

**UNESCAP-WTO Regional Workshop on Graduation
for LDCs in Asia**
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LDC Graduation and Trade in Goods

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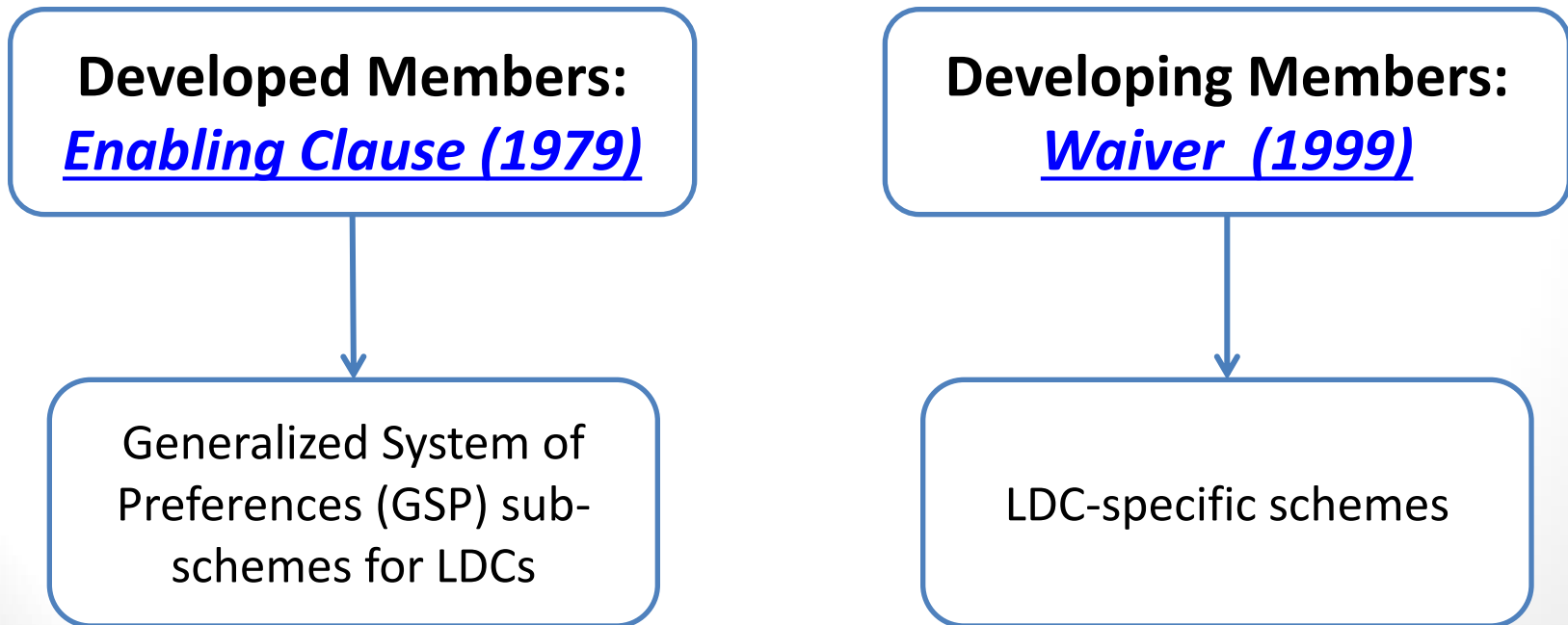
Preferential market access - overview

- LDCs are offered preferential market access by both developed and developing Members of the WTO
- Preferential market access for goods is mainly provided through DFQF market access (along with preferential rules of origin)
- Preferential market access for LDC services and service suppliers are provided through LDC Services Waiver - which is relatively a new instrument
- The practical significance of these arrangements depends on the country's export products as well on the existence of other preferential trading arrangements



Preferential market access in goods

- Preferential market access is a deviation from the most-favoured-nation principle
- WTO instruments allow Members to provide LDCs with duty-free and quota-free (DFQF) market access



Current status of DFQF market access

- Significant progress made over the past two decades
- Most developed Members today grant either full or nearly full DFQF access
 - The exceptions to comprehensive DFQF coverage are limited to a few developed markets and to a limited range of products.
- Several developing Members have adopted DFQF schemes for LDCs
 - A few have reached or are in the process of attaining comprehensive DFQF coverage



DFQF access provided by developed Members (2017)

