
FINDING ANSWERS TO THE CONCERNS OF SMALL, VULNERABLE ECONOMIES IN THE DOHA ROUND

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Abstract. The World Trade Organisation's Doha Round of multilateral trade negotiations offers a great opportunity to increase trade worldwide. It is also a chance to strengthen the multilateral trade rules for the Organisation's 151 member governments. Included in this venture are the small, vulnerable economies (SVEs) which have a keen interest in ensuring that future trade rules correspond more to their development needs. This chapter deals with key issues of concern to small economies which are being negotiated as part of the Doha Development Agenda or in other WTO bodies and tracks their development through to 2007.

1. Introduction

The term "small, vulnerable economies" (SVEs) appeared for the first time in a WTO Ministerial Declaration issued at the Doha Meeting in November 2001. Under paragraph 35 of the Declaration, Ministers agreed to "a work programme [...] to examine issues relating to the trade of small economies". They agreed that the aim of the programme was to "frame responses to the trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system" – and to do so without creating a new "sub-category of WTO Members".¹

Since 2002 the WTO's Committee on Trade and Development meeting in Dedicated Session has held numerous meetings to fulfil its mandate. Although during the period leading to the WTO's 6th Ministerial Conference in Hong Kong, China, many small state Members of the WTO endeavoured to familiarise other WTO Members with the "vulnerabilities" and "characteristics" of small economies, little concrete progress was made to address their specific concerns. The mandate

* The views expressed in this article are the author's own and should not be attributed to the WTO or any of its Members.

¹ WT/MIN/01/DEC – All documents can be accessed on the WTO's website at www.wto.org/.

given in Doha was expanded and made more precise in Hong Kong to include a reference that the Dedicated Session should “monitor progress of the small economies’ proposals in the negotiating and other bodies” and provide “responses to their trade-related concerns”.

2. After Hong Kong

After the Hong Kong Ministerial conference the small economies work programme continued on two-tracks: the first focused on the proposals made by SVEs in the course of the negotiations; the other, on the work of the regular bodies of the WTO. Representatives of SVEs tabled proposals in the negotiating groups on agriculture, on manufactured goods² and in the group on trade facilitation. Other areas related to WTO rules with regard to subsidies and countervailing measures, and fisheries subsidies.

Using Regional Bodies

One of the first proposals made by the SVEs focused on helping small economies meet their obligations and notification requirements by using regional bodies to make notifications under three WTO agreements, namely the Agreement on Sanitary and Phytosanitary Measures (SPS Measures), Technical Barriers to Trade (TBT) and the Agreement on Trade-Related Intellectual Property Rights (TRIPS).

The Report was adopted by the Dedicated Session and forwarded to the General Council for approval. It was the result of more than three years of discussion in the Dedicated Session and was approved at the General Council at its meeting in October 2006.³ This development was praised by Barbados and Antigua and Barbuda, and was considered as sending an important signal that WTO Members are able to agree on specific measures to assist small economies. The WTO's General Council, in turn, agreed that small economies be allowed to use regional bodies to assist them in the implementation of their obligations under the SPS, TBT and TRIPS Agreements.

It further agreed “that Members and the WTO, within its competence, when providing technical and financial assistance to support small, vulnerable economies in fulfilling their rights and obligations under the Agreements concerned, shall consider the advantages of providing that assistance to the regional body where such exists”.

² Information about Non-agricultural market access (NAMA) is available at: http://www.wto.org/english/tratop_e/markacc_e/nama_negotiations_e.htm /.

³ WT/COMTD/SE/5.

The Report notes that Members benefiting from these recommendations will continue to be legally responsible for their individual notifications and other obligations.

Some SVEs also wish to use regional bodies in the context of negotiations now taking place in the area of Trade Facilitation. There are proposals which recognise the importance and utility of establishing enquiry points for providing information to traders and/or to WTO Members on the trade regulations of a country. The proposals made by some of the SVEs seek to obtain explicit recognition that a regional enquiry point for a group of countries shall also be accepted and recognised as fulfilling obligations under a new agreement.⁴

Extending the Export Subsidy Programme of the SVEs

Another important step for some of the SVE proponents was a decision by the General Council in July 2007 to allow certain countries (several of which are small economies) to continue their export subsidy programmes through to the end of 2015 – subject to certain conditions. Under this decision, 19 small developing countries⁵ that, since 2003, had been receiving annual extensions in the Committee on Subsidies and Countervailing Measures, will be eligible to continue their extensions for a further six years and then make use of a final, two-year phase-out period provided for in the years 2014 and 2015.

