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Committee on Trade and Development
Dedicated Session

WORK PROGRAMME ON SMALL ECONOMIES

Compilation paper prepared by the Secretariat

Revision

I. INTRODUCTION

Paragraph 41 of the Hong Kong Ministerial Declaration[1] instructs the CTD in Dedicated Session to monitor progress of the small economies' proposals in the negotiating and other bodies. At its Fifteenth Dedicated Session on 20 July 2006, Members requested that the Secretariat prepare a note that would help the CTD in Dedicated Session to monitor work currently underway in WTO and in the negotiating groups. The Secretariat's paper is based on the compilation paper that had been prepared by a group of small economies[2] and incorporates the reports by the various Chairs of the negotiating groups and the relevant excerpts from the minutes of the meetings where the small economy proposals had been discussed.

The present document attempts to reflect the current state of play of the small economies' issues discussed so far in the negotiating and other bodies. This document has been prepared under the Secretariat's own responsibility and does not prejudice the right of any Member to raise other concerns or views related to the Work Programme on Small Economies.

[1] WT/MIN(05)/DEC.
[2] WT/COMTD/SE/W/21/Rev.1.

II. MANDATE AND LEGAL FRAMEWORK

A. PARAGRAPH 35 OF THE DOHA MINISTERIAL DECLARATION – WT/MIN(01)/DEC/1 (20 NOVEMBER 2001)

We agree to a work programme, under the auspices of the General Council, to examine issues relating to the trade of small economies. The objective of this work is to frame responses to the trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system, and not to create a sub-category of WTO Members. The General Council shall review the work programme and make recommendations for action to the Fifth Session of the Ministerial Conference.

B. PARAGRAPH 2 OF THE WORK PROGRAMME ON SMALL ECONOMIES FRAMEWORK AND PROCEDURES – WT/L/447 (1 MARCH 2002)

In pursuance of this mandate, the Work Programme shall be undertaken in accordance with the following framework and procedures:

(a) The Work Programme shall remain under the overall responsibility of the General Council.

(b) The General Council shall have the Work Programme on Small Economies (WPSE) as a standing item on its agenda.

(c) The objective of this work is to frame responses to the trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system.

(d) The General Council shall instruct the CTD to have a programme of work on small economies which will be conducted in dedicated sessions of the CTD.

(e) The CTD shall report regularly to the General Council on the progress of work in the dedicated sessions.

(f) The Chairperson of the regular CTD shall also be the Chair for the dedicated sessions of the CTD.

(g) The dedicated sessions of the CTD shall have an agreed calendar of meetings to complete the work under its mandate.

(h) The CTD will hold informal meetings as necessary with a view to assisting the formal process in the dedicated sessions of the CTD.

(i) In accordance with the outcome of the programme of work in the CTD, the General Council shall, as appropriate, direct relevant subsidiary bodies to frame responses to the trade-related issues identified by the CTD with a view to making recommendations for action to the Fifth Session of the Ministerial Conference as mandated. This does not prejudice the right of Members to submit for consideration proposals relating to the concerns of small economies to the relevant WTO bodies.

(j) *As and when necessary, the dedicated sessions of the CTD will work in collaboration with relevant subsidiary bodies.*

(k) *Members are urged to make their own contributions to the work of the CTD under its programme of work. The General Council shall instruct the WTO Secretariat to provide relevant information and factual analysis, inter alia,*

(i) *on the impact of WTO rules on Small Economies;*

(ii) *on the constraints faced by Small Economies as well as their shortfalls in institutional and administrative capacities, including in the area of human resources;*

(iii) *on the effects of Trade Liberalization on Small Economies.*

The CTD will also request information and analysis from other agencies and bodies that carry out work on small economies.

C. PARAGRAPH 1.D OF THE 1 AUGUST: 2004 GENERAL COUNCIL DECISION - WT/L/579

The trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system, should also be addressed, without creating a sub-category of Members, as part of a work programme, as mandated in paragraph 35 of the Doha Ministerial Declaration.

D. PARAGRAPH 41 OF THE HONG KONG MINISTERIAL DECLARATION - WT/MIN(05)/DEC (18 DECEMBER 2005)

We reaffirm our commitment to the Work Programme on Small Economies and urge Members to adopt specific measures that would facilitate the fuller integration of small, vulnerable economies into the multilateral trading system, without creating a sub-category of WTO Members. We take note of the report of the Committee on Trade and Development in Dedicated Session on the Work Programme on Small Economies to the General Council and agree to the recommendations on future work. We instruct the Committee on Trade and Development, under the overall responsibility of the General Council, to continue the work in the Dedicated Session and to monitor progress of the small economies' proposals in the negotiating and other bodies, with the aim of providing responses to the trade-related issues of small economies as soon as possible but no later than 31 December 2006. We instruct the General Council to report on progress and action taken, together with any further recommendations as appropriate, to our next Session.