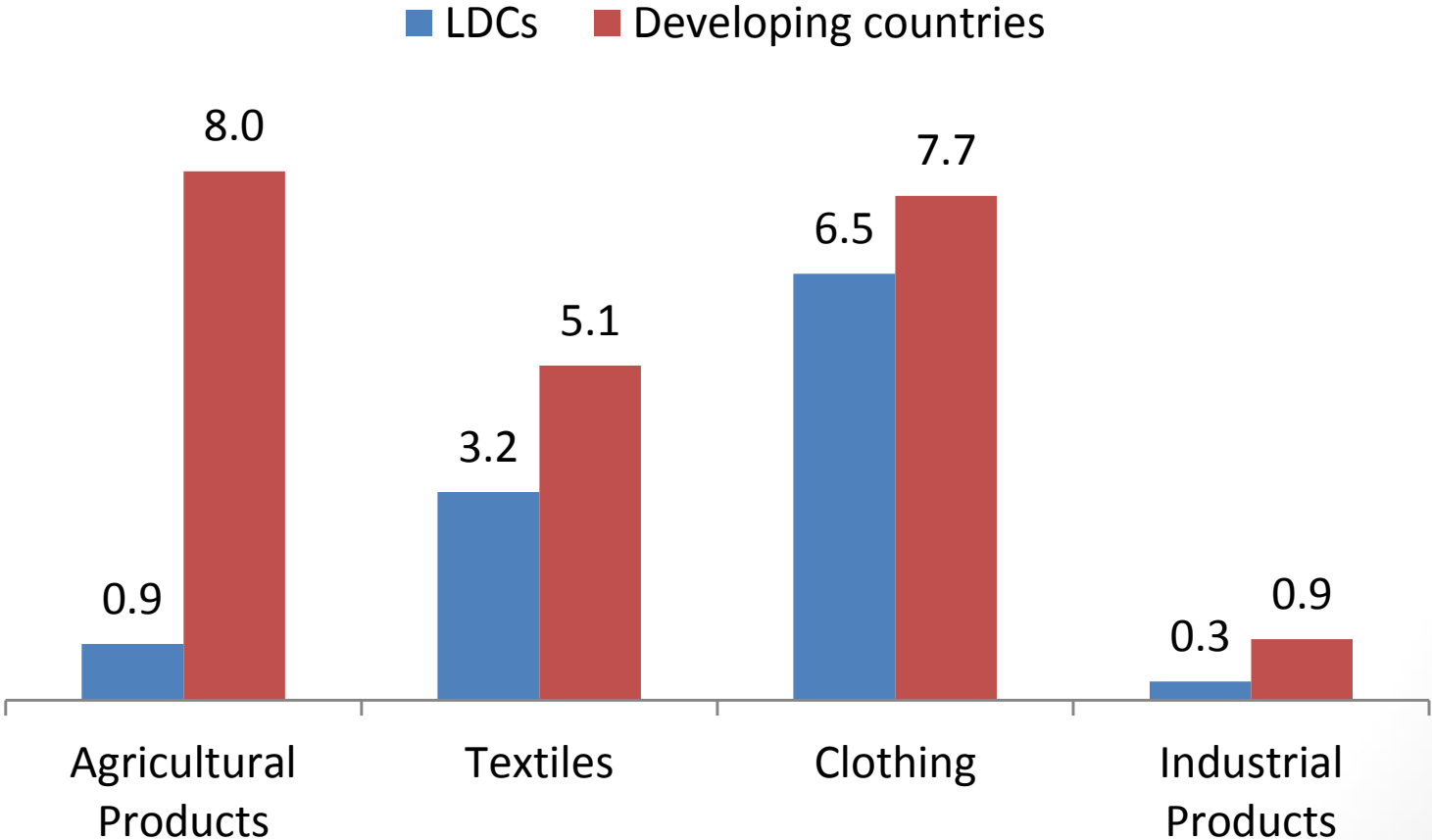
Member	Tariff lines covered	Exclusions (Nb. of lines)	Products excluded	WTO reference
Australia	100%			WT/COMTD/N/18
Canada	98.6%	105	dairy and other animal products, meat, meat preparations, cereals	WT/COMTD/N/15
EU	99.8%	18	Arms and ammunitions	WT/COMTD/N/4
Iceland	91.8%	736	meat, food preparations, vegetables, dairy, etc.	WT/COMTD/N/17
Japan (2016)	97.9%	198	Fish, crustaceans, footwear, milling products, cereal products, sugar	WT/COMTD/N/2
New Zealand	100%			WT/COMTD/N/27
Norway	100%			WT/COMTD/N/6
Russian Fed. (2016)	37.1%	7307	machinery and mechanical appliances, chemicals, electrical machinery, steel products, etc.	WT/COMTD/N/42
Switzerland	100%			WT/COMTD/N7
USA GSP	82.4%	1951	apparel and clothing, cotton, fibres, footwear, dairy and animal products	WT/COMTD/N/1

