

REGIONAL WORKSHOP ON LEAST DEVELOPED COUNTRIES AND LEVERAGING TRADE AS A MEANS OF IMPLEMENTATION FOR THE 2030 AGENDA

Session 6: Regionalism: reaping the opportunities and dealing with challenges

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BASIC GATT PRINCIPLES

- **MFN (Most Favoured Nation Treatment)**
- **TRADE TO BE REGULATED BY CUSTOMS DUTY ONLY**
- **DUTIES TO BE BOUND**
- **NATIONAL TREATMENT**

Non-discrimination: Basic principle

- **The most basic principle in the GATT/WTO system is that there should be free and open competition in trade through non-discrimination between imports from different countries and between imported goods and domestically produced goods.**
- **Legal manifestation through**
 - **MFN**
 - **National Treatment**

Basic Principle: Mainly tariffs for import control

- Tariffs should be the only instrument for controlling trade.
- These tariffs should be **bound**.
- Exceptions
 - QRs on BOP grounds
 - Articles XX and XXI exceptions

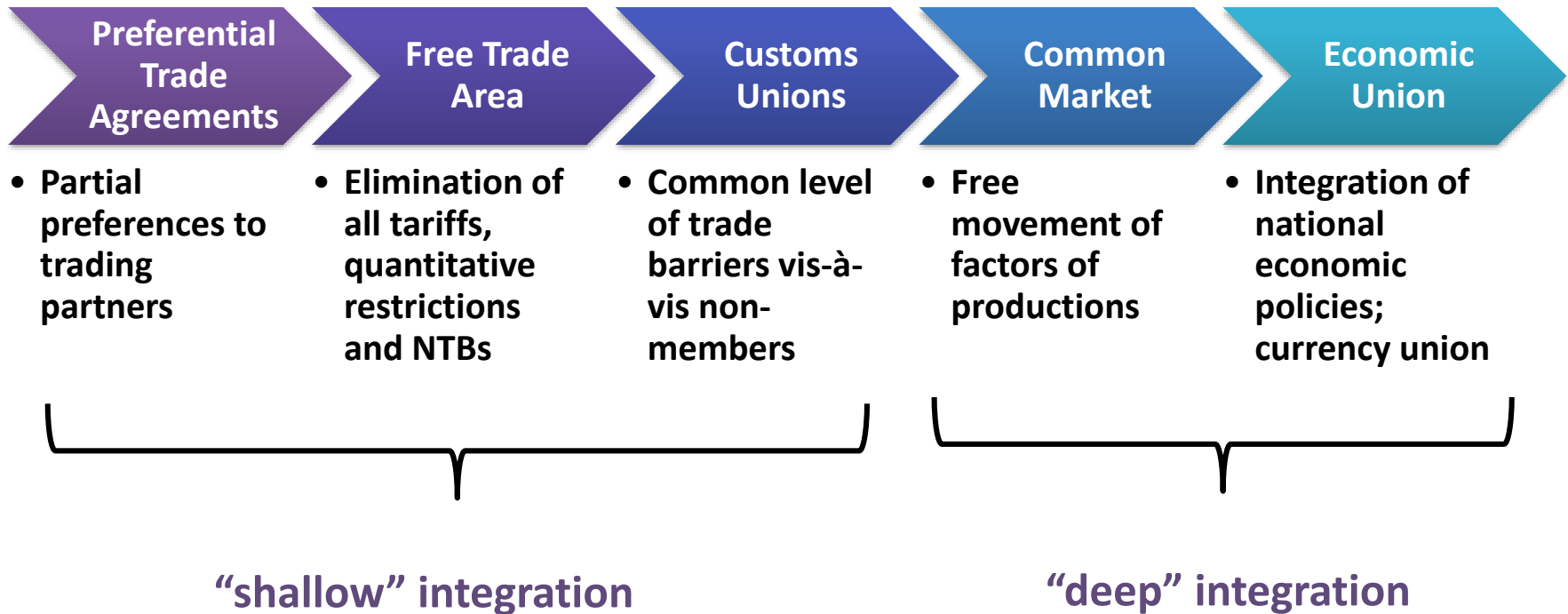
GATT RULES

- Permitted under Article XXIV of GATT 1994.
- Exception to MFN treatment within the Rules subject to fulfillment of conditions:
 - items on which there is **substantial trade** to be covered
 - the phase out of duties should be **within a reasonable length of time**
 - it should **not have trade distorting effect** to non-RTA Parties.
- **Enabling Clause Decision – flexibility.**

WTO RULES

- **The text of Article XXIV became part of WTO Agreement.**
- **During Uruguay Round an understanding was reached on duties & other regulations of commerce, reasonable length of time, and procedure for RTA notification to WTO.**
- **Services: Article V of GATS allows for Economic Integration.**

Types of trade agreements

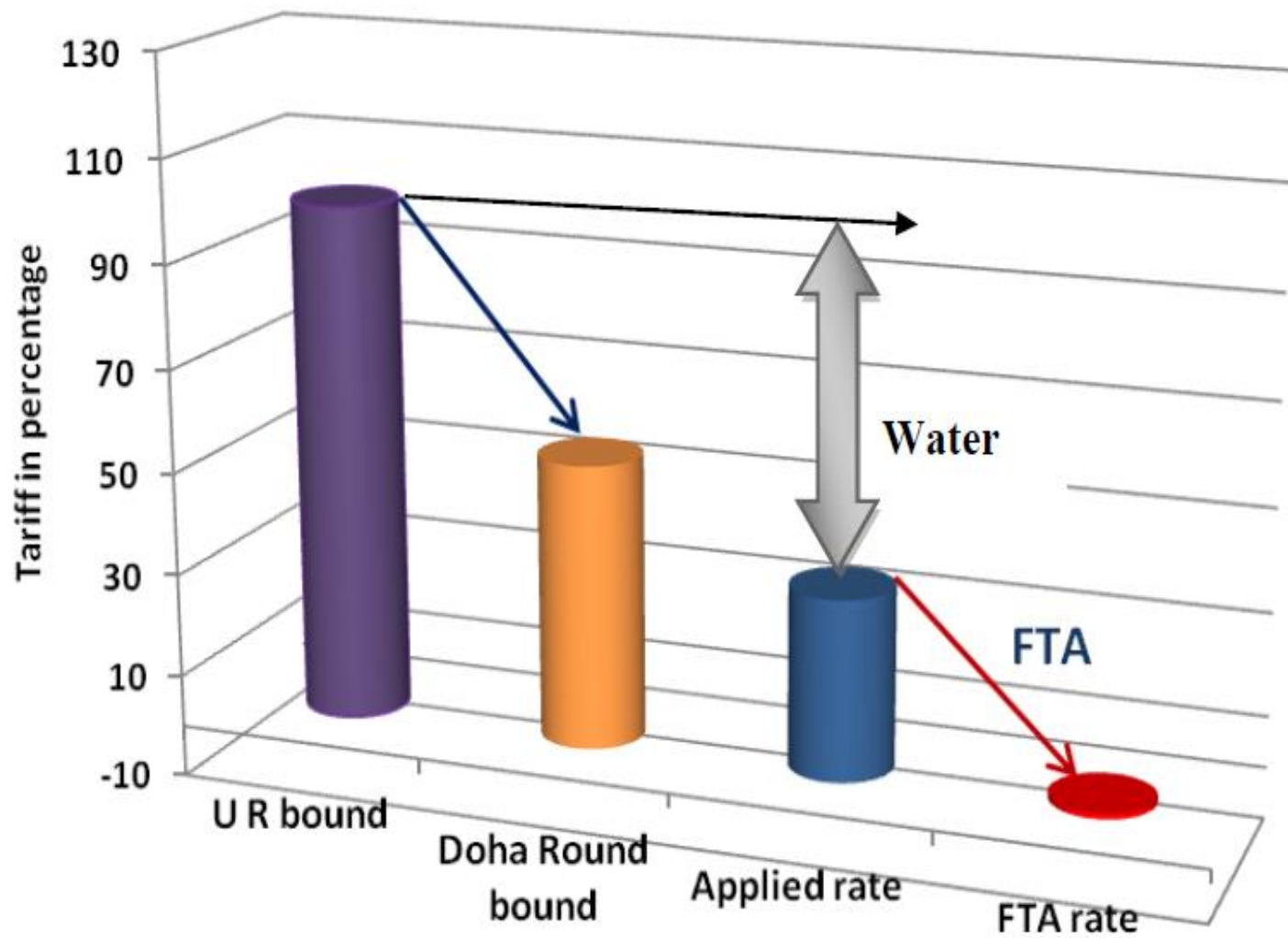


PTA Negotiations

- **Limited items and limited tariff concessions**
- **Negotiations are held in different Rounds**
- **Positive list approach**
- **Request is made to other Parties to give Tariff Preferences on items of export interest**
- **Other Party then offers – items & MoP**
- **Negotiations are then held on expanding the items & MoP**
- **Issue – reciprocity or non-reciprocity**