D.1 REFERENCES TO SMALL ECONOMIES IN PARAGRAPH 21 OF THE SECTION ON NAMA IN THE HONG KONG MINISTERIAL DECLARATION

PARAGRAPH 21

We note the concerns raised by small, vulnerable economies, and instruct the Negotiating Group to establish ways to provide flexibilities for these Members without creating a sub-category of WTO Members.

D.2 REFERENCES TO SMALL ECONOMIES IN THE SERVICES – ANNEX C OF THE HONG KONG MINISTERIAL DECLARATION

PARAGRAPH 8

Due consideration shall be given to proposals on trade-related concerns of small economies.

E. OTHER TEXTS OFTEN CITED BY SMALL ECONOMIES IN THE 1 AUGUST 2004 GENERAL COUNCIL DECISION – ANNEX B NAMA FRAMEWORK – WT/L/579 (2 AUGUST 2004)

PARAGRAPH 6

We furthermore agree that, as an exception, participants with a binding coverage of non-agricultural tariff lines of less than [35] per cent would be exempt from making tariff reductions through the formula. Instead, we expect them to bind [100] per cent of non-agricultural tariff lines at an average level that does not exceed the overall average of bound tariffs for all developing countries after full implementation of current concessions.

PARAGRAPH 8

We agree that developing-country participants shall have longer implementation periods for tariff reductions. In addition, they shall be given the following flexibility:

(a) applying less than formula cuts to up to [10] per cent of the tariff lines provided that the cuts are no less than half the formula cuts and that these tariff lines do not exceed [10] per cent of the total value of a Member's imports; or

(b) keeping, as an exception, tariff lines unbound, or not applying formula cuts for up to [5] per cent of tariff lines provided they do not exceed [5] per cent of the total value of a Member's imports.

PARAGRAPH 9

We agree that least-developed country participants shall not be required to apply the formula nor participate in the sectorial approach, however, as part of their contribution to this round of negotiations, they are expected to substantially increase their level of binding commitments.

III. COMMITTEE ON AGRICULTURE - SPECIAL SESSION

A. CURRENT MODALITIES DRAFT

1. Revised Draft Modalities for Agriculture - TN/AG/W/4 (1 August 2007)

II. MARKET ACCESS

A. TIERED FORMULA FOR TARIFF REDUCTIONS

52. Small and vulnerable economies[3] will, in respect of each tier specified above for developing countries, be entitled to moderate the two-thirds cut by a further [10] ad valorem points in each band. Should strict application of this formula result in an overall average cut higher than [24] per cent, the Member concerned would be entitled to apply lesser reductions at its discretion, to keep within such an average level.

53. Where a small and vulnerable Member (or a Member in the supplementary list specified in footnote 3 below) has ceiling bindings or homogeneous low bindings and application of the approach specified above would still place an unsustainable adjustment burden upon it, the Member concerned shall not be required to make a tiered reduction but would be subject only to the overall average reduction.

H. SMALL, VULNERABLE ECONOMIES

134. For the purposes of this Agreement, this term applies to Members with economies that, in the period 1999 to 2004, had an average share of (a) world merchandise trade of no more than 0.16 per cent or less, and (b) world trade in non-agricultural products of no more than 0.1 per cent and (c) world trade in agricultural products of no more than 0.4 per cent.

135. 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.

136. More specific provisions are to be found in relevant sections of this document.

ANNEX C

SMALL, VULNERABLE ECONOMIES

1. The data are based on the methodology that was used to prepare a previous Secretariat paper on shares of WTO Members in world non-agricultural trade, 1999-2004 (TN/MA/S/18). Individual Members' data were extracted from the United Nations Comtrade database on 6 June 2007. World export and import totals, excluding significant re-exports were taken from the Secretariat's International Trade Statistics Report 2006. This time period has been updated to 2000-2005 and a cif-fob adjustment has been applied to world exports by commodity group to derive respective world imports, but this does not change the overall

[3] The Members concerned are those that meet the criteria set out in paragraph 134 and are listed in Annex C. As is made clear in the Framework, SVEs are not meant to create any new category of Members. Bearing that principle in mind, the following Members 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* given that this treatment could be deemed to be broadly comparably appropriate: Côte d'Ivoire and Nigeria (plus other Members that can provide data that show that they meet the criteria in paragraph 137). These latter Members would also have freedom to opt for varying bands for the tiers.

results[4]. The country averages are calculated on the basis of the years for which data are available.

2. A small, vulnerable economy is defined as one whose average share for the period 1999-2004 (a) of world merchandise trade does not exceed 0.16 per cent and (b) of world NAMA trade does not exceed 0.10 per cent and (c) of world agricultural trade does not exceed 0.40 per cent.

3. The attached table does not include those Members that are defined as least-developed countries by the United Nations Economic and Social Council and those Members for which no data are available.

[4] Cif-fob factors were estimated based on the ratio of imports to exports for a matched group of reporters in Comtrade. World imports by commodity group were derived by applying these cif-fob factors to the WTO's world exports by commodity group and aligning the resulting figures to the WTO's world total imports Intra-trade of the 25 member States of the European Communities was then subtracted from the totals.

