

Hong Kong Decision on DFQF Market Access and Rules of Origin

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Mandate

- Duty-free and Quota-free market (DFQF) access has been a prominent trade agenda of the LDCs since the establishment of the WTO
- At Doha Ministerial in 2001, WTO Members committed to the objective of providing DFQF access to LDC products
- The Hong Kong Ministerial Conference in 2005 provided an important breakthrough, with a comprehensive operational decision
- At MC8, Ministers urged for full implementation of Decision 36 of Annex F of the Hong Kong Ministerial Declaration of 2005 on measures in favour of LDCs

The Hong Kong DFQF Decision

- The Decision has several components
- Developed Members to provide DFQF access for all products from all LDCs by 2008, or no later than the start of the implementation period
- Differentiated obligations for developing country Members, flexibility in coverage and in phasing-in period

The Hong Kong DFQF Decision

- Members facing difficulties may provide at least 97% DFQF access by 2008, or no later than the start of the implementation period
- Implementation of the schemes to be notified to the CTD every year
- Donors and relevant international institutions urged to increase financial and technical support aimed at diversification of LDC economies

The Hong Kong DFQF Decision

(Preferential rules of origin)

- The Decision also asked developed country Members to ensure that preferential rules of origin applicable to imports from LDCs are *"transparent and simple, and actually contribute to facilitating market access"*.
- The LDC Group continues to pursue for simplified rules of origin, based on their proposal tabled in 2011 (TN/CTD/W/30/Rev.2).
- The active engagement of the LDC Group is often conditioned by lack of expertise in such technical and complicated area of work

LDC Proposal on Rules of Origin

- Across the board rules of origin criteria proposed (i.e. no product-specific criteria)
- Substantial transformation on the basis of two proposed methods: build-down (value addition, 25%) or build up (local content, 15%)
- Method for determining origin criteria differ among preference schemes
- Canada, the EU, Switzerland offer flexible origin rules

Current status of DFQF

- All developed Members, with the exception of the United States, provide at least 97% DFQF access to products originating from LDCs
- Unqualified DFQF access by Australia, New Zealand. Most of other developed Members provide close to 100% DFQF access
- Key developing country trading partner of LDCs provide significant degree of DFQF access to LDC products

DFQF in selected developed-country markets

Country	Duty-free coverage and exclusions	Number of Dutiable lines (national tariff lines)
Australia	100 per cent	None
Canada	98.8 per cent (dairy, eggs and poultry)	102
European Union	99.8 per cent (arms and ammunitions)	22
Japan	98.2 per cent (rice, sugar, fishery products, articles of leather)	164
New Zealand	100 per cent	None
Norway	100 per cent (except roses)	1
Russian Federation	28.6 per cent (Some 3219 tariff lines are granted duty-free treatment. Textile, clothing, leather, footwear, etc. excluded from DFQF coverage)	7813
Switzerland	100 per cent (except two cheese items)	2
United States	82.5 per cent (dairy products, sugar, cocoa, articles of leather, cotton, articles of apparel and clothing, other textiles and textile articles, footwear, watches, etc.)	1,873

DFQF in selected developing-country markets

Country	Duty-free coverage
China	At present, 60 per cent of all tariff lines covered by DFQF access, with an aim to increase to 97 per cent of its tariff lines
India	Duty-free access for 85 per cent of tariff lines, and a margin of preference above MFN for an additional 9 per cent of tariff lines
Korea, Republic of	95 per cent of tariff lines
Chinese Taipei	Nearly 32 per cent of tariff lines
Turkey	Nearly 80 per cent of tariff lines

DFQF in selected developing-country markets (2)

- Indonesia recently announced that it would offer DFQF access to LDCs.
- Reportedly, Thailand is also considering offering DFQF treatment to LDC products.

Forum for discussions

- There is increased transparency and clarity on the preferences being provided to the LDCs
- DFQF remains a standing item on the agenda of the regular CTD meeting
- Any preferential scheme could be taken up under the transparency mechanism for PTAs
- WTO continues to keep track of developments being made in the implementation of the DFQF Decision, including in the context of annual market access review paper

Remaining work

- Market access opportunities seen incremental progress, with scope for further improvement
- Full implementation of the Hong Kong DFQF Decision is not yet achieved for certain markets, although this implementation is part of “single undertaking”
- Detailed tariff line analysis requested to help LDCs understand present status; and identify supply-side support to make use of market access provided.
- Finalize the work on preferential rules of origin, and engage with Members