classified into different groups based on risk analysis and the inspection for importing depends on the enterprise's rating, which further depends on their credit rating. An enterprise can be rated "authorized," "enterprise of general integrity" and "dishonest enterprise," which in return determines how much customs inspection and supervision imported goods have to undergo.

China has several kinds of standards: national, industry/sectoral, local, enterprise, and association (latter is by chamber of commerce or technology association). Local and industry/sectoral standards are supposed to be replaced by national standards if and when they

[45] WTO (2018). WT/TPR/S/382. Trade Policy Review Body - USA - Report by the Secretariat

[46] Ryder, H., "Why poor countries won't lose out from the US–China trade war", the interpreter, 16 April, 2018, Lowy Institute, accessed 12.12.2018, https://bit.ly/2BdZt68

are developed, unless the local standards are more stringent. A competent authority in the State Council revises the standards according to the *Standardization Law of the People's Republic of China*. When reviewing national standards every five years, opinions from international stakeholders are also welcomed.

Between January 2016 and February 2018, in the WTO Committee of Technical Barriers to Trade, 22 specific trade concerns (STCs) were brought up by Members regarding TBT measures maintained or planned by China, including 13 new STCs. Concerns regarded product regulations on cosmetics, medical products, furniture, chemicals, vehicles, coal, and new legislation on standards and cybersecurity.

During the period under review, China introduced some new Sanitary and Phytosanitary (SPS) measures in the form of Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ) Decrees, such as *Measures for the Supervision and Administration of Inspection and Quarantine of Entry-Exit Cereals; another one on Aquatic Animals; or Health Licence at Frontier.* LDCs that export cereals or aquatic animals could have clarified with China during the TPR how the new regulation changes the control, inspection and approval procedures.

China maintains administrative barriers on products from Indonesian seaweed, exotic fruits, and other food and beverages' goods, which Indonesia finds concerning as Chinese exports towards Indonesia are four-fold on average in every sector, including food and beverages. Also, Viet Nam has highlighted some problems associated with their exports to China, such as labelling and packaging requirements for food, and registration procedures and risk assessment requirements for imported fruits, etc.

Trade Facilitation

China has made category A and B commitments for implementation within the Trade Facilitation Agreement and no commitments within category C. Its Trade Facilitation Agreement (TFA) implementation means that China has made commitments to implement all but four measures immediately and the remaining four to be implemented within 3 years, by February 2020. One third of China's imports are now declared through the Single Windows and clearance times for exports are being continuously reduced. The role of China's customs will be enhanced greatly through reform in order that they can perform the tasks ahead of them. They will optimize the customs clearance process, enhance the application of science and technology, etc. China wants to make their custom's procedures to match the highest international standards and become highly competitive.

Developing country members should be interested in knowing what are the challenges that China has run into when implanting its TFA commitments and overall they want to learn from China's experience. China has made a generous contribution within the TFA facility, providing USD 8 million for research and activities for developing country capacity building. They have also donated 1 USD million to the TFA Fund.

E-commerce

China is one of the leaders at the WTO on discussion on e-commerce, which many of the developing Members find interesting. Since 2015, China has established 13 cross-border e-commerce comprehensive pilot zones (CPZs), encouraging new and innovative business models. China discusses the development implications of e-commerce at the WTO as part of the Friends of E-Commerce for Development. China believes that e-commerce provides unparalleled opportunities for development for also youth and women. China has experience and is willing to help with cross-border trade in e-commerce and the related payment and logistic services.

LDCs should try to get all the help they can with regard to e-commerce. Though e-commerce for smaller developing countries and LDCs is very promising in terms of lowering barriers to trade, lower prices and more consumer choice, they will be facing many problems, such as Internet connectivity, capacity to handle the influx of parcels, lack of trust and cybercrime issues, valuation of import duties and taxes, supporting infrastructure of payment systems, logistics, inventory, etc.