FTA

- **Negative/Sensitive/Exclusion List - SAT**
- **Decide on modality**
 - Time frame
 - Tracks of liberalisation
 - Trade/Tariff line coverage
- **Offer**
- **Negotiate – position of items & TLP**
- **Technical assistance and cooperation**



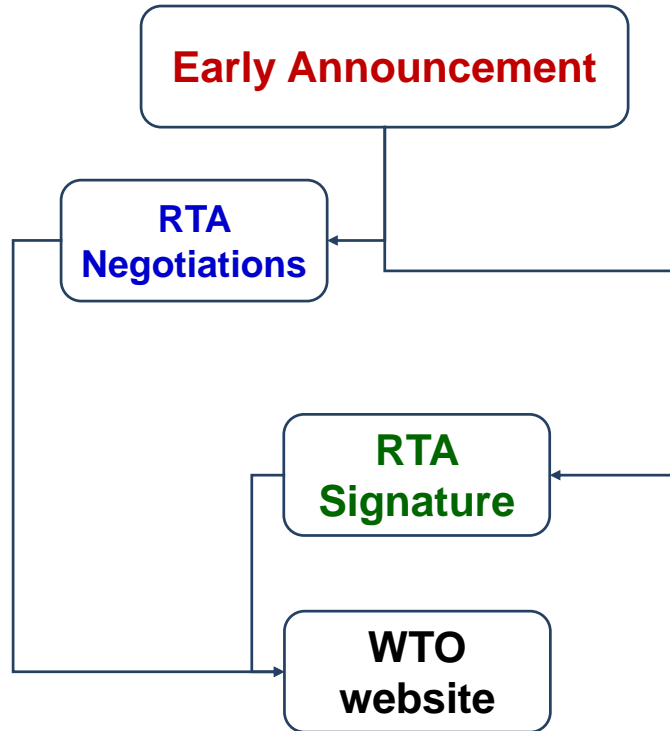
Services in RTAs

- **Article V of GATS**
 - **substantial sectoral coverage (12 sectors – 160 subsectors);**
 - **Elimination of existing discriminatory measures, and/or prohibition of new or more discriminatory measures either at the entry into force or on the basis of reasonable time-frame.**
- **Flexibility for developing countries**
- **Facilitate trade between parties and to to raise the overall level of barriers to trade in services within the respective sectors or sub-sectors compared to the level applicable prior to such an agreement.**

Doha Round - Rules negotiations

- **RTA transparency part of Doha Round negotiations.**
- **A decision was taken on 14th December 2006 on Transparency mechanism for RTAs which was adopted by the General Council. It involved issues relating to:**
 - **Early announcement**
 - **Notification**
 - **Procedures to enhance transparency, etc.**

Transparency mechanism



Early announcement:

- **Best endeavor to inform the WTO Secretariat of participation in new RTA negotiations**
- **Parties to a signed RTA are to inform the Secretariat and provide basic info on the RTA**
- **Such information will be posted on the WTO website and be periodically updated**

RTAs – other elements

- **Anti Dumping**
- **Safeguard**
 - **Global**
 - **Bilateral**
- **Duty drawback**
- **Rules of Origin**
- **Export taxes/licenses**
- **Import licenses**

Comprehensive Agreements

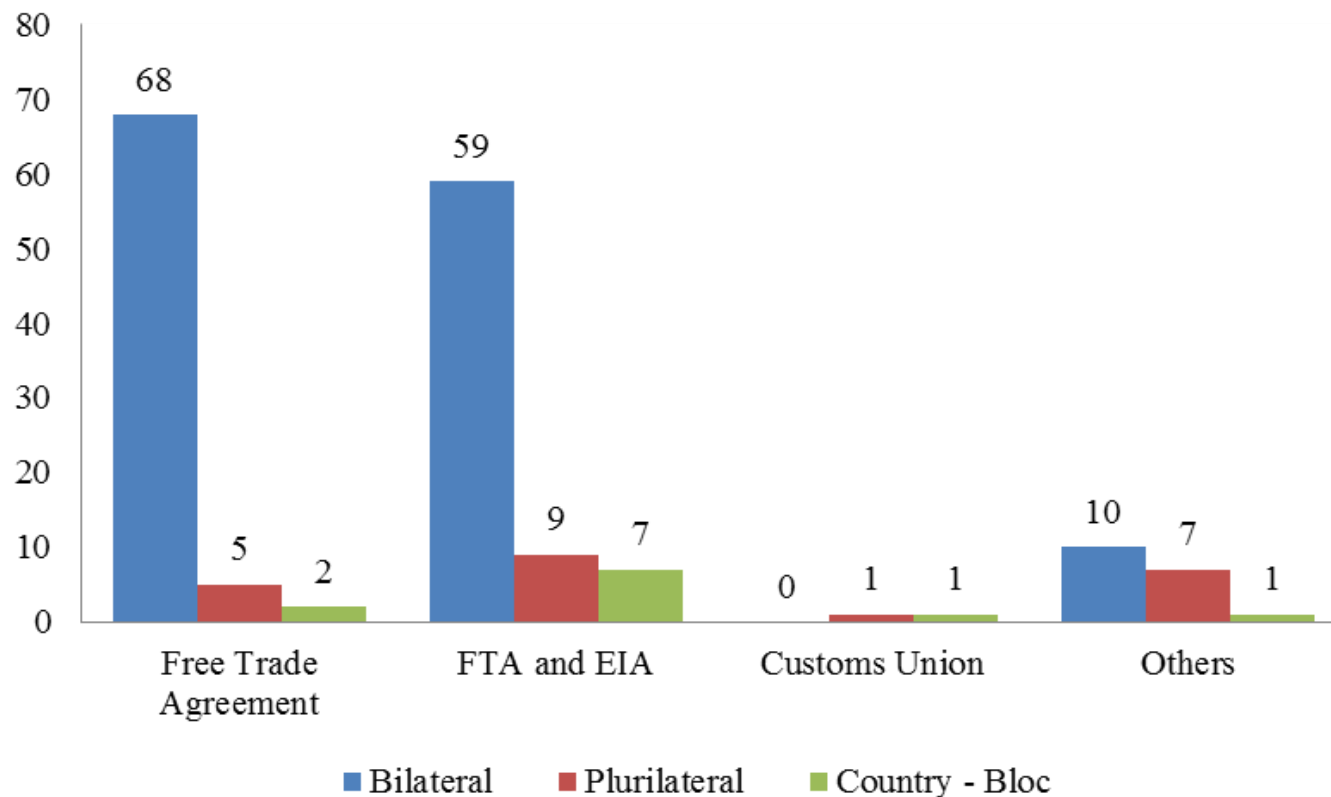
- **Cover goods, services, investments etc.**
- **Commitments on IPRs**
- **Commitments on GP**
- **TF & Customs Cooperation**
- **Mutual Recognition Agreements**
 - **Goods – for NTBs**
 - **Services – for MA**
- **Other Areas of cooperation – Tourism, Technology, R&D etc.**
- **Package – Single Undertaking or in staging.**