WTO Member	**Share of total merchandise trade (%)**			**Share of world agriculture (AOA) trade (%)**			**Share of non-agriculture (NAMA) trade (%)**		
	Total (exports + imports	*Exports*	*Imports*	*Total (exports + imports*	*Exports*	*Imports*	*Total (exports + imports*	*Exports*	*Imports*
World[a]	100	100	100	100	100	100	100	100	100
Albania	0.019	0.008	0.029	0.050	0.008	0.087	0.017	0.008	0.026
Antigua and Barbuda	0.004	0.001	0.007	0.011	0.000	0.020	0.004	0.001	0.006
Armenia	0.015	0.010	0.019	0.040	0.018	0.060	0.013	0.010	0.016
Barbados	0.013	0.005	0.020	0.037	0.022	0.050	0.011	0.004	0.019
Belize	0.006	0.004	0.008	0.023	0.029	0.017	0.004	0.001	0.007
Bolivia	0.032	0.032	0.032	0.102	0.143	0.065	0.028	0.025	0.030
Botswana	0.057	0.061	0.053	0.075	0.030	0.116	0.056	0.065	0.048
Brunei Darussalam	0.050	0.078	0.025	0.029	0.000	0.056	0.053	0.086	0.023
Cameroon	0.036	0.038	0.035	0.112	0.140	0.087	0.032	0.032	0.032
Cuba	0.063	0.034	0.089	0.240	0.223	0.256	0.052	0.022	0.080
Dominica	0.002	0.001	0.002	0.007	0.005	0.008	0.001	0.001	0.002
Dominican Rep.	0.068	0.018	0.113	0.154	0.115	0.189	0.063	0.011	0.111
Ecuador	0.110	0.112	0.108	0.326	0.515	0.154	0.098	0.087	0.107
El Salvador	0.051	0.026	0.075	0.173	0.136	0.206	0.044	0.018	0.068
Fiji	0.014	0.010	0.018	0.047	0.055	0.040	0.012	0.007	0.017
FYR Macedonia	0.033	0.026	0.039	0.076	0.069	0.083	0.027	0.024	0.030
Gabon	0.031	0.046	0.017	0.026	0.004	0.046	0.032	0.051	0.015
Georgia	0.014	0.009	0.020	0.052	0.044	0.060	0.012	0.006	0.018
Ghana	0.057	0.044	0.067	0.221	0.302	0.144	0.047	0.027	0.063
Grenada	0.003	0.001	0.004	0.009	0.006	0.012	0.002	0.001	0.004
Guatemala	0.086	0.053	0.116	0.319	0.416	0.231	0.072	0.030	0.110
Guyana	0.010	0.009	0.010	0.037	0.052	0.024	0.008	0.007	0.010
Honduras	0.041	0.026	0.056	0.190	0.223	0.160	0.032	0.013	0.049
Jamaica	0.044	0.024	0.063	0.114	0.091	0.136	0.040	0.020	0.059
Jordan	0.079	0.052	0.104	0.198	0.120	0.269	0.071	0.049	0.092
Kenya	0.052	0.037	0.065	0.215	0.314	0.126	0.041	0.019	0.062

	Share of total merchandise trade (%)			Share of world agriculture (AOA) trade (%)			Share of non-agriculture (NAMA) trade (%)		
WTO Member	*Total (exports + imports*	*Exports*	*Imports*	*Total (exports + imports*	*Exports*	*Imports*	*Total (exports + imports*	*Exports*	*Imports*
Kyrgyzstan	0.011	0.010	0.012	0.029	0.032	0.026	0.010	0.009	0.011
Macao, China	0.049	0.049	0.048	0.055	0.013	0.093	0.050	0.053	0.046
Mauritius	0.037	0.032	0.041	0.096	0.102	0.090	0.034	0.028	0.038
Moldova	0.018	0.013	0.022	0.089	0.132	0.051	0.013	0.006	0.021
Mongolia	0.013	0.011	0.014	0.025	0.017	0.033	0.012	0.011	0.013
Namibia	0.030	0.030	0.029	0.072	0.073	0.070	0.028	0.028	0.027
Nicaragua	0.023	0.012	0.034	0.102	0.129	0.079	0.018	0.004	0.031
Panama	0.038	0.016	0.059	0.105	0.091	0.114	0.035	0.011	0.056
Papua New Guinea	0.032	0.042	0.023	0.070	0.086	0.056	0.030	0.040	0.022
Paraguay	0.032	0.022	0.042	0.173	0.280	0.077	0.023	0.005	0.040
Saint Kitts and Nevis	0.002	0.001	0.003	0.006	0.002	0.009	0.002	0.001	0.003
Saint Lucia	0.004	0.001	0.006	0.016	0.009	0.022	0.003	0.001	0.005
Saint Vincent and the Grenadines	0.002	0.001	0.003	0.011	0.009	0.012	0.002	0.000	0.003
Sri Lanka	0.102	0.092	0.112	0.249	0.284	0.217	0.095	0.081	0.107
Suriname	0.009	0.009	0.011	0.017	0.007	0.027	0.009	0.009	0.010
Swaziland	0.019	0.018	0.019	0.068	0.082	0.056	0.015	0.014	0.016
Trinidad and Tobago	0.086	0.102	0.071	0.086	0.072	0.098	0.088	0.107	0.071
Uruguay	0.047	0.044	0.050	0.209	0.333	0.096	0.037	0.025	0.048
Zimbabwe	0.037	0.037	0.039	0.151	0.280	0.067	0.030	0.021	0.037

Source: All data are from the United Nations Comtrade database except for World totals, which are WTO estimates.
[a] Excludes intra-trade of the European Communities and significant re-exports.