DFQF access provided by developing Members (2017)

Member	Tariff lines covered	Exclusions (# tariff lines)	Products excluded	WTO reference
Chile (2016)	99.5%	41	cereals, sugar, milling products	WT/COMTD/N/44
China	96.6%	293	chemicals, transport vehicles, machinery and mechanical appliances, electrical machinery, paper	WT/COMTD/N/39
India (2016)	94.1%	676	plastics, coffee and tea, alcoholic beverages, tobacco, food residues	WT/COMTD/N/38
Korea, Rep. of	89.9%	1,232	fish and crustaceans, mineral fuels, oilseeds and oleaginous fruits, wood products, vegetables, food products	WT/COMTD/N/12
Chinese Taipei	30.8%	6,316	machinery and mechanical appliances, electrical machinery, chemicals, meat, fish and crustaceans, iron and steel products	WT/COMTD/N/40
Thailand (2015)	74.7%	2,421	y and mechanical appliances, electrical machinery, iron and steel products, apparel and clothing)	WT/COMTD/N/46
Turkey (2015)	81.7%	3,020	Meat, fish, food products, steel products	IDB

Preference margin of LDCs on key products

Average tariffs levied by developed countries in 2016 on products exported by LDCs and developing countries (%)



Source: ITC/UNCTAD/WTO



Preference utilization for selected LDCs (I)

- The impact from the loss of DFQF preferences will also depend on the extent of preference utilization by the LDCs
- Underutilization: Share of imports eligible for LDC preferences but not receiving preferential treatment, 2016 (%):

	Bangladesh	Lao PDR	Myanmar	Nepal
Australia	6.9	80.7	51.2	36.9
Canada	10.6	19.5	24.7	46.6
Chile	96.7	100	99.4	97.7
EU	4.2	16.2	5.7	8
India	100	100	99.3	100
Japan	5.9	27.3	5	47.8
Korea	14.2	48.9	91.5	60.5
Norway	23.9	85	23.6	25.5
Switzerland	54	80	74.9	58.4
Chinese Taipei	57.1	100	97.5	50.5
USA (LDC)	†	†	94.9	19.4

Source: WTO document G/RO/W/179 (2018). Data for India are for 2015.



Preference utilization for selected LDCs (II)

- Underutilization: Value of imports eligible for LDC preferences but not receiving preferential treatment (in thousand USD)

	Bangladesh	Lao PDR	Myanmar	Nepal
Australia	30,449	754	1,554	652
Canada	123,580	1,387	12,794	2,477
Chile	45,609	209	791	172
EU	751,355	36,289	55,195	7,436
India	640,663	98,407	844,333	381,805
Japan	66,487	2,439	21,144	4,033
Korea	38,675	2,825	8,673	958
Norway	51,741	955	2,062	442
Switzerland	238,490	4,774	26,694	4,356
Chinese Taipei	3,416	63	3,822	105
USA (LDC)	†	†	59,139	2,246
Total	1,990,465	148,102	1,036,201	404,682

Source: WTO document G/RO/W/179 (2018). Data for India are for 2015.



Preferences after graduation

- A graduated LDC will eventually lose eligibility to DFQF preference schemes
- Possibility to negotiate transition periods regarding DFQF market access with preference-granting Member
 - EU's Everything-but-Arms (EBA) scheme has a built-in 3-year transition period
 - Graduated LDCs (Maldives, Samoa) have benefitted from a transition period by the EU
 - Samoa also successfully negotiated a 3-year transition period with China for noni juice and other agro-processing products



Preferences after graduation

- As developing countries, graduated countries can benefit from alternative non-reciprocal preferential trade arrangements (PTAs) if eligibility conditions are met
 - GSP schemes of developed Members
 - EU: GSP & GSP+ for LICs and LMICs (World Bank classification)
 - Other preferential trade arrangements
 - WTO PTA Database: <http://ptadb.wto.org/>
- Graduated countries continue to benefit from reciprocal preferences in regional trade agreements (RTAs)



Conclusions – Addressing challenges from the loss of trade preferences

- Each graduating LDC needs to identify its own appropriate strategy to address the loss of preferences
- Negotiation of transition periods to continue to benefit from LDC preferences has been a key approach of graduating LDCs
- Alternative preferential trade arrangements or finding a niche in the context of regional trade agreements can help address challenges of market access
- In the long term, strengthening of competitive capacity and exploring new destination markets could help maintain stability of export earnings for graduated LDCs



Thank you!

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