

Session 3: LDC Graduation and Trade in Goods

Regional Workshop on Graduation for LDCs in Asia

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Focus on LDC graduation of and RTAs

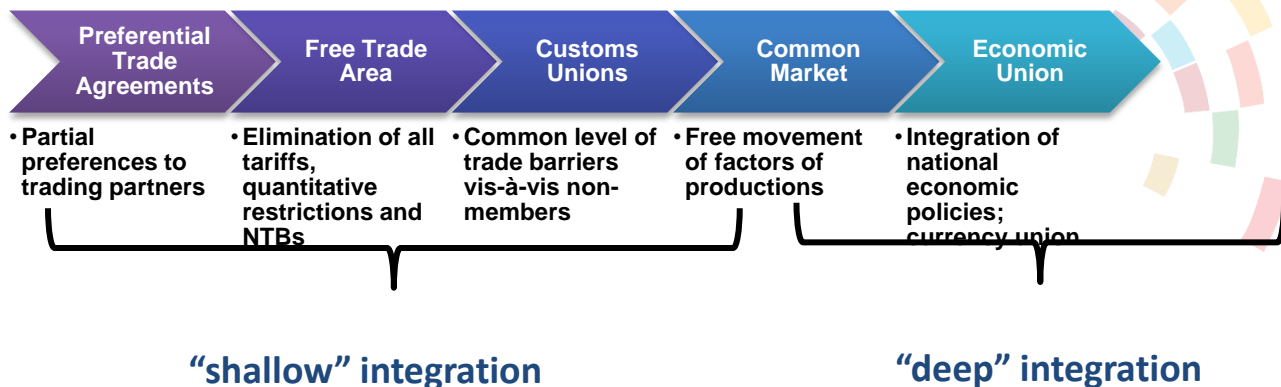


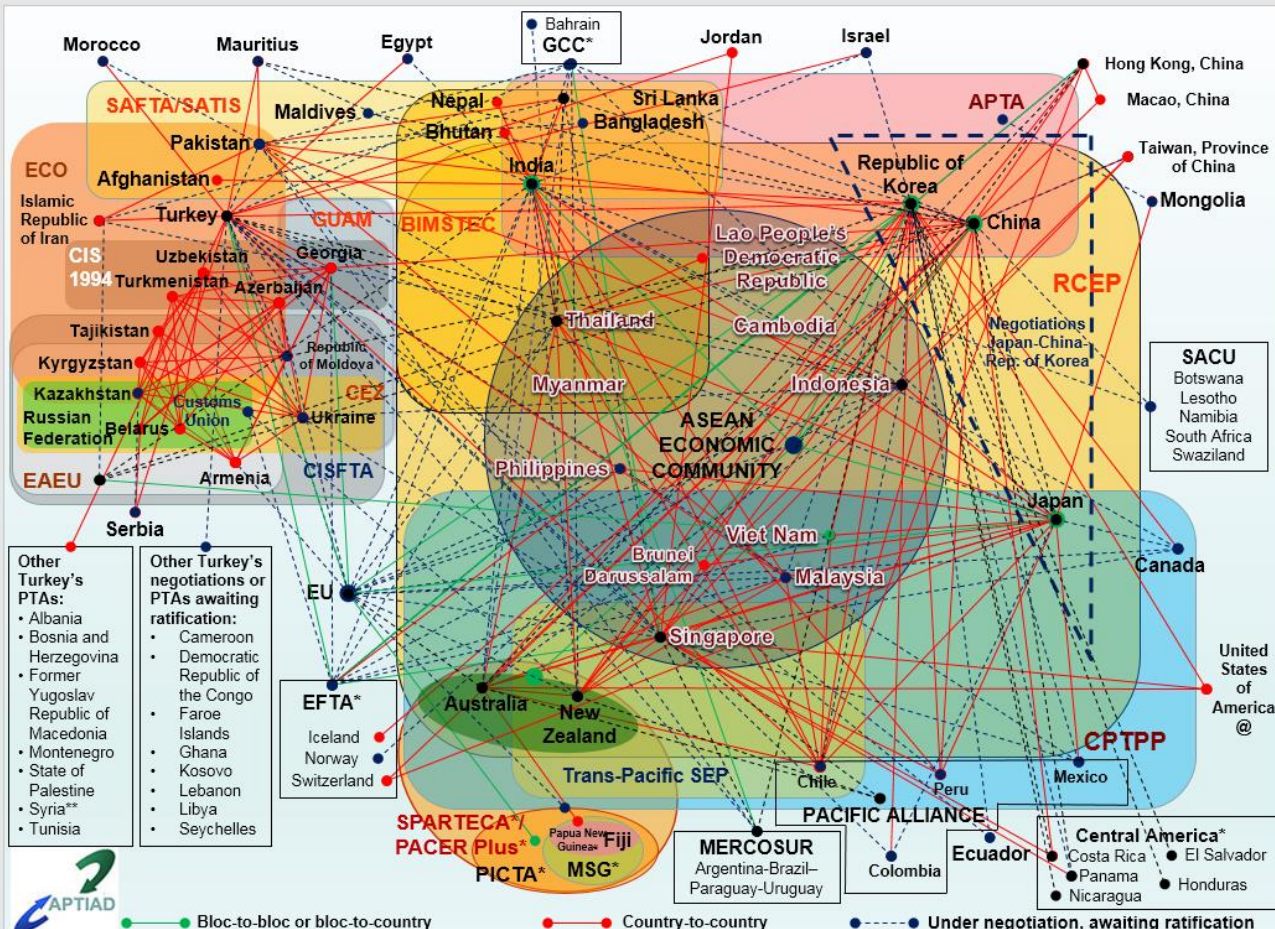
RTAs \approx reciprocal preferences

- Nature of reciprocal preferences different
- ✓ What is the basis for such preferences in WTO rules re goods trade?
- The channels of impact on barriers?
- Mutually exchanged but do not have to result in equal, symmetrical benefits
- ✓ Art XXIV of GATT 1994
- ✓ Enabling Clause Decision
- Via reducing tariffs (to 0 on substantially all trade) within a reasonable period of time and/or
- Giving margin of preference on all/selected trade which is expanded over time