3. SVE Eligibility Criteria

In the Doha Round small economies have been actively following and contributing to the negotiations on agriculture and on market access for industrial goods. In July 2007 the Chairpersons of the agriculture and non-agricultural market access (NAMA) negotiating groups issued texts to WTO Members concerning draft modalities for revised tariff schedules. The two texts then served as the basis for future negotiations concerning further reform in domestic support, market access and export competition for agricultural products, and for further tariff reductions and tariff bindings for industrial products.

Worth noting in both of the drafts is that they retain the language initially proposed by the SVEs on eligibility criteria. The initial submission by

⁴ WT/TN/TF/W/129/Rev. 1.

⁵ WT/L/691. Antigua & Barbuda, Barbados, Belize, Costa Rica, Dominica, Dominican Republic, El Salvador, Fiji, Grenada, Guatemala, Jamaica, Jordan, Mauritius, Panama, Papua New Guinea, St Kitts & Nevis, St Lucia, St Vincent & the Grenadines and Uruguay.

the SVEs to the NAMA negotiating group proposed criteria concerning average trade shares of SVEs for the period 1999 to 2004. They suggested that only countries with specific trade shares should qualify as SVEs. Proposals were made that to qualify as an SVE, a country's share of world merchandise trade should be no more than 0.16 percent, of NAMA trade no more than 0.10 percent, and of world agricultural trade no more than 0.40 percent.

The new draft texts on agricultural and NAMA trade both make references to these figures. The agricultural text reproduces the three percentage thresholds for world trade, trade in agricultural products and trade in NAMA, while the NAMA text cites only the NAMA share of world trade i.e., the 0.10 percent threshold.⁶

Chairman's Draft on Agriculture

In the Chairman's draft text on agriculture, there is a separate heading concerning small and vulnerable economies. It is noted that "developed country Members and developing country Members in a position to do so shall provide enhanced improvements in market access for products of export interest to Members with small, vulnerable economies".⁷

In Annex C of the agricultural text, the Chairman explained how the selection criterion was chosen. The data of individual Members was extracted from the United Nations Comtrade database in June 2007. World export and import totals, excluding significant re-exports, were taken from the WTO Secretariat's International Trade Statistics Report 2006. The country averages were calculated on the basis of the years for which data was available.

In the agricultural text a separate annex lists those countries which meet this criterion. Included are countries which have not been particularly active on the SVE issues such as Bolivia, Botswana, Cameroon, Kenya, Uruguay and Zimbabwe. It has been specified by the Chairman of the agricultural negotiating group that such a list is not meant to create a new category of Members, in line with the condition set by the Doha Declaration. A separate footnote states that "Members (other than self-nominated SVEs) could also be deemed to be eligible for this treatment should they choose to avail themselves of it, despite not being Members of the SVE Group of countries per se".

⁶ The figure of 0.1 percent of world trade was first mentioned in connection with the procedures for granting extensions for certain developing country Members in the Committee for Subsidies and Countervailing Measures (WT/G(SCM/39).

⁷ WT/TN/AG/W/4.

The Chairman's draft text serves as the basis for further negotiation. However, the fact that SVEs have now been singled out in the text for special and more differential treatment – terms which are better than those which will apply to other developing countries with higher shares of world trade – shows that SVE issues and concerns are certainly not being ignored. Rather, they are being taken on board and are being dealt with in the course of the overall negotiations.

Chairman's Draft re NAMA

In the NAMA modalities text also issued in July 2007, separate sections outline the flexibilities foreseen for developing countries, for least-developed countries, for recently acceded WTO Members, and for small and vulnerable economies. At the time of writing, reductions in bound duties and corresponding percentages had not been finalised. However, the draft Chairman's text mentions further flexibilities for SVEs, flexibilities which go beyond those being offered to other developing countries, and which represent progress when compared with the Chairman's reports of November 2005 or a draft text of July 2006.