B. HISTORIC EVOLUTION

1. Overview of Small Economies' Positions on the Agriculture Negotiations – JOB(05)/161 (27 July 2005)

4. Taking into account documents WT/COMTD/SE/W/12 and WT/COMTD/SE/W/13/Rev.1, the small, vulnerable economies would like to highlight the following fundamental considerations:

(a) The agricultural sector in small, vulnerable economies plays a key role in the attainment of their socio-economic development goals, in particular with respect to food security, rural development, exports and employment. The volatility of international prices for products exported by small, vulnerable economies constitutes an important factor of high vulnerability for some small, vulnerable economies. In this context, it is important for small economies that these issues be addressed satisfactorily in the agriculture negotiations;

(b) Small, vulnerable economies have an insignificant level of participation in the multilateral trading system and a minimal share of total world trade. Furthermore, these economies are constrained by low levels of competitiveness. Issues related to market access for small economies' products should be addressed satisfactorily so that these economies can participate meaningfully in the multilateral trading system in accordance with their level of development;

(c) Small, vulnerable economies have critical concerns in the market access pillar of the agriculture negotiations, including special and differential treatment and flexibilities and economic development broadly. For most small economies, tariffs are the only tool at their disposal to protect their agricultural sectors. It is therefore crucial that the tariff reduction formula be flexible enough to accommodate the concerns of small vulnerable economies;

(d) Bearing in mind the key contribution that agriculture makes to the food security and rural development of small, vulnerable economies, these countries consider that the provisions of Special Products and the Special Safeguard Mechanism (SSM) are important for the development of their agricultural sectors. Accordingly, Special Products shall be exempted from tariff reductions and from any commitments on TRQs. Special Products shall also have access to the SSM;

(e) The issue of maintenance of current de minimis support levels for developing countries is of major importance to small, vulnerable economies, especially since they do not have access to the aggregate measure of support (AMS). We wish to emphasize that there is no justification for the reduction of de minimis support by developing countries;

(f) The concerns of small, vulnerable economies shall be taken into account in all the provisions of special and differential treatment which are provided in the Doha mandate.

2. Proposal by the Small, Vulnerable Economies on Market Access in Agriculture – TN/AG/GEN/11 (11 November 2005)

Proponents: Barbados, Bolivia, Cuba, Dominican Republic, El Salvador, Fiji, Guatemala, Honduras, Mauritius, Mongolia, Nicaragua, Papua New Guinea, Paraguay and Trinidad and Tobago.

8. Small, vulnerable economies (SVEs), with the exception of LDCs, whose average share of world merchandise exports over the period 1995-2004 do not exceed 0.10 per cent, will make a contribution to the reform process in agriculture according to the following provisions:

- Small, vulnerable economies will undertake linear cuts not exceeding 15 per cent, with a minimum of 10 per cent per tariff line, from the bound rate. No further commitments will be expected from the small, vulnerable economies on the basis of modalities that may be agreed with respect to other elements under the market access pillar.
- No tariff capping shall apply to the small, vulnerable economies.
- Modalities shall provide for substantial improvement in market access for products of export interest to small, vulnerable economies.
- Small, vulnerable economies will designate Special Products based on their food security, livelihood security and rural development needs.
- Special Products of small, vulnerable economies will be exempted from tariff reductions and tariff rate quota commitments.
- All agricultural tariff lines will be eligible for the Special Safeguard Mechanism (SSM). SPs of small, vulnerable economies will have automatic access to the SSM.
- The small, vulnerable economies insist that the SSM shall contemplate price and volume-based triggers. Remedy measures should be effective and flexible to respond to the needs of the small, vulnerable economies.

3. Chairman's Reference Paper on SVEs – Room Document (4 May 2006)

3. The criteria for defining small, vulnerable economies and possible modalities available to them, or from which they might benefit, do not apply only to the agriculture negotiations. This note, however, can only address the agriculture specific elements and is without prejudice to proposals and discussions in other negotiating bodies. However, some elements of these other proposals and discussions may offer some clarification on specific issues relating to SVEs, such as the criteria that might be relevant for defining a Member as a having a "small, vulnerable economy".

Proposed modalities for market access

4. The negotiations have benefited from a specific proposal[5] in the market access area that outlines possible provisions the SVEs propose should apply to them. These provisions could be summarised as:

- *Tariff reduction formula*: linear cuts not exceeding 15 per cent, with a minimum of 10 per cent per tariff line and no tariff cap;

- *Special Safeguard Mechanism* (SSM): automatic access for all agricultural tariff lines;

[5] See Attachment 1 to this reference paper; see also JOB(05)/161 (27 July 2005).