Asia-Pacific experiences

Asia-Pacific RTAs

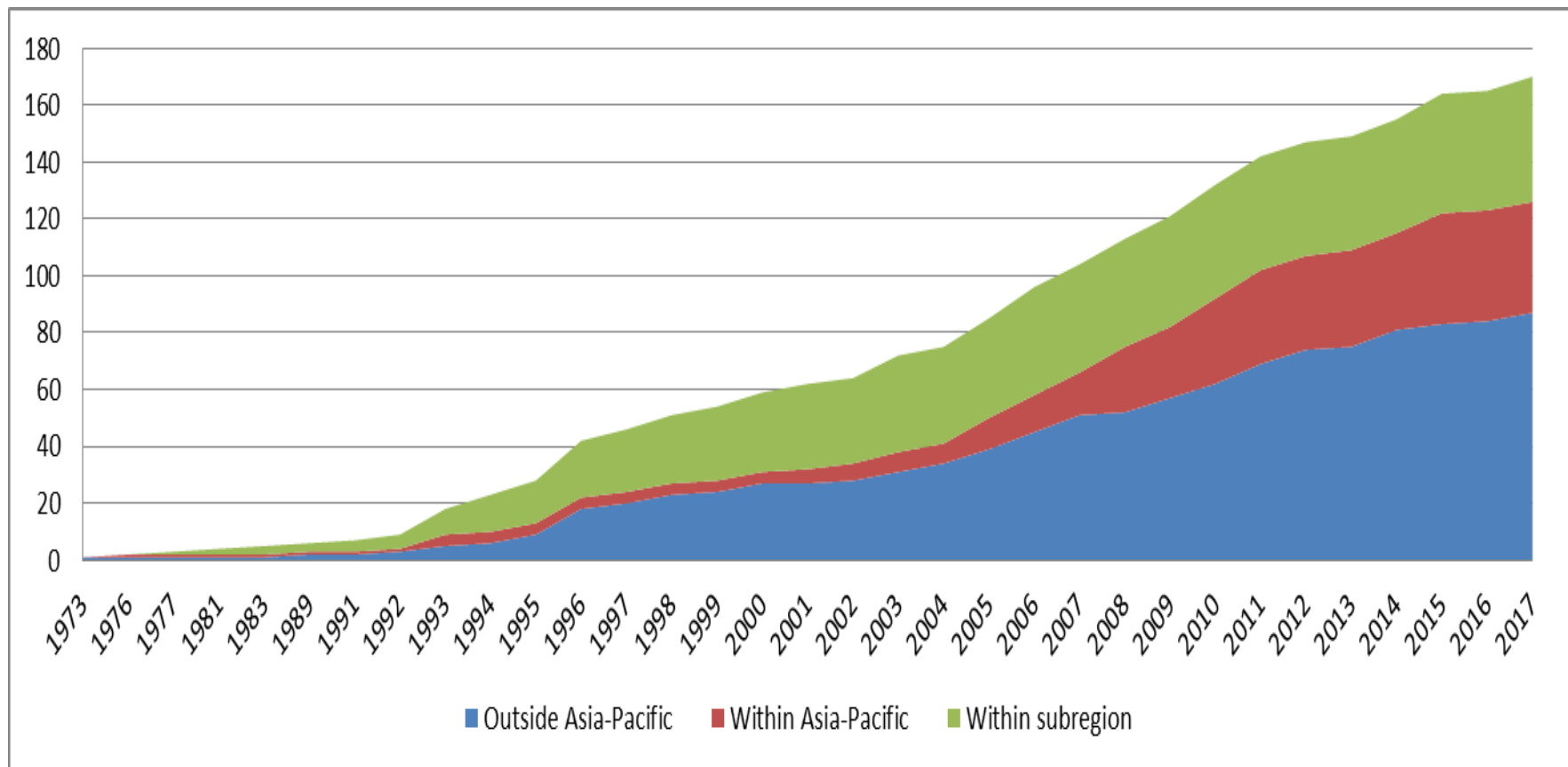
- As of May 2017, there were 257 RTAs in Asia-Pacific region which are either in force, signed or being negotiated.
- Globally 274 “physical” RTAs in force, and 170 (66%) are from AP
- 15 - signed but not implemented
- 72 - under different stages of negotiations.
- 88.2% - cover FTAs, and FTAs and EIAs (having equal share now).
- 10.6% of the PTAs in force are PSAs
- Only 1.2% of agreements are classified as customs unions.

PTAs in force, by type and scope (as of 31 May 2017)



Source: ESCAP calculation based on APTIAD data

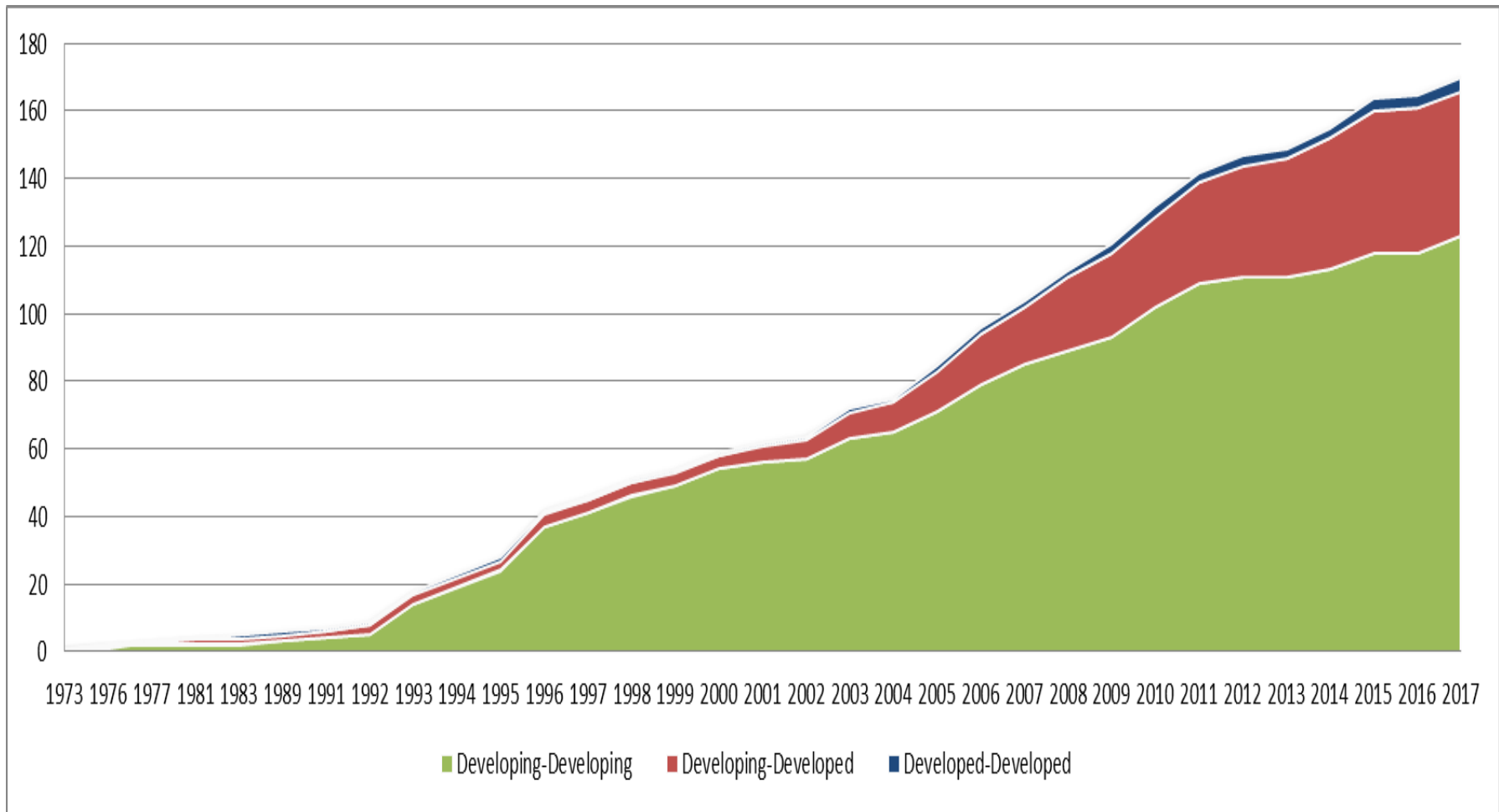
Cumulative number of PTAs (notified and non-notified to WTO) put into force by Asia-Pacific economies, by geographical region, 1971-May 2017



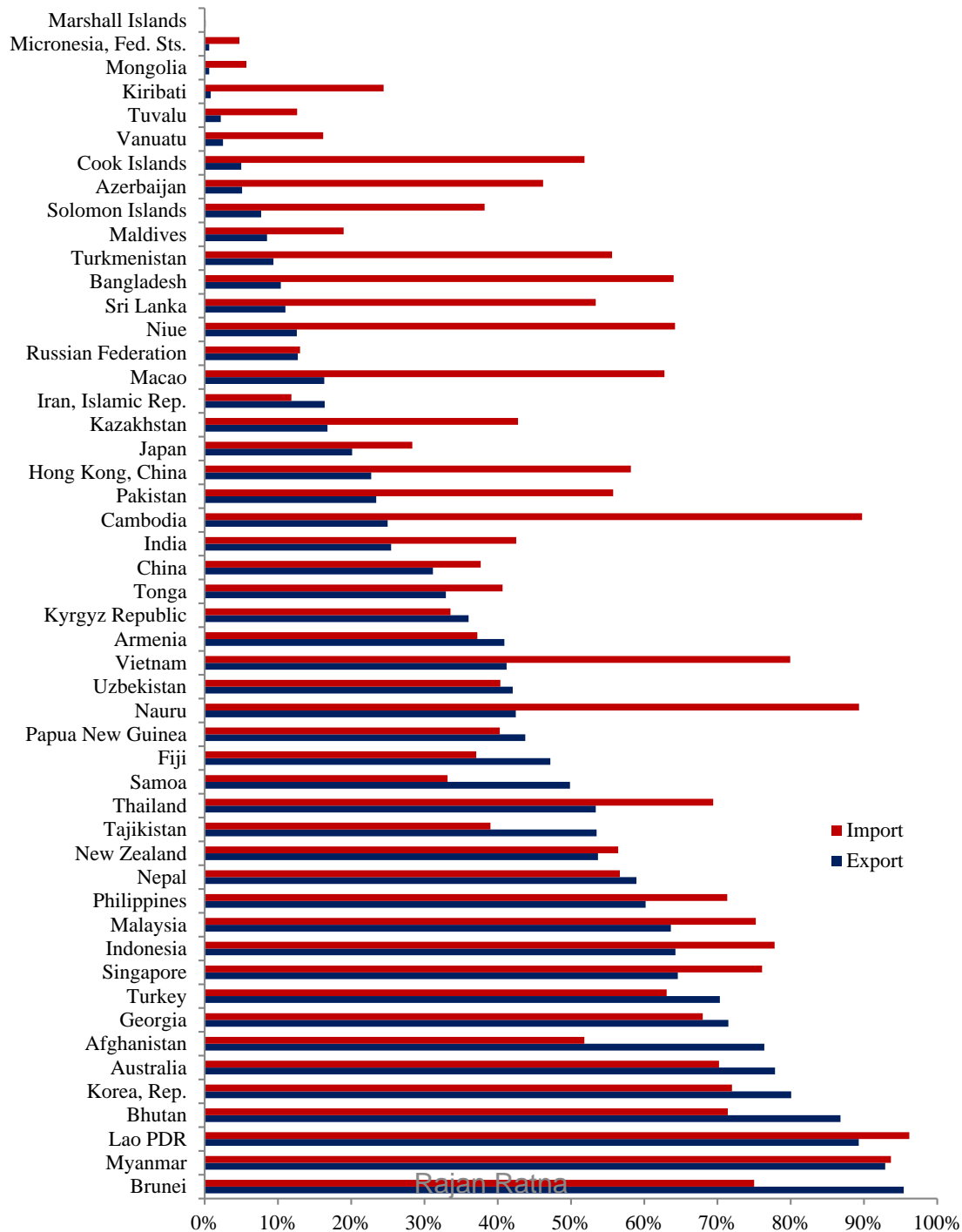
•Asia-Pacific members of ESCAP are grouped into five sub-regions: East and North-East Asia (ENEA); North and Central Asia (NCA); South-East Asia (SEA); South and South-West Asia (SSWA); and the Pacific.