Some SVEs, however, believe that the initial NAMA modalities proposed for them in the July 2007 text do not conform to the principle of less than full reciprocity as stipulated in paragraph 50 of the Doha Declaration.⁸ They claim that the modalities in the text require higher levels of contributions from the SVEs in comparison to other developing countries, and even some developed countries. They stressed that the reduction commitments i.e., tariff cuts based on a formula with coefficients—one coefficient for developed countries and higher coefficients for developing countries—was to fully comply with the principle of “less than full reciprocity in reduction commitments”.

4. Special Treatment for SVEs

The Hong Kong Declaration in 2005 features a Chairman's report contained in Annex B. It mentions a proposal by the proponents of SVEs which proposes “lesser and linear cuts” for Members “identified by a criterion using trade share”.⁹ However, the Chairman also mentioned

⁸ The negotiations and the other aspects of the Work Programme shall take fully into account the principle of special and differential treatment for developing and least-developed countries embodied in Part IV of the GATT 1994, the Decision of the 28 November 1979 on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries, the Uruguay Round Decision in Favour of LDCs; and all other relevant WTO provisions.

⁹ WT/MIN(05)/W/3/Rev. 2.

that some Members had “expressed concern with respect to the threshold used to establish eligibility, and also the treatment envisaged”. He added that other developing countries “expressed serious reservations about this proposal which, in their view, appeared to be creating a new category of developing Members, and to be further diluting the ambition of the NAMA negotiations”. However, he also mentioned that the small, vulnerable economies had characteristics which warranted special treatment. The Chairman had suggested at the time that, since there was still a serious divergence of opinion, “the subject needed more debate and that future discussions could be facilitated through additional statistical analysis”.

A year later, the Chair reported that there was a consensus on the use of the 0.1 percent share of NAMA trade as determining eligibility for additional flexibilities as a small, vulnerable economy and “that it [was] understood that this does not create a sub-category of WTO Member”. He added that it was important for many Members that the treatment of small, vulnerable economies in these negotiations [did] not create a precedent for future negotiations ... and that the “criterion should be understood as only a ‘trigger’ for eligibility – that is, the criterion alone should not define the group of countries that will have access to these flexibilities”. Finally, he added that “Members will recall that the proponents do not include all countries with trade below this threshold”.¹⁰

Discussions on any possible modalities and potential tariff cuts by the SVEs were continuing in the fourth quarter of 2007.

Some of the proponents of small economies have also been active in the area of Fisheries Subsidies, which is being negotiated in the Negotiating Group on Rules. Some SVEs had proposed in 2005 that certain measures be excluded from any future agreement. These include development assistance to “developing coastal states,” assistance for artisanal or small-scale fisheries, fees connected with fisheries access agreements and certain fiscal incentives to improve the “development of capabilities of small, vulnerable coastal states”.¹¹

Another proposal made in June 2007 placed Special and Differential Treatment (S&D) provisions at the heart of the fisheries subsidies debate. In a separate proposal filed by Antigua and Barbuda, Barbados, Cuba, Dominican Republic, El Salvador, Fiji, Guyana, Honduras, Jamaica, Mauritius, Nicaragua, Papua New Guinea and Solomon Islands, the

¹⁰ WT/TN/MA/W/80.

¹¹ WT/TN/RL/GEN/57/Rev.2.

proponents stated that S&D “in the fisheries sector must be more than longer implementation periods, and must instead support the development of the fisheries sector in small, vulnerable economies ..”¹² Negotiations on disciplines for fisheries subsidies are continuing.

5. Conclusion

At the time of writing, most of the issues described above are still the subject of negotiations, addressed as part of the WTO's Doha Development Agenda. But some of the concerns of small economies have already been addressed and even resolved. These include issues which were discussed in the WTO's standing bodies, and include the decision to grant extensions to some small economies for their export subsidy programmes. Yet another decision was the agreement by the General Council to have small economies use regional bodies to make their notifications under certain agreements, such as SPS Measures, TBT and TRIPS.

These examples show that while certainly not easy, it is possible for small-economy concerns to be addressed in an effective and timely manner by the WTO and its Members. What still remains to be seen, however, is what kind of solutions and flexibilities the Doha Development Round will produce for small economies.

¹²WT/TN/RL/W/210/Rev.2.