

LDC Interests in the WTO

#2/2017

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

Introduction

It is acknowledged that LDCs are faced with challenges that have marginalised them from effectively participating in international trade. Indeed, Paragraph 3 of the WTO Doha Ministerial Declaration of 2001 underscores the WTO members' commitment to ensure the integration of LDCs in the multilateral trading system by addressing the critical issues preventing them from leveraging trade for development.

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

At the outset, it should be highlighted that progress has been achieved in addressing LDC-specific issues, which provides a positive basis for the road ahead in

tackling the pending issues. A case in point is the streamlining and simplification of preferential rules of origin, on which, following the Bali and Nairobi Ministerial Decisions, progress has been made with an agreed template already in place.

Furthermore, a number of preference granting countries have commenced utilisation of the template. The issue of granting preferential rules of origin (RoO) has now reverted to the regular WTO committee for monitoring its implementation.

However, despite the progress made, imbalances persist in agricultural and allied sectors that are of paramount importance to LDCs.

Agriculture

Most LDCs are heavily dependent on the agricultural sector, which employs majority of their workforce. However, challenges in the sector such as low productivity and production persist, and in many cases have resulted in food

insecurity. Most farming in LDCs is small scale, subsistence and characterised by rudimentary technology. The international agricultural policies have exacerbated the challenges faced by LDCs. Issues such as trade-distorting subsidies, and changing and unpredictable standards would need to be addressed for the LDCs to become competitive in this critical sector of their development.

Integrating LDCs in world agricultural markets would no doubt boost their productivity. This calls for access to requisite technologies, financing, and most crucially addressing the issue of trade-distorting domestic support that despite many years of negotiation continues to displace LDCs from global agricultural markets in products they would otherwise be competitive in trading.

The 2015 WTO Ministerial Conference in Nairobi reaffirmed the WTO members' commitment to advance negotiations on domestic support to agriculture and, in doing so, ensuring that the specific interests to LDCs are prioritised.

It is in this light that LDCs now call for an outcome from the Buenos Aires Ministerial Conference that would ensure substantial decrease in trade-distorting domestic support, including addressing asymmetries in permitted domestic support measures.

Such measures should have a focus on products of particular interest for LDCs' exports, which would be in line with the WTO members' commitment to address LDCs' interests towards their further

integration in the multilateral trading system.

Cotton

The cotton issue remains of paramount importance to LDCs. Despite the initial commitment to address cotton ambitiously, expeditiously, and specifically, so far only incremental progress has been made in areas relating to market access, export competition and the development component as provided in the Nairobi Ministerial Declaration.

The core issue of reducing support and protecting cotton producers is yet to be addressed through effective, concrete, substantial and measurable means.

LDCs, in particular the Cotton-4 countries of Benin, Burkina Faso, Chad and Mali, that are greatly affected by non-resolution of the cotton issue have put forward a proposal detailing the specific actions required to resolve the issue in the Buenos Aires Ministerial.

Special and Differential Treatment

The principle of Special and Differential Treatment (S&DT) is important for developing countries, more so for the LDCs for their effective integration in the multilateral trading system. The global share of LDCs' exports that stood at less than one per cent in 2015 illustrates the need for such measures, which are necessary to spur their development efforts.

This calls for enhancing LDCs' manufacturing capacity that would spur backward and forward linkages with other sectors of the economy. It is in light of this that S&DT for LDCs should be categorically strengthened and/or provided for in the areas of their interests.

Specific areas of interest of S&DT for LDCs include the following:

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

Fisheries Subsidies

The fisheries sector is very important for many LDCs as a source of food security, protein intake and sustenance of livelihoods. Fisheries also contribute significantly to export earnings of many LDCs.

Developments in the fisheries subsidies negotiations at the WTO so far point towards a possible outcome at MC11. It is

in this light that critical issues for LDCs should be part of the eventual outcome and these specifically include prohibition of fisheries subsidies that facilitate over-production and subsidies that facilitate Illegal, Unreported and Unregulated (IUU) fishing practices.

An agreement on fisheries subsidies disciplines should also provide for technical assistance for LDCs to ensure IUU's vessels do not cross into their territories. Additionally, LDCs would also need assistance to overcome the lack of capacity to monitor fish stocks towards improving sustainability in their territories.

Importantly, disciplines agreed should not hinder LDCs' ability to develop and transform their fisheries sector, especially given that fisheries are undertaken at subsistence or small commercial level in those countries. Trade preferences for LDCs should be maintained in order to protect their products from tariff escalation, which in sum requires policy space that would enable development of landing, processing, and marketing facilities through provision of subsidies.

S&DT for fisheries subsidies disciplines is very important for LDCs to ensure that they can optimally and sustainably develop their fisheries sector.

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

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

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

Way Forward

The challenges faced by LDCs that have prevented them from effectively integrating in the global trading system are widely acknowledged. In fact, the WTO members committed themselves to address these challenges and have indeed made some progress towards this end. However a number of critical issues remain to be addressed.

The Buenos Aires MC11 is yet another opportunity to take forward efforts in assisting LDCs to better integrate in the multilateral trading system. An outcome that addresses some of the LDC-specific issues would go a long way in boosting this group of countries efforts to overcome their development challenges.

© CUTS International, 2017

This Viewpoint Paper has been written by Julian Mukiibi, Assistant Director, CUTS International. D-217, Bhaskar Marg, Bani Park, Jaipur 302 016, India. Ph: 91.141.228 2821, Fax: 91.141.228 2485, Email: cuts@cuts.org, Web Site: www.cuts-international.org.

Also at Delhi, Calcutta and Chittorgarh (India); Lusaka (Zambia); Nairobi (Kenya); Accra (Ghana); Hanoi (Vietnam); and Geneva (Switzerland).

November 2017