SECTION 4

Conclusions and Recommendations

The information and analysis in the sections above shows that the TPRs of China, the U.S. and Japan are a good way for WTO Members to learn about the policies and regulations in place in these countries. LDCs largely export to these economies due to their market size and the duty-free benefits and exemptions that have been granted to them but the reviews show that there is more that could be done to really make the duty-free preferences meaningful for LDCs and smaller developing countries. It is important to start with agriculture, fisheries, textiles and garments that help the developing countries to improve the livelihoods of their farmers, fishermen, and SMEs. Then other sectors of economy can follow.

In each of the countries reviewed in the paper, some form of preferential treatment is provided at least for some smaller developing countries as well as for LDCs. For example, the LDCs from Asia have steadily increased their exports to Japan in garments and textiles after DFQF market access was granted to them. The U.S. provides preferences under four programmes: the African Growth and Opportunity Act (AGOA), the GSP, the Caribbean Basin Initiative (CBI)/Caribbean Basin Trade Partnership Act (CBTPA), and the Nepal Trade Preference Program (NTPP). Additionally, there are HOPE and HELP programmes for Haiti. Asian LDCs could try to pursue a programme similar to that of the AGOA. Yet, even if the U.S. provides interesting benefits under AGOA to Africa, the African LDCs need to learn to take better advantage of the AGOA.

Since in Japan products under DFQF market access both for the LDCs and the GSP schemes are reviewed once a year within the annual tariff revision, there could be export opportunities that come up if product coverage is increased but at the same time also caution to watch out for new tariffs. Similarly, in the U.S. under the GSP Sub-Committee requests are accepted and deliberated on adding products for duty-free listing under the GSP. Any country or person can petition the Committee for additions, and thus create opportunities for exporters. Africa could petition for special duty-free or reduced duty tariff treatment category listing for groundnuts, sweetened cocoa, cotton, tobacco, or sugar.

One of the biggest issues of preferences for the LDCs are rules of origin. LDCs cannot take advantage of the duty-free or quota free preferences because of requirements of substantial transformation of the good or value addition for at least 35% of the direct processing costs within their territory. Often LDCs are in the global value chain but their value addition is low due to low production capacity or low valuation of the segment they can provide and their products still end up competing with other products from the world and not accruing the LDCs' preference. Great opportunities could lie within ROOs, if LDCs could be able to import inputs and intermediate products of all origins. China's ROOs rules were modified in 2017 by a Decree. As ROOs policies have such an important implication on LDCs, LDCs need to pay attention to these kinds of changes to make sure that they receive their DFQF benefits and that they can take advantage of the new changes.

To export foodstuffs to Japan, countries are faced with stringent SPS measures, which are often more rigorous than international Codex standards. There are currently more that one hundred non-

Codex maximum residual levels restriction for agricultural chemicals, chemical products, and additives on hundreds of agricultural products imported into Japan. Developing country exporters that are exporting foodstuffs, such as coconut, green coffee bean, chickpeas, corn, barley, cucumber, eggs, cashew nuts, milk, rice, soybean, etc. have to be extra cautious. The SPS measures can render DFQF market access meaningless, if the exporters are faced with these chemical use restrictions.

Similarly to Japan's SPS measures, the U.S. has problematic TBT measures. There is not much standardisation at the federal level and the private sector is involved in developing voluntary consensus standards. Since there is no single point of inquiry for the TBT measures, it is very problematic for exporters, especially from LDCs to manage standards. WTO TBT notifications can be useful but not as up to date. Import procedures for animal and plant products and the verifications, certification, audit, inspection needed are burdensome even for the EU. The exporters have to adhere to the FDA, USDA, and a plethora of other agencies involved in SPS measures' procedures and requirements. A new interesting initiative, the accredited certification bodies, which undertake consultative and/or regulatory food safety audits, and issue certifications to eligible food producing entities, may become an important initiative to alleviate the issues as it allows developing countries inspection of their foodstuffs on their own territory and thus curb time and monetary costs.