Types of trade agreements

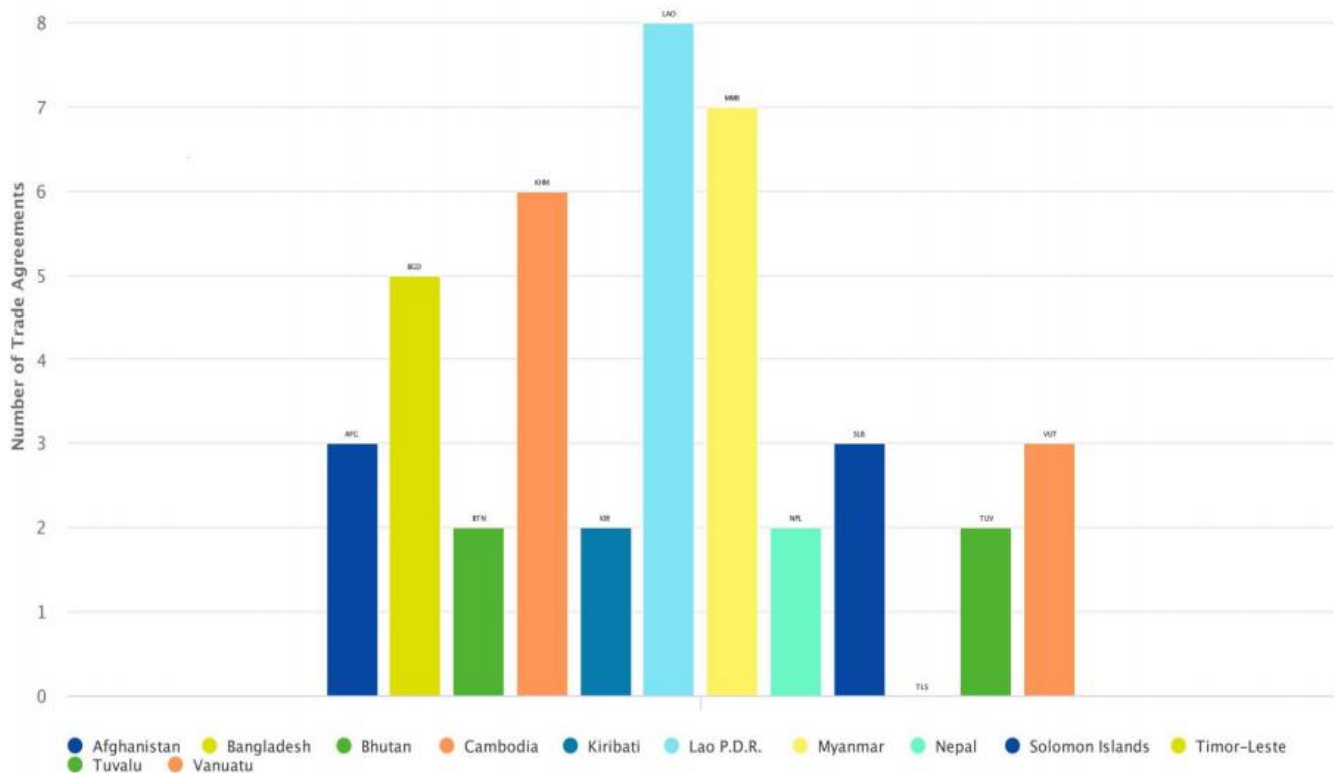




LDCs in RTAs

India - Nepal	Goods	PSA	2-Aug-10	Enabling Clause	27-Oct-09
ASEAN - Korea, Republic of	Goods & Services	FTA & EIA	8-Jul-10		01-Jan-2010(G) / 14-Oct-2010(S)
ASEAN - Australia - New Zealand	Goods & Services	FTA & EIA	8-Apr-10	GATT Art. XXIV & GATS Art. V	1-Jan-10
India - Afghanistan	Goods	PSA	8-Mar-10	Enabling Clause	13-May-03
ASEAN - Japan	Goods	FTA	23-Nov-09	GATT Art. XXIV	1-Dec-08
Pacific Island Countries Trade Agreement (PICTA)	Goods	FTA	28-Aug-08	Enabling Clause	13-Apr-03
India - Bhutan	Goods	FTA	30-Jun-08	Enabling Clause	29-Jul-06
South Asian Free Trade Agreement (SAFTA)	Goods	FTA	21-Apr-08 29-Jul-06	Enabling Clause	1-Jan-06 7-Aug-11 accession of Afghanistan
ASEAN - China	Goods & Services	FTA & EIA	21-Sep-2005(G) / 26-Jun-2008(S)	Enabling Clause & GATS Art. V	01-Jan-2005(G) / 01-Jul-2007(S)
Melanesian Spearhead Group (MSG)	Goods	PSA	3-Aug-99	Enabling Clause	1-Jan-94
South Asian Preferential Trade Arrangement (SAPTA)	Goods	PSA	21-Apr-97	Enabling Clause	7-Dec-95
ASEAN Free Trade Area (AFTA)	Goods	FTA	30-Oct-92	Enabling Clause	1-Jan-93
Lao People's Democratic Republic - Thailand	Goods	PSA	26-Nov-91	Enabling Clause	20-Jun-91
Global System of Trade Preferences among Developing Countries (GSTP)	Goods	PSA	25-Sep-89	Enabling Clause	19-Apr-89
South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA)	Goods	PSA	7-Jan-81	Enabling Clause	1-Jan-81
Asia Pacific Trade Agreement (APTA)	Goods	PSA	2-Nov-76 30-Apr-04	Enabling Clause	17-Jun-76 01-Jan-02 accession of China