•source: ESCAP calculation based on APTIAD data

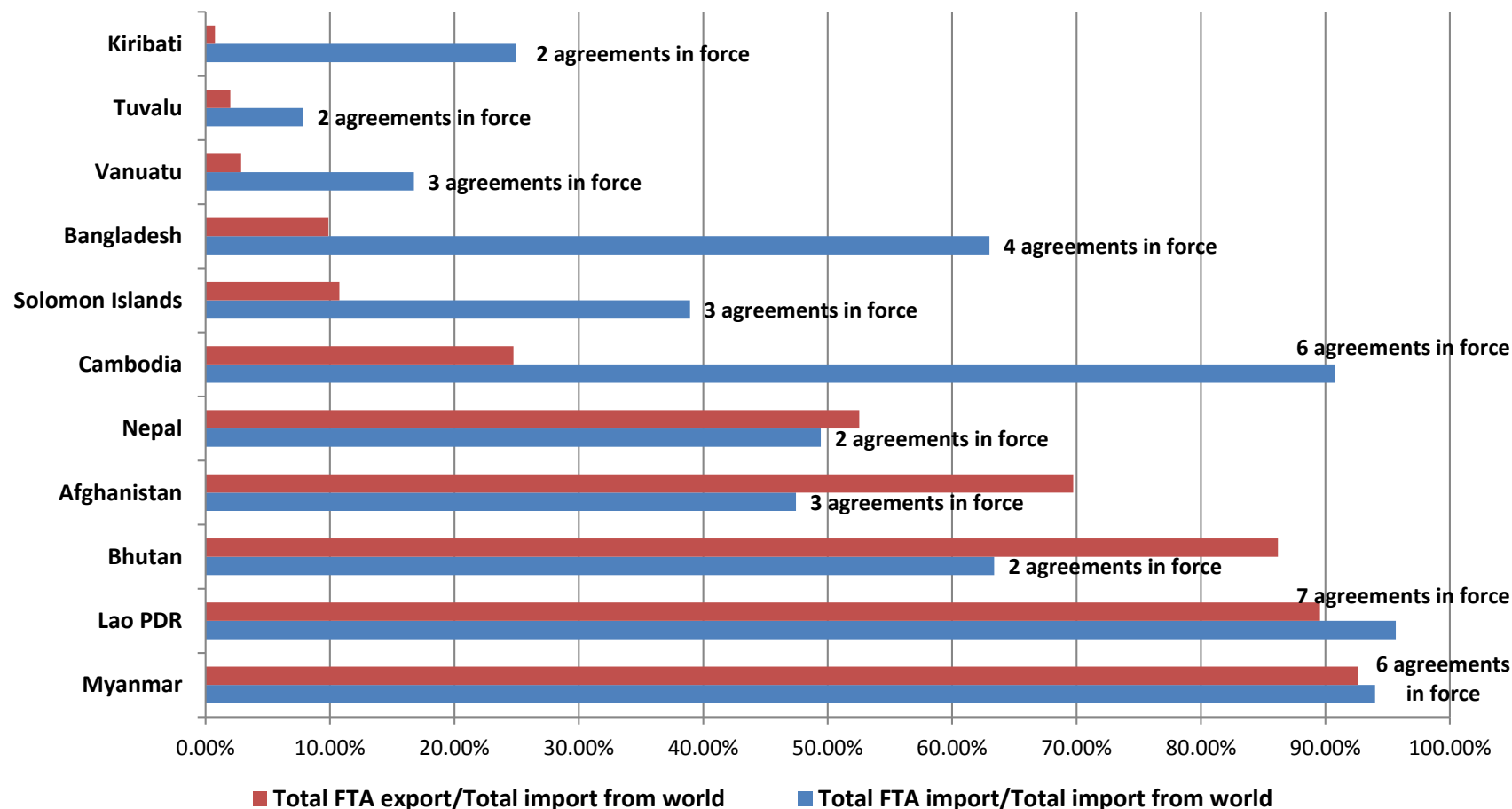
Cumulative number of PTAs (notified and non-notified to WTO) put into force by Asia-Pacific economies, by level of development of parties, 1971-May 2017



Source: ESCAP calculation based on APTIAD data



LDC trade share with FTA partners (2012-2015)

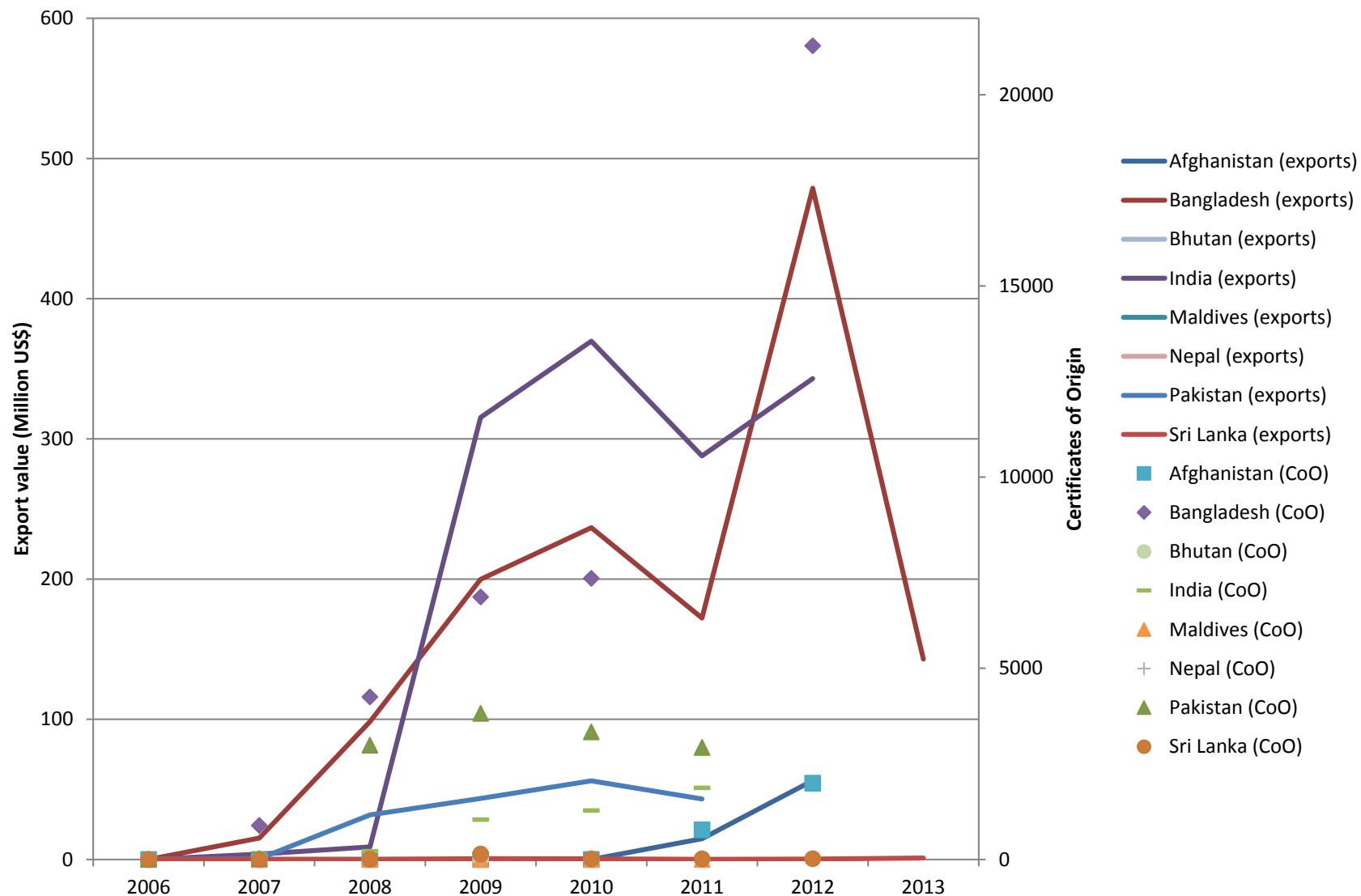


Source: derived from Asia-Pacific Trade and Investment Agreements Database (APTIAD)