- *Special Products*: self-designation based on food security, livelihood security and rural development needs; exemption from tariff reductions and tariff rate quota commitments; and

- *Offensive interests*: Substantial improvement in market access for products of export interest.

Issues to be addressed

7. In view of the level of uncertainty surrounding the distinct elements of the general provisions for market access and related special and differential treatment, a focused response to the specific proposals made by the SVEs remains elusive. However, if there are to be any provisions for SVEs, they will have to be part of the modalities. Although some SVEs Members have supported the ACP comprehensive proposal – notably as regards the proposed tariff cuts for developing countries, which they see as a good basis for accommodating their concerns – there has been little convergence among Members regarding the core tariff reduction formula, Sensitive Products and the special and differential treatment provisions (of which, Special Products and the Special Safeguard Mechanism are key elements).

8. It is encouraging to note, however, that practically all of the individual elements covered by the SVE proposal have already been the subject of intensive discussions in various formats under the Special Session of the Committee on Agriculture. Furthermore, each of these topics is being addressed in the various Chairman's Reference Papers which are being prepared or revised. The direct involvement of SVEs at this stage is crucial in order to ensure that their specific views on the various market access parameters, as well as on meaningful special and differential treatment, are adequately incorporated. They, and other Members, will also need to assess what additional provisions, if any, may be needed in addition to those available under special and differential treatment.

9. Furthermore, market access is not entirely de-linked from the other two pillars of negotiations. As noted by SVEs themselves, market access conditions to international markets will be effectively improved only if trade-distorting measures affecting agricultural trade are also corrected and addressed. To a large extent, through the Hong Kong Ministerial Declaration and in the recent negotiations, it would appear that the political will and support exists already for some improvements: the final date for the elimination of all forms of export subsidies has been agreed; and there has been some convergence on reductions in trade-distorting domestic support. These topics are definitely on the agenda for reform and I have addressed some of them through earlier Reference Papers.

10. All these elements must be brought together in the right way, i.e. in a horizontal (no sub-category of WTO Members), inclusive, transparent and participatory process.

4. Report by the Chairman to the TNC – TN/AG/21 (28 November 2005), also Annex A of the Hong Kong Ministerial Declaration

26. In the case of small and vulnerable economies, a concrete proposal has been made recently. It has not yet been subject to consultation.

5. Contribution by the SVEs on the Chairman's Reference Paper on SVEs – JOB(06)/164 (31 May 2006)

Criteria for defining SVEs

4. In paragraph 3 of the reference paper, the Chairman notes that the criteria to define SVEs are being discussed in other negotiating bodies. It is worth noting that the SVEs have

recently presented a submission in the Negotiating Group on Non-Agricultural Market Access (NAMA[6]) proposing that countries whose average share for the period 1999-2004 (a) of world merchandise trade does not exceed 0.16 per cent and (b) of world NAMA trade does not exceed 0.10 per cent and (c) of world agricultural trade does not exceed 0.40 per cent should be identified as SVEs.

5. The SVEs would wish to highlight that the vulnerability that characterizes them affects their trade performance in the non-agricultural and agricultural sectors. In this sense, the same criteria should prevail in both negotiating areas and we fully endorse the use of the criteria submitted in the NAMA Negotiating Group for the agriculture negotiations.

What specific provisions should be envisaged ?

8. The level of ambition, which the SVEs are seeking is spelt out in paragraph 8 of TN/AG/GEN/11. In this sense, given the current stage of the agriculture negotiations, provisions applicable to SVEs should be based on the following principles:

- SVEs will contribute less than other developing countries in terms of tariff reduction.
- SPs designated by SVEs should be exempted from tariff reduction, capping, tariff-quota commitments. They will also have the right to have recourse to a Special Safeguard Mechanism based on import quantity and price triggers.
- Modalities shall provide for substantial improvement in market access for products of export interest to SVEs.

6. Chairman's Revised Consolidated Reference Paper on Possible Modalities on Market Access – (9 June 2006)

[SMALL AND VULNERABLE ECONOMIES]

38. Members with economies defined as small, vulnerable in [ ] may reduce bound duties by [ ] less than those that would otherwise have been required under paragraph 4 above. Any product designated as a Special Product under paragraphs 16 to 19 above by a Member with a small, vulnerable economy shall not be required to [undertake reductions in bound duties,] [or] [increase bound tariff quotas] [or] [be subject to a tariff cap.]

39. [Members shall provide enhanced improvements in market access for products of export interest to Members with small, vulnerable economies.]

[6] Circulated as a room document on 10 May 2006.