Data source: ESCAP Asia-Pacific Trade and Investment Agreements Database | Produced with: ESCAP Asia-Pacific Trade Indicators Portal



S&DT for LDCs in FTAs

- Cambodia, Lao PDR and Myanmar (TL?) part of ASEAN linked agreements
- Bangladesh, Bhutan, Nepal and Afghanistan linked to SAARC and bilaterals with India
- Treatment of LDCs in these two agreements different
- ASEAN:
 - Phase out time (normally plus 5 years over those for ASEAN6)
 - Slightly longer/ bigger highly/sensitive list
 - Rules of origin
 - Technical assistance
 - Harmonization of standards



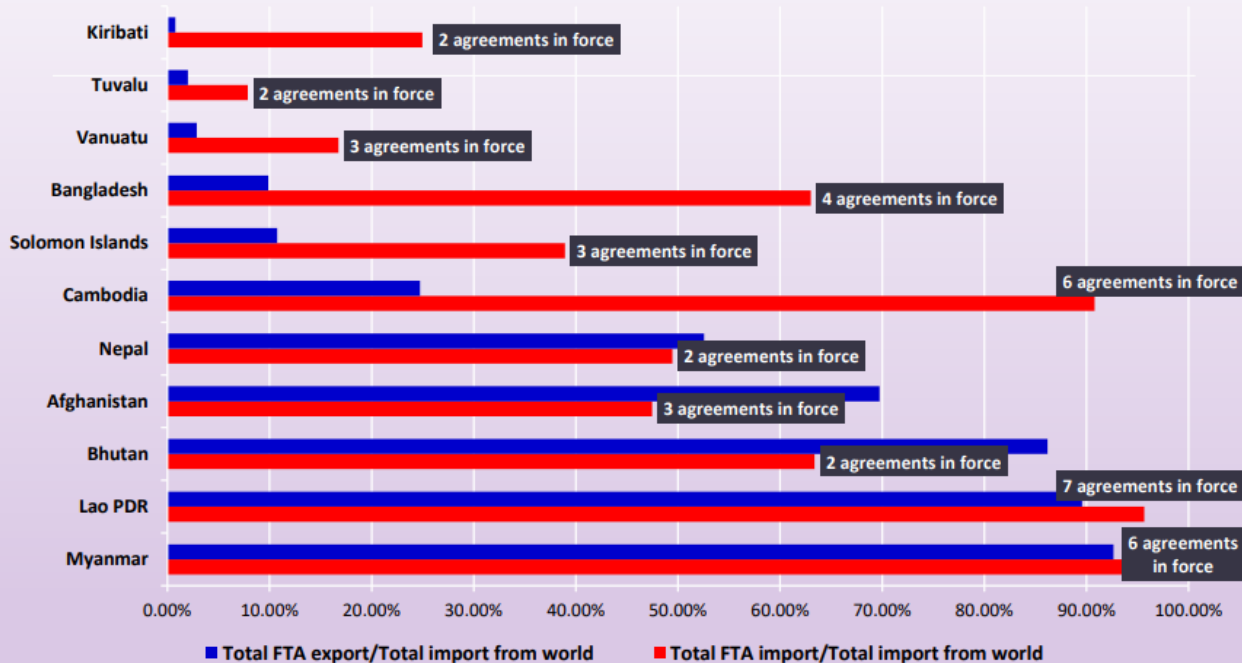
- SAARC
 - Phase out time (max of 10 years)
 - Longer sensitive/ negative list than other FTA partners
 - Additional market access:
 - Faster liberalization of tariffs by other partners
 - Tariff concessions on additional items
 - Rules of origin (relaxed)
 - Revenue compensation
 - Technical assistance



What about APTA?