Summary of ASEAN Tariff Reduction

Members	Period	Total Number of Tariff lines	Tariff= 0% in 2015	%	0%<Tariff<=5% in 2018	Tariff>5% in 2018	Without ATIGA Tariffs	Number of Tariff Lines in the Flexibility 7%
CLMV								
Cambodia	2012 - 2018	9558	9406	98.4%	65	-	87	662
Lao PDR	2016 - 2018	9558	9206	96.3%	265	-	87	669
Myanmar	2016 - 2018	9558	9492	98.4%	15	-	51	645
Viet Nam	2015 - 2018	9558	9288	97.1%	56	16	198	668
ASEAN 6	Period	Total Number of Tariff lines	0% in 2015	%	0%<Tariff<=5 % in 2015	Tariff>5% in 2015	MFN Rate	
Brunei	2015	9916	9844	99.3%		1	72	
Indonesia	2015	10012	9899	98.87%	2	15	96	
Malaysia	2015	12337	12182	98.74%	60	13	82	
Philippines	2015	9821	9685	98.61%	90	19	27	
Singapore	2015			100%				
Thailand	2015	9558	9544	99.85%	14			
	Average ASEAN 6			99.22%				
	Average CLMV			97.55%				

Exports and CoO Under SAFTA



			Imports share in NL items of BIMSTEC FTA with regard to total bilateral imports					
Country	6-digital HS	8-digital HS	import from Bhutan 2011	import from India 2011	import from Nepal 2011	import from Myanmar 2010	import from SriLanka 2011	import from Thailand 2011
Bangladesh	1162	1712	95.2%	61.4%	58.3%	62.1%	76.1%	30.4%
Country	6-digital HS	8-digital HS	import from Bangladesh 2012(mirror)	import from India 2014	import from Nepal 2013	import from Myanmar 2010(mirror)	import from SriLanka 2013(mirror)	import from Thailand 2014
Bhutan	1149	1150	99.9%	77.0%	100.0%	0.0%	93.6%	3.5%
	6-digital HS	8-digital HS	import from Bangladesh 2014(mirror)	import from Bhutan 2012	import from Nepal 2013	import from Myanmar 2014(mirror)	import from SriLanka 2013	import from Thailand 2014
India	1168	3443	49.8%	37.9%	34.8%	29.1%	44.6%	30.5%
	6-digital HS	8-digital HS	import from Bangladesh 2011	import from Bhutan 2012	import from India 2011	import from Nepal 2011	import from SriLanka 2011	import from Thailand 2011
Myanmar	1155	604	98.6%	100.0%	48.8%	14.5%	3.6%	1.7%
	6-digital HS	8-digital HS	import from Bangladesh 2013 (mirror)	import from Bhutan 2012	import from India 2014	import from Myanmar 2012	import from SriLanka 2013	import from Thailand 2014
Nepal	1162	-	94.3%	80.6%	61.8%	0.0%	0.4%	30.3%
	6-digital HS	8-digital HS	import from Bangladesh 2013 (mirror)	import from Bhutan 2013(mirror)	import from India 2014	import from Myanmar 2013(mirror)	import from Nepal 2013(mirror)	import from Thailand 2014
Srilanka	1202	-	17.1%	93.6%	34.0%	6.7%	96.5%	20.8%
	6-digital HS	8-digital HS	import from Bangladesh 2013 (mirror)	import from Bhutan 2012	import from India 2014	import from Myanmar 2013(mirror)	import from Nepal 2013	import from SriLanka 2013
Thailand	1162	721	32.5%	33.9%	24.2%	43.1%	27.9%	50.2%

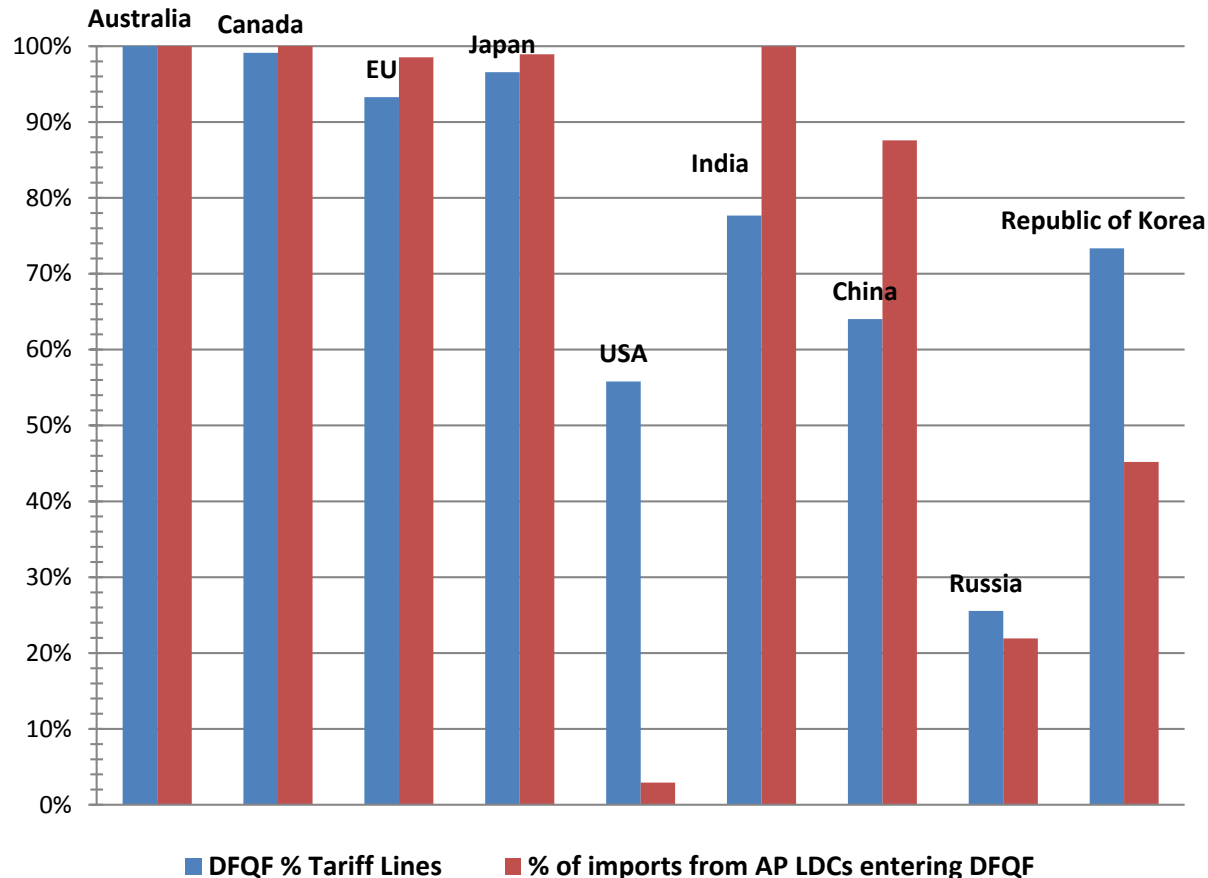
GSP and WTO Ministerial Decision

- **The Generalised System of Preferences (GSP) was devised during GATT negotiations in 1971 as a temporary waiver to MFN rules for tariff on developing countries' goods.**
- **In 1979 the ratification of the “Enabling Clause” permanently extended the GSP and allowed further non-reciprocal agreements.**
- **Various developed countries introduced comprehensive preferential tariff schemes for all LDCs (e.g. the EU’s 2001 “Everything But Arms”), developing countries are following the suit under the DFQF Schemes.**