7. Revised Consolidated Reference Paper on Modalities on Market Access – Contribution on the Treatment of SVEs – JOB(06)/196 (19 June 2006)

I. SMALL, VULNERABLE ECONOMIES

38. Countries whose average share for the period 1999-2004 (a) of world merchandise trade does not exceed 0.16 per cent and (b) of world NAMA trade does not exceed 0.10 per cent and (c) of world agricultural trade does not exceed 0.40 per cent shall reduce bound duties by [X[7]] percentage points less than would otherwise have been required under paragraph 4 above.

39. In accordance with the Hong Kong Ministerial Declaration and the July 2004 Decision, SVEs will have the right to self-designate at least [ ] per cent of tariff lines as SPs based on criteria of food security, livelihood security and rural development needs. SVEs shall not be required to undertake reductions in bound duties, increase bound tariff quotas nor be subject to a tariff cap with regards to these tariff lines.

40. Members shall provide enhanced improvements in market access for products of export interest to SVEs.

8. Draft Possible Modalities on Agriculture – TN/AG/W/3 (12 July 2006)

[I. SMALL, VULNERABLE ECONOMIES

47. Members with economies that, in the period [1999] to [2004], had an average share of (a) world merchandise trade of no more than [0.16] per cent, (b) world trade in non-agricultural products of no more than [0.10] per cent and (c) world trade in agricultural products of no more than [0.40] per cent shall have the right to reduce bound duties by [ ] less than those that would otherwise have been required under paragraph 4 above.

48. Any Member meeting the criteria in paragraph 47 shall have the right to self-designate at least [ ] per cent of tariff lines as Special Products based on criteria of food security, livelihood security and rural development needs. Such Members shall not be required to undertake reductions in bound duties, increase bound tariff quotas or be subject to a tariff cap] on these products.]

49. [Developed country] Members shall provide enhanced improvements in market access for products of export interest to Members with small, vulnerable economies.]

9. Submission on the Treatment of Small Vulnerable Economies (SVEs) – JOB(07)/47 (11 April 2007)

6. In view of their specific situation, SVEs need enhanced Special and Differential Treatment (SDT). This paper builds upon two elements of the previous SVEs submissions on: (a) tariff reduction through the tiered formula; and (b) Special Products (SPs).

7. New commitments undertaken by SVEs shall reflect consideration of their specific situation and their development needs. For the reasons enumerated above, SVEs shall contribute less than other developing countries in terms of tariff reduction.

[7] This figure will be determined in the light of emerging convergence in respect of the level of ambition of the overall market access package.

8. An examination of the tariff schedules and tariff profile of SVE Members will reveal that tariff reduction commitments based on a tiered formula will require disproportionate efforts from SVEs because:

- Some have homogeneous low bindings. Reduction commitments are likely to affect those products that are highly important for their development needs. Applying the formula cuts is likely to reduce the applied rates of such products.
- Some have ceiling bindings and/or a high percentage of their tariff lines may fall in the highest tiers of the tiered formula. This would require them to undertake greater efforts in terms of average tariff reduction and tariff reduction per tariff line when compared with the average reduction for developing countries used during the Uruguay Round (24 per cent) and assessed through the lens of the proportionality principle.

9. SPs self-designated by SVEs shall be exempted from tariff reduction, tariff capping and tariff-quota commitments. Provisions on SPs are important for the development of the agricultural sectors in SVEs, bearing in mind the key contribution that agriculture makes to their food security, livelihood security and rural development.

10. SVEs fully support the view that SPs should be selected and designated based on the food and livelihood security and rural development needs of developing countries, guided by the illustrative list of indicators submitted by the G-33. The right to self-designate any product as SP shall not be questioned at any stage of the negotiating processes, including the verification of the schedules of members.

11. SVEs are of the view that the concessions made in the framework of free trade agreements (FTAs) are part of a very specific and particular balance between the rights and obligations of the Members involved in the FTA. There shall be no requirement that multilateral WTO rights and obligations, resulting from the Doha negotiations, including the self-designation of SPs, be contingent on such FTA concessions.

12. SVEs also believe that SPs shall cover at least 20 per cent of the total number of tariff lines of a particular Member and that this limited percentage of tariff lines should be treated according to the following three layers of commitments:

- At least 50 per cent of these tariff lines will be exempted from tariff reductions. For those SVEs characterized by special circumstances[8], an additional 15 per cent of the tariff lines designated as Special Products will not be subject to any tariff reduction commitment;
- 25 per cent of tariff lines will be subject to a reduction of 5 per cent; and
- The remaining tariff lines, other than those categorized in the two sub-paragraphs above, will be subject to a reduction of not more than 10 per cent.

13. An outcome that reflects the aspirations of SVEs would contribute to enhancing their participation in the multilateral trading system, in accordance with their development, economic, financial and trade needs. These enhanced flexibilities will not have any significant impact on world markets, taking into account the small size of their markets, the

[8] Special circumstances include situations where a developing country Member: (a) had bound at least 25 per cent of its total tariff lines at a maximum import duty of 80 per cent at the start of the implementation period; (b) had undertaken ceiling binding commitments under the Uruguay Round; (c) has predominantly low income or resource poor producers; or (d) has any other structural difficulties in its agriculture sector.

fact that many of these countries are already highly open and are net food-importing countries.