LDC trade share with FTA partners (2012-2015)



Source: derived from Asia-Pacific Trade and Investment Agreements Database (APTIAD)



Rules of origin are different across RTAs

RTA	Type	Qualifying Criteria
ATIGA	Regional	<ul style="list-style-type: none"> - Value content needs to be at least 40 percent - Rules for Textiles – co-equal
ANZCERTA	Regional	<ul style="list-style-type: none"> - Value content needs to be at least 50 per cent
APTA	Regional	<ul style="list-style-type: none"> - Value content needs to be at least 45 percent (35 percent for LDCs)
China - ASEAN	Regional	<ul style="list-style-type: none"> - Value content needs to be at least 40% - CTH
SAFTA	Regional	<ul style="list-style-type: none"> - Change in Tariff Heading (CTH) - Value content needs to be at least 40 per cent (for India & Pakistan), 35 percent for Sri Lanka and 30 percent for LDCs



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Singapore – Australia	Bilateral	- Value content needs to be at least 50 percent (Product specific rule: 30 percent)
Singapore - New Zealand (ANZSCEP)	Bilateral	- Value content needs to be at least 40 percent
ASEAN – Japan	Regional	- CTH or - 40 percent regional value added content - PSRs
Republic of Korea - India	Bilateral	- CTSH - 35 percent value added content - PSRs allowed as derogation
TPP	Regional	- PSR
RCEP	Regional	- PSR (under negotiation)

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Cumulation

Bilateral cumulation

Bilateral cumulation is the most basic form of cumulation as it operates between two parties and allows producers in either partner country to use materials and components originating in the other's country as if they originated in their own country.

Diagonal cumulation

Diagonal cumulation operates between more than two countries and allows producers to use materials and components *originating* in either country that is part of the agreement. In one form this is an extension of bilateral cumulation by extending it to the regional level.



Partial cumulation

Partial cumulation is the most common form of cumulation under which an input originating in one member of PTA will be considered as originating input in other member country(ies) of PTA. In such a case the full value of the input/material is taken as originating and not the actual value content of processing in the PTA partner. On the other hand if the input is not originating the value added in one country is totally disregarded as it does not meet the origin criteria.

Full cumulation

Full cumulation takes into account all of the operations conducted within the countries who are members to PTA - even if they are carried out on non – originating material. Thus, there is no more restriction to only use originating materials and components for the final good. This concept allows more fragmentation of the production process among members of a trade agreement and increases economic linkages and trade in PTAs.

Agreements	Type	Criteria	Cumulation
AFTA, China – ASEAN, SAPTA	Regional	RVA	Full
APTA	Regional	RVA	Full
SAFTA	Regional	50% RVA with at least 20% in exporting country	Diagonal
India – Sri Lanka FTA	Bilateral	CTH + 35% with at least 25% in exporting party	Bilateral
Singapore - Australia	Bilateral	BVA	Bilateral
Singapore - USA	Bilateral	CTC, BVA, PSRs - mixed	Bilateral
Singapore - India	Bilateral	CTH + BVA	Bilateral
Australia - USA	Bilateral	CTC, PSRs, BVA - mixed	Bilateral



Cost of compliance

As RoO are by definition NTMs, even if consistent with the WTO or PTAs; they may impede trade due to high cost of compliance.

The high cost is due to:

- Getting information
- Documentary burdens to establish origin
- Procedural hassles
- Lack of knowledge of exporters
- Cost of verification by Customs

In cases, where the MFN duties are low, the cost of compliance cost becomes relatively high and thus exporters prefer to export by paying MFN duties rather than seeking preferences.



Way forward

- **Non harmonization of preferential schemes will become deterrent to exports. Thus a process of harmonization is essential.**
- **Once a LDC graduates, lack of harmonization will create bigger challenges:**
 - **Erosion of DFQF preferences**
 - **Compliance with stringent RoO**
 - **From unilateral to reciprocal arrangements**
 - **Lesser time to liberalize the tariffs**
- **Way out: LDCs should collectively push efforts in WTO and other forum to harmonise these schemes.**



THANK YOU



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