DFQF Scheme for LDCs

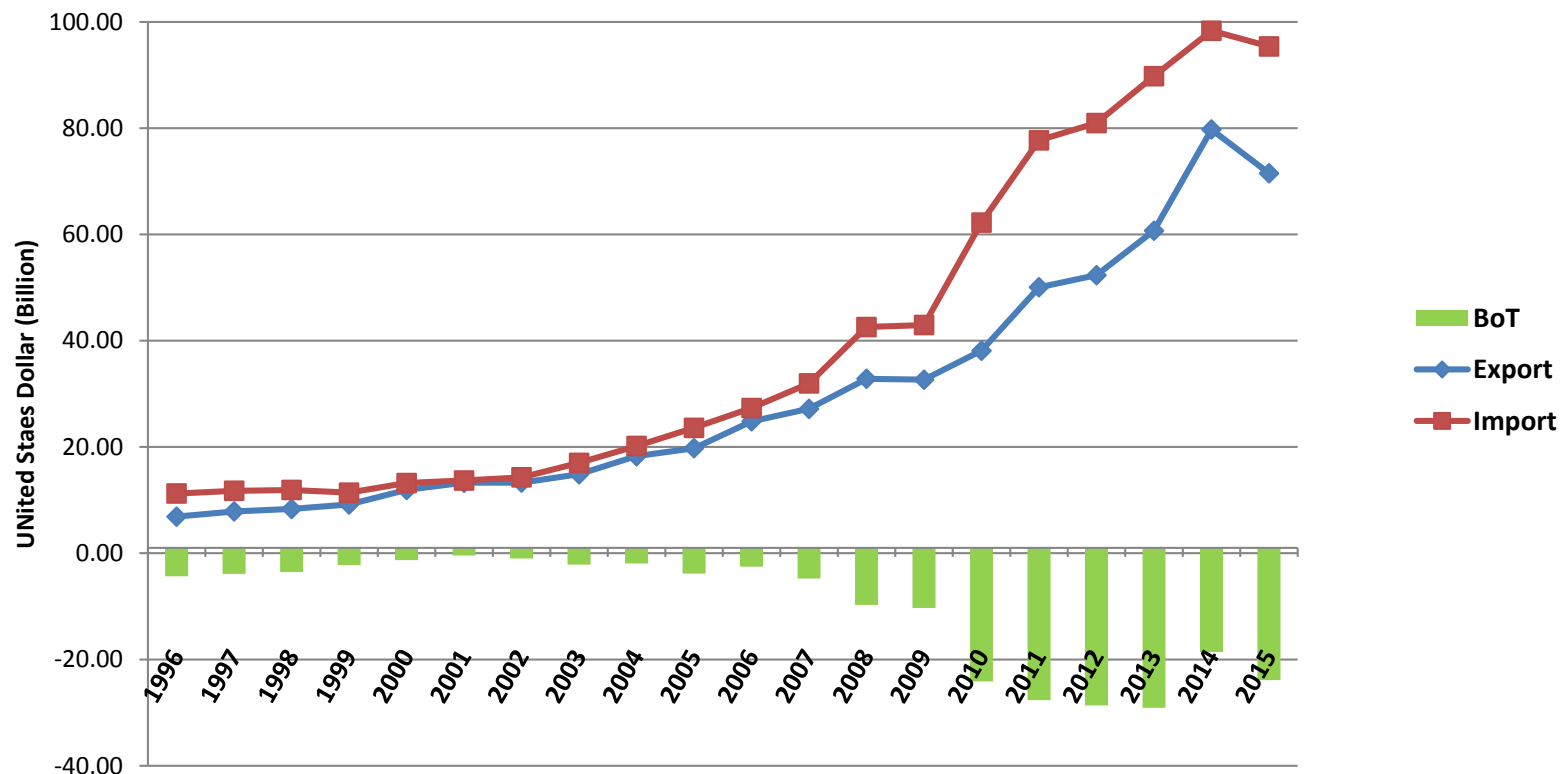
- **First global duty free quota free (DFQF) scheme was introduced with the 2005 HK WTO Ministerial Decision, covering at first only LDCs cotton exports, and then further expanded up to the Nairobi Ministerial (2015).**
- **All developed country members of the WTO are required to grant DFQF market access up to 97% of LDCs products under the scheme, while developing country members may voluntarily join**

DFQF market access in terms of tariff lines covered and percentage of imports from Asia-Pacific least developed countries



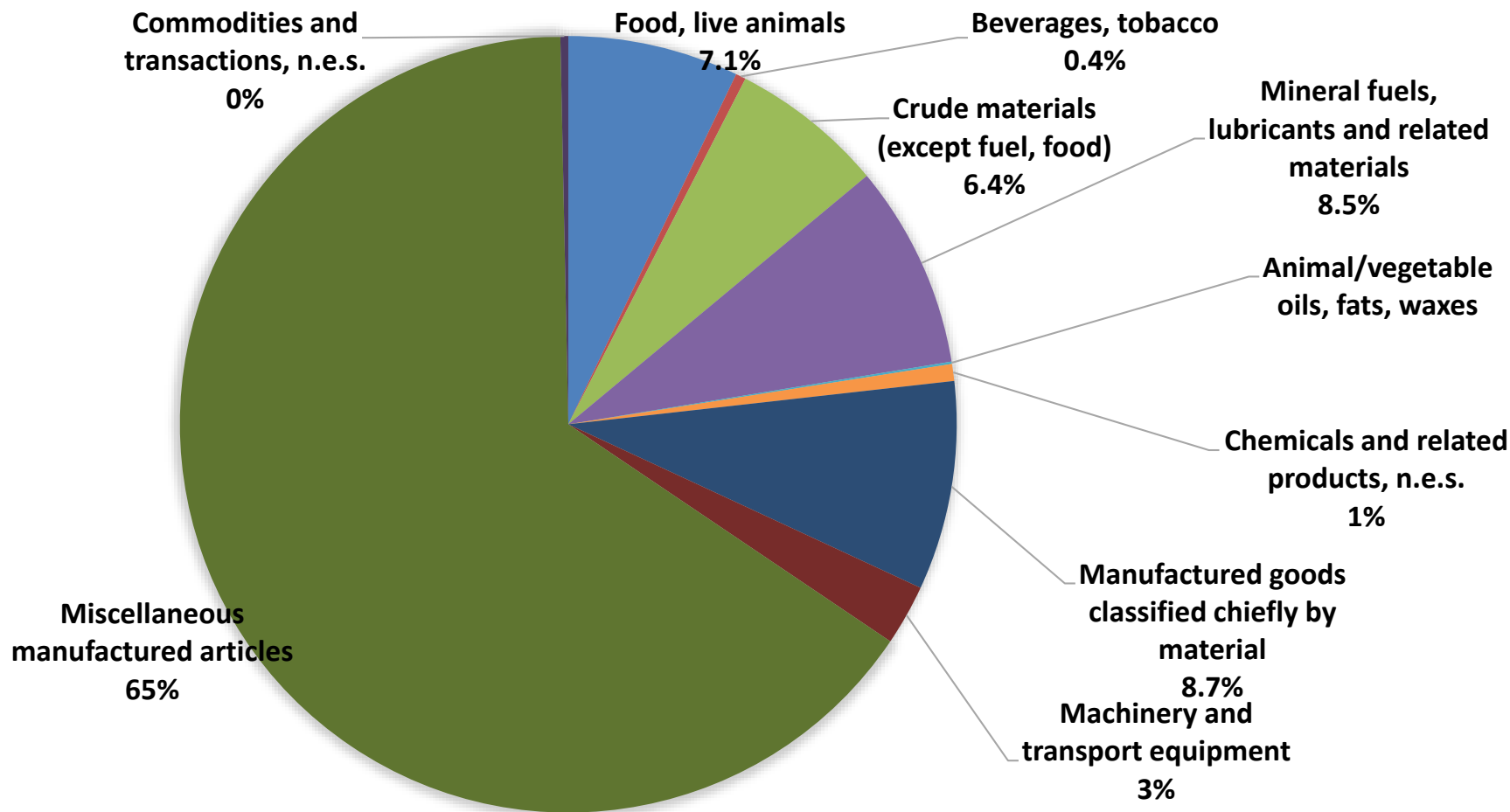
Source: ESCAP Asia Pacific trade and Investment Report (2013), based Edo Martinez, Pedro, and Adam Heal. (2013). Based on data downloaded from TRAINS and Comtrade by using WITS Online Tool (Effectively Applied Rates).