10. Communication from the Chairman of the Committee on Agriculture, Special Session - Second Instalment (25 May 2007)

17. From the mandate it is clear that the modalities should address the fuller integration of small, vulnerable economies into the multilateral trading system but without creating a sub-category of Members. In the proposals made by the group of small, vulnerable economies, three distinct elements have been raised: the definition of what is a small, vulnerable economy; how their concerns relating to improving market access may be addressed; and how their export interests may be addressed.

18. In order to define what is a small, vulnerable economy, there is a proposal from the group which states that they are Members with economies that, in the period 1999 to 2004, had an average share of world merchandise trade of 0.16 per cent or less and world trade in non agricultural products of 0.1 per cent or less and world trade in agricultural products of 0.4 per cent or less. In the absence of any contrary view I will take that this definition is acceptable. I would also assume that in submitting their draft Schedules any Member that claims that its economy meets these criteria would provide verifiable supporting data.

19. The group of small, vulnerable economies proposed that their export interests should be addressed by a modality that would require all Members to provide enhanced improvements in market access for products of export interest to SVEs. I do not recall any delegation disagreeing with this proposal.

20. While the proposal made by the SVE group is independent of proposals on Special Products generally, I would note that it does follow very closely that of the G-33. However, at this stage there is no consensus among Members on the designation and treatment of Special Products. Therefore, I feel that, at this stage, there is little I can usefully add beyond noting that, as regards my own comments on special products, I would have envisaged that some form of additional flexibility – whether in terms of number and/or treatment – under Special Products – reflecting the potentiality of disproportionate impact – would appear to have been the most appropriate means for addressing the specific import concerns of small, vulnerable economies.

IV. NEGOTIATING GROUP ON MARKET ACCESS FOR NON-AGRICULTURAL PRODUCTS

A. CURRENT MODALITIES DRAFT AND LATEST PROPOSAL

1. Draft NAMA Modalities – JOB(07)/126 (17 July 2007)

<u>Chairman's Introduction to the Draft NAMA Modalities</u>

<u>Small, Vulnerable Economies (SVEs)</u>

32. In my July 2006 report to the Trade Negotiations Committee (TN/MA/W/80), I proposed that consensus had been reached on the trigger for access to the flexibilities for SVEs. Specifically, I noted that Members had agreed to abandon the search for benchmarks of vulnerability and had accepted a single eligibility criterion based on the value of NAMA trade, that is less than 0.1 percent of world trade in non-agricultural products.

33. On the question of the treatment of SVEs, while Members remained divided - then and now - on the architecture of the flexibility (a formula tariff reduction with expanded flexibilities or a target average tariff reduction as proposed by the proponents), they widely agreed that the central question was the level of contribution to be made by these Members to the Round.

34. As regards the architecture of the modality, I have proposed the tariff average approach, in three tiers based on average bound tariffs, and including a minimum line-by-line tariff reduction. I believe that this architecture is appropriate because it facilitates differentiated treatment of a very diverse group of Members. A tiered approach would provide for some degree of harmonization of tariffs among them, with the Members with the highest tariffs making the greatest reduction. Moreover, based on my consultations, I believe that this architecture is the more likely to find consensus, provided the level of contribution to the Round is satisfactory.

35. With respect to that contribution, I have proposed target tariff averages of 14, 18 and 22 per cent, together with a minimum line-by-line tariff reduction of 10 per cent on 95 per cent of tariff lines. This would ensure a minimum contribution to the market access outcome in the Round, while providing a very significant flexibility in how that contribution is made. SVEs would reduce their average tariffs in reasonable proportion to other developing countries but would be permitted greater flexibility in how to structure their tariff schedules. This approach is consistent with the development needs of small, vulnerable economies.

36. Special consideration of Fiji is proposed, in view of it's low level of binding coverage and the fact that 100 percent of tariffs lines are to be bound by SVEs.

Draft NAMA Modalities

<u>Small, Vulnerable Economies</u>

13. With the exception of developed Members, those Members having a share of less than 0.1 percent of world NAMA trade for the reference period of 1999 to 2001 or best available data as contained in document TN/MA/S/18 may apply the following modality of tariff reduction instead of the formula modality which is contained in paragraphs 5, 6 and 7 above.

(a) Members with a bound tariff average of non-agricultural tariff lines:[9]

(i) at or above 50 per cent shall bind all their non-agricultural tariff lines at an average level that does not exceed an overall average of 22 per cent;

(ii) at or above 30 per cent but below 50 per cent shall bind all their non-agricultural tariff lines at an average level that does not exceed an overall average of 18 per cent; and

(iii) below 30 per cent shall bind all their non-agricultural tariff lines at an average level that does not exceed an overall average 14 per cent.

Fiji shall be deemed to fall under (i).

In addition, 95 per cent of all non-agricultural tariff lines shall be subject to a minimum cut of 10 per cent.

(b) All tariff lines shall be bound on 1 January of the year following the entry into force of the DDA results at initial bound rates.