Japan has a very open services sector and they have made commitments in sectors that LDCs have interest in. There are no limitations in modes 1 to 3 for entertainment, convention, franchising, hotels and restaurants, investigation, security guard, rental of commercial vehicles with operator, telephone answering, and tourist guides. Japan could set an example in cutting red tape in mode 4 visas, fees, licenses, etc. Similarly, some opportunities lay ahead in the U.S. services sector. The sector requests made by LDCs under the LDCs services waiver are mostly already liberalized within the U.S. The U.S. plans to provide the LDCs the level of access to the U.S. services market that the U.S. is aiming to provide under Trade in Services Agreement (TISA) in the future.

U.S. subsidies under the Farm Bills have had for years trade distorting effects on international agricultural market. Hundreds of millions of US dollars are paid to wheat rice, peanuts, sorghum, and maize in the U.S. The subsidies have a negative effect on exporting and importing developing countries and their small-and medium-size producing farmers by depressing product price and undercutting their income. China equally is trying to make sure that its farmers get a reasonable price for their product, but its price support and stockpiling actions need to be closely monitored in order to not further lower global prices and significantly impact the livelihoods of small LDC or developing country producers and exporters.

Sometimes there is much focus on LDCs but for smaller developing countries, such as Sri Lanka, the challenges can be similar. Even despite the preferential market access that China grants to Sri Lanka, and because of sensitive list of products, they find Chinese MFN tariff average on agricultural products still too high to be able to export to China.

In China, tariff rate quotas are applied to 47 tariff lines including wheat, meslin, maize, rice, cane or beet sugar, cotton, which are many agricultural crops that LDCs produce. Though it would be challenging, the LDCs beneficiary countries could try to contest TRQ provisions applicability to their exports as they often export them in small quantities. This could be especially achievable since the tariff rate quotas for several tariff lines of wheat, corn, and rice are often not even half filled.

Often the big economies have in place aid and cooperation programmes that are tailored to LDCs or smaller developing countries but do not necessarily target all the LDCs. One place to learn about these programmes is during TPRs, which can increase the likelihood that similar benefits could be asked and accrued by LDCs and developing countries not currently benefitting. Japan, for example is one of the main donors of Aid for Trade, a keen supporter of DDA Global Trust Fund, and under TFA helps to set up One-Stop Border Posts. They have also pledged USD30 billion for the future of Africa for economic diversification and industrialization. The U.S. also provides TF help through the Global Alliance for Trade Facilitation. China has made a generous contribution within the TFA facility, providing USD 8 million for research and activities for developing country capacity building. For developing countries, China is a good country to learn from on issues of TF because of some similarity with developing country backgrounds.

As evident, TPRs can be used by smaller developing countries and LDCs to reduce policy uncertainty and trade barriers, improve market opportunities and trade monitoring, and explore new domestic policy options. Accordingly, they can consider the following recommendations:

Some Recommendations to Raise and Advance Specific Issues through TPRs

- If duty-free or quota free preferences for a product of interest to LDCs are not currently granted, the countries should ask for the preferences, as often the quantities they export are small and the impact on the importing country would be negligible while for the LDCs it could help to turn around the economy.
- Similar to cotton for the four West-African countries, sometimes countries could ask for preferences not for the whole group of LDCs but maybe for a smaller region or group of countries in order to make it easier for the concerned developed countries to consider.
- To make DFQF market access more meaningful for LDC, LDCs should advocate for loosening of ROOs especially if the inputs are sourced from other small developing countries. It would not have a significant negative impact on the big economies.

Some General Recommendations to take Advantage of TPRs

It will be beneficial to participate in the TPR review meetings, as the collegium of all countries brings out issues that could be of interest. It is important to note here that the TPR reviews all policies and regulations of a country and not only specific issues as is the case with other WTO Committees. New policies and regulations are reported in the TPRs, which would give developing countries a chance to ask questions and clarifications on areas of importance for their exporters and economy and pass it on back home. It would help to avoid economic loss and surprises for their exporters.

The LDCs and smaller developing countries do not discuss much or take interest in IPR, FDI, competition policy, TF, and e-commerce but these are important trade policy areas, which can be discussed and explored in TPRS without the fear of having negotiation implications.

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