Trends in merchandise trade and trade balance of LDCs in Asia and the Pacific



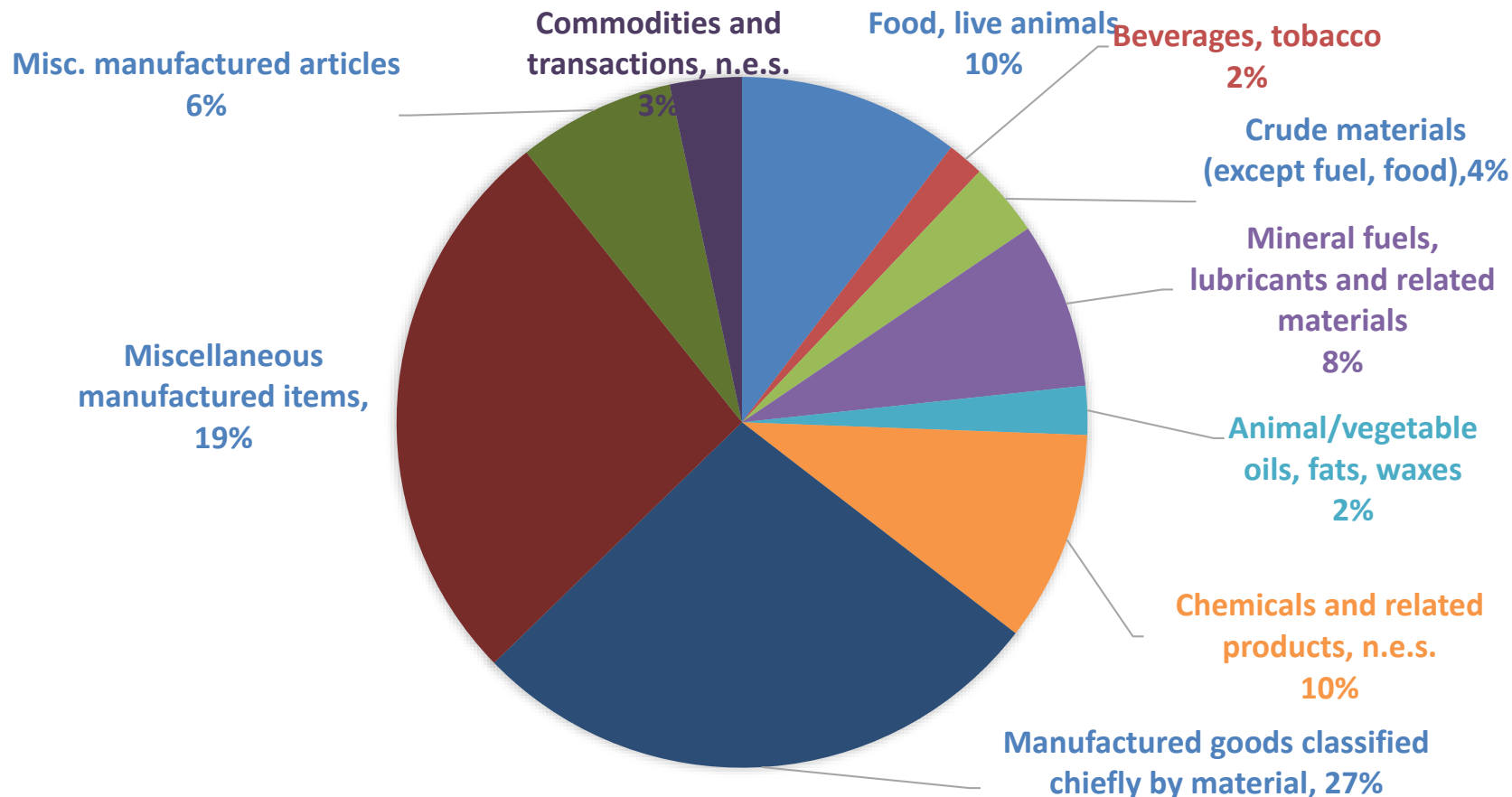
Source: ESCAP's calculation based on data from UNCOMTRADE available from WITS (in SITC Revision 3 classification, mirror data; using 1-digit section clusters)

Export structure of APLDCs, 2015



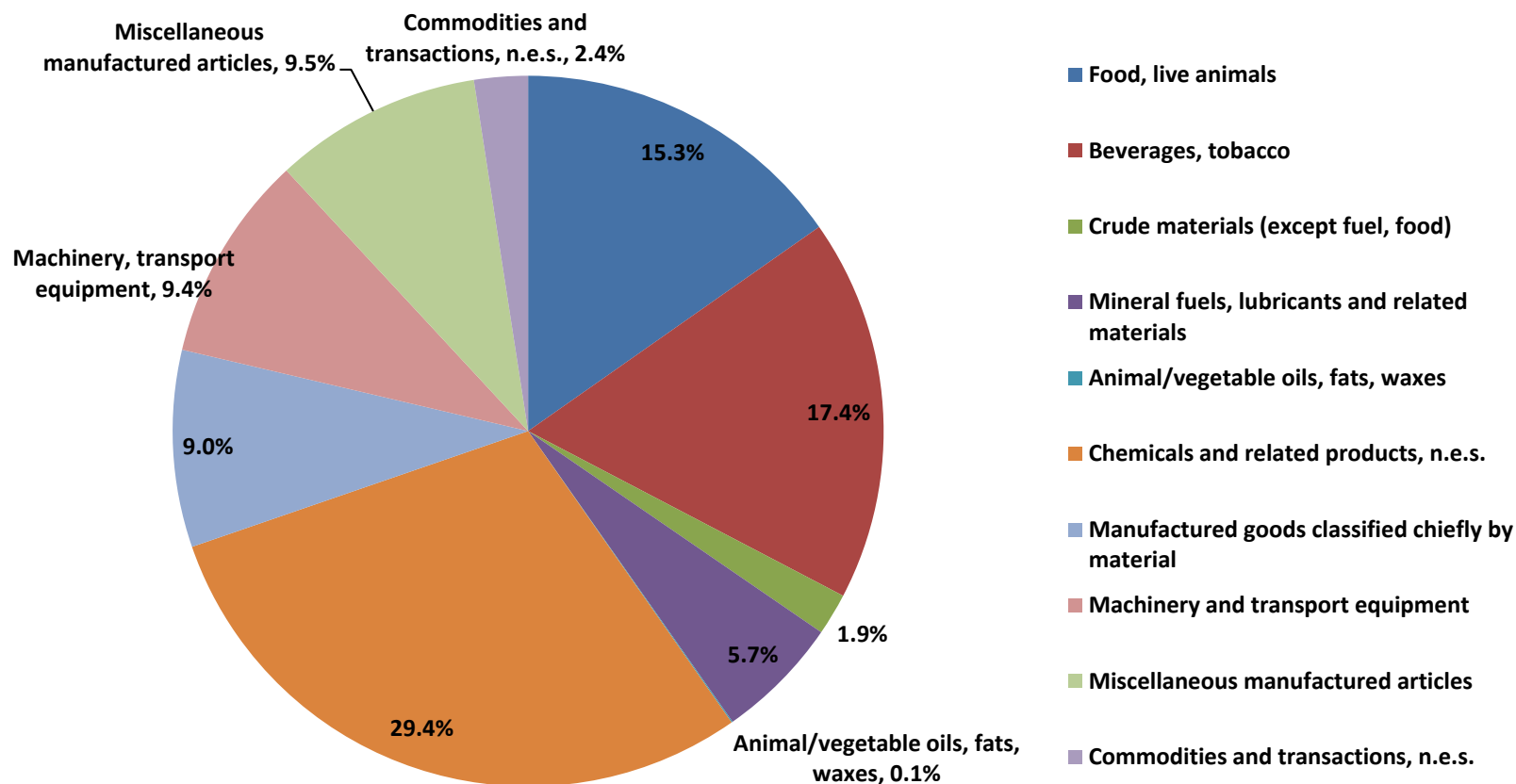
Source: ESCAP's calculation based on data from UNCOMTRADE available from WITS (in SITC Revision 3 classification, mirror data; using 1-digit section clusters)