(c) The initial bound rates shall be established as follows: for bound tariff lines the existing bindings shall be used, and for unbound tariff lines the Member subject to this modality will determine the level of the initial binding of those tariff lines.

(d) The overall binding target average shall be made effective at the end of the implementation period as follows: the tariff reductions shall be implemented in 9 equal rate reductions. The first reduction shall be implemented on 1 January of the year following the entry into force of the DDA results and each successive reduction shall be made effective on 1 January of each of the following years.

(e) All duties shall be bound on an *ad valorem* basis. Existing bindings on a non *ad valorem* basis shall be converted to *ad valorem* equivalents on the basis of the methodology outlined in document TN/MA/20.

2. Submission by Small, Vulnerable Economies on Modalities to Apply in Non Agriculture Market Access - JOB(07)/154 (17 October 2007)[10] [11]

PRINCIPLES

1. SVEs have signalled their willingness to contribute to the current Doha Development Round, consistent with their ability so to do, and taking into account their trade, economic and social realities. SVEs should neither be penalized for their liberalization decisions taken thus far, nor be required to undertake reductions that are disproportionate to the marginal level of benefits likely to accrue from this Round.

2. SVEs have verbally, and in written submissions, articulated the principles which have guided their proposals. These principles emanate from work in the WTO Committee on Trade and Development over the years as well as from paragraph 35 of the Doha Ministerial

[9] See document TN/MA/S/4 and Corr.1 for the bound tariff averages of Members.

[10] Bolivia did not accompany this proposal.

[11] This proposal is without prejudice to the rights of those Recently Acceded Members (RAMs) that are Small, Vulnerable Economies, and the proposals submitted by that Group to specifically address their concerns.

Declaration, the July 2004 Framework Agreement and the Hong Kong Ministerial Declaration.

MODALITIES APPLICABLE TO SMALL, VULNERABLE ECONOMIES

3. The current modalities proposed for SVEs do not conform to the principle of less than full reciprocity in reduction commitments as these modalities require higher levels of contributions from SVEs, in comparison to other developing countries, and even some *developed* countries. These results are inconsistent with the various mandates in this Doha Development Round on the flexibilities to be accorded to developing countries in general, and the enhanced flexibilities to be provided to SVEs, in particular, and are therefore unacceptable.

4. The SVEs have, in the past, submitted proposals based on 5 bands, taking into account the tariff dispersion of the proponents. It should be noted that the Chair's proposal effectively restricts the SVEs proponents to two (2) bands, with the 3rd band accommodating SVEs RAMs. However, consistent with the constructive engagement that has characterized the approach of SVEs thus far; the Group is willing to work within the 3 band approach outlined by the Chair, so long as such bands adhere to the principles outlined in the various mandates, including the principle of less than full reciprocity. Acceptance of a 3 band approach is contingent on adequate flexibilities afforded to SVEs, including the requirement for maximum average reductions that are less than those of developed countries and which are consistent with the economic, social, trade and development needs of SVEs.

5. The flexibility to exempt, at their discretion, 10% of tariff lines from reduction commitments is also an integral aspect of the flexibilities required by SVEs. This flexibility is independent of the maximum tariff reduction required of SVEs.

6. The specific tariff reduction modalities to apply to SVEs are outlined in Annex 1 of this paper.

Annex 1

Revised Textual Proposal on the Provisions Applicable to Small, Vulnerable Economies

(a) Members with a bound tariff average of non-agricultural tariff lines:

(i) at or above 50 percent shall bind their non-agricultural tariff lines at an average level of [32] percent. Where this average results in reductions that are greater than [40] percent, the Member concerned would be entitled to apply lesser reductions, at its discretion, in keeping with this maximum average reduction of [40] percent.

(ii) at or above 30 percent but below 50 at percent shall bind their non-agricultural tariff lines at an average level of [28] percent. Where this average results in reductions that are greater than [30] percent, the Member concerned would be entitled to apply lesser reductions, at its discretion, in keeping with this maximum average reduction of [30] percent.

Fiji shall be deemed to fall under (i).

In addition, 90 percent of all non-agricultural tariff lines shall be subject to a minimum cut of 5 percent.

(b) SVEs with a binding coverage of 50 percent or less shall have the flexibility to maintain [10%] of tariff lines unbound.

(c) The implementation period for Small, Vulnerable Economies shall be [2] years longer than that for other developing countries.

B. HISTORIC EVOLUTION

1. Market Access for Non-Agricultural Products - Treatment of Small, Vulnerable Economies in the NAMA Negotiations - TN/MA/W/66 (11 November 2005)

Proponents: Antigua and Barbuda, Barbados, Bolivia, Dominica, Dominican Republic, El Salvador, Fiji, Grenada, Guatemala, Honduras, Mongolia, Nicaragua, Papua New Guinea, Paraguay, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines and Trinidad and Tobago.

9. As their contribution to the NAMA negotiating process, small, vulnerable economies propose that developing countries, not covered in paragraph 6 and paragraph 9 of Annex B, and whose average share in total world merchandise exports