Import structure of APLDCs, 2015



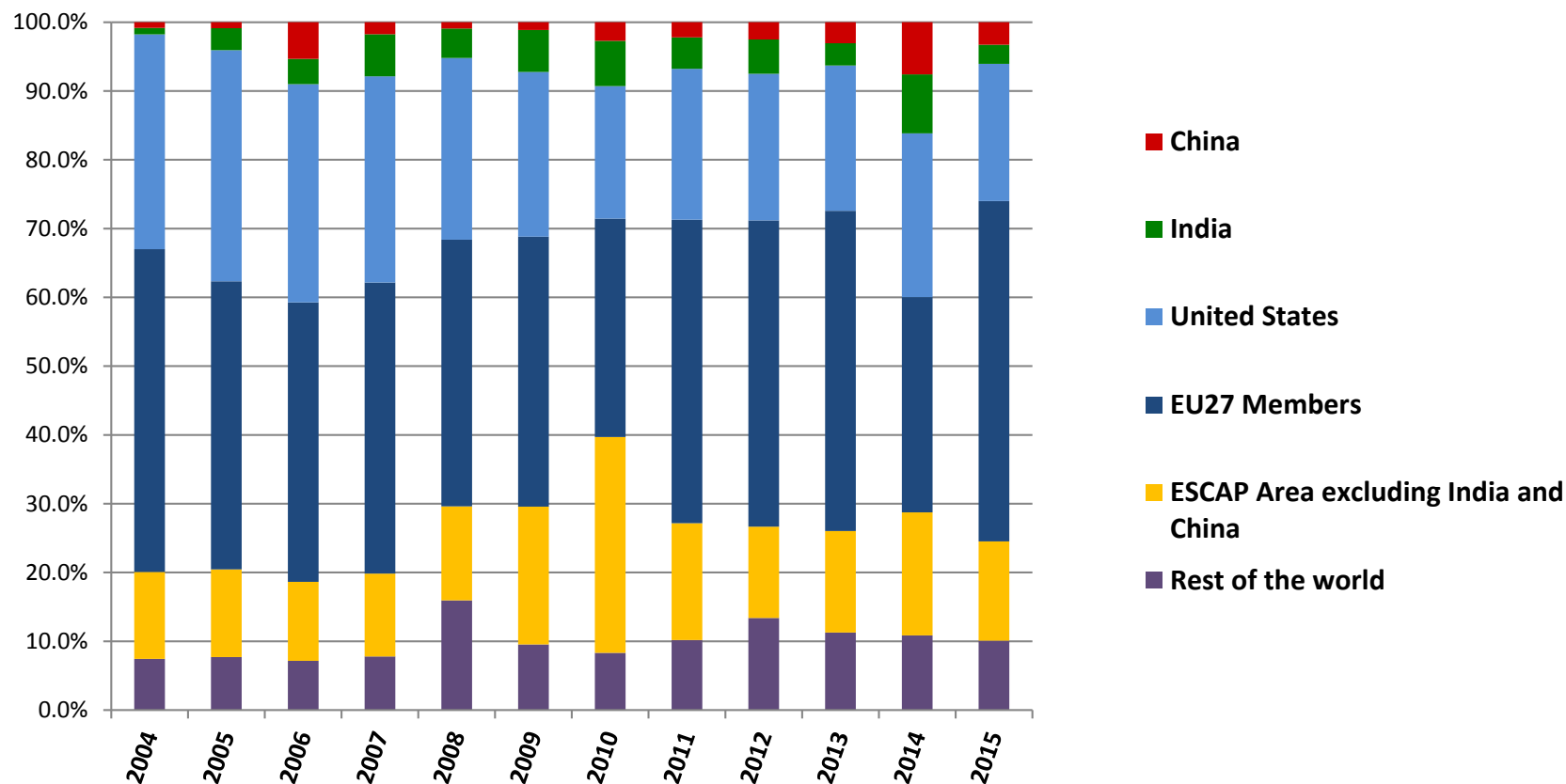
Source: ESCAP's calculation based on data from UNCOMTRADE available from WITS (in SITC Revision 3 classification, mirror data; using 1-digit section clusters)

Intra-APLDC export, 2015



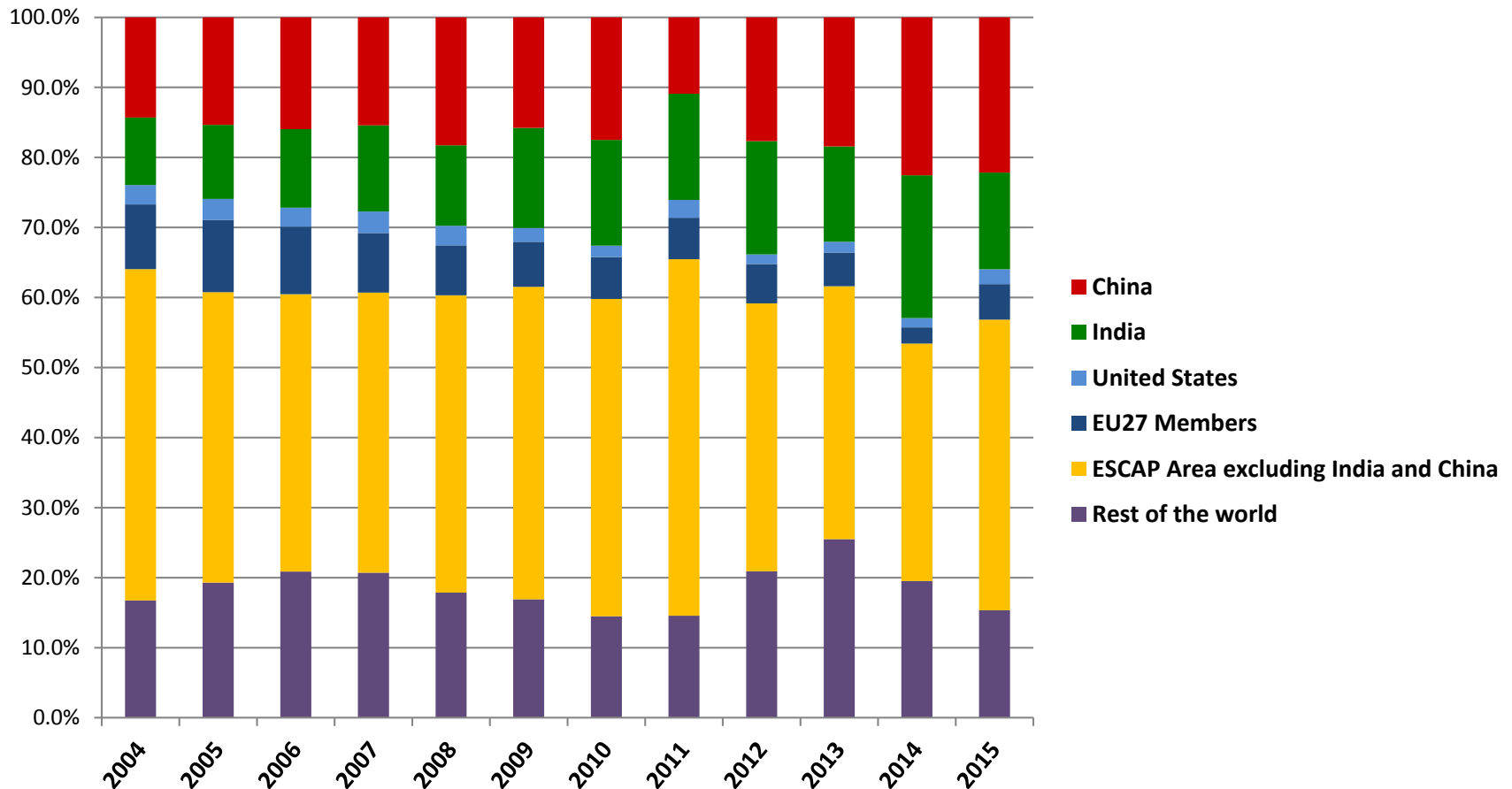
Source: ESCAP's calculation based on data from UNCOMTRADE available from WITS (in SITC Revision 3 classification, mirror data; using 1-digit section clusters)

Destinations of exports from APLDCs 2015



Source: ESCAP's calculation based on data from UNCOMTRADE available from WITS

Origins of imports to APLDCs 2015



Source: ESCAP's calculation based on data from UNCOMTRADE available from WITS

Preferential rules of origin

- Preferential rules of origin for LDCs were first proposed in Annex F of the **Hong Kong WTO Ministerial Declaration, 2005.**
- **The Bali Ministerial Decision, 2013** was the first step in the implementation of preferential rules of origin (RoO) for LDCs, and the decision was then expanded by the **Nairobi Ministerial Decision, 2015.**
- **The Bali and Nairobi Decisions** set out multilaterally agreed guidelines to aid LDCs products in qualifying for preferential market access

Preferential rules of origin: the rules

- Developed WTO members shall, and developing members can when they are able to, apply transparent and simple preferential rules of origins to imports from LDCs.
- Products under preferential rules of origin can be composed of non-LDCs originating materials up to 75% of the final value.
- Preference-granting members can develop individual preferential rules of origins, and then notify the Committee on Rules of Origin (CRO) that annually reviews the implementation status.
- **WTO harmonisation work programme on non-preferential RoO.**

Concerns

- Too many overlapping bilateral RTAs
- Is too low VA desirable? GVCs or RVCs?
- Preference erosion for LDCs
- Impacts on third parties not understood and low- income economies often excluded from “21st century” deals
- Weak capacity to utilize research in policymaking, weak negotiation and implementing capacity
- Under-utilization of preferences
- PTAs not going sufficiently into WTO+ and WTO-beyond areas
- No post-adjustment programmes
- Harmonisation, CAPs, regional standards?

Policy Options

- **Negative List : Protection to industry**
- **Rules of Origin :**
 - **Circumvention/Deflection**
- **Trade Defence Measures : in cases of surge in imports**
- **Multiplicity of RTA partners – need for consistency**
- **Trade creation vis-à-vis Trade diversion**
- **Services Negotiations**
- **WTO plus obligations**
- **Autonomous liberalisation**

Selected sources

ESCAP:

- Asia-Pacific Trade and Investment Report
www.unescap.org/tid/ti_report2016/home.asp
- APTIAD Briefing Note 8 (August 2016)
<http://www.unescap.org/sites/default/files/APTIAD-brief-August2016.pdf>
- Asia-Pacific Trade and Investment Preferential Agreements Database – APTIAD:
www.unescap.org/tid/uptiad

OTHERS SOURCES:

- WTO, World Trade Report 2011
https://www.wto.org/english/res_e/publications_e/wtr11_e.htm
- WTO RTA database
https://www.wto.org/english/tratop_e/region_e/region_e.htm

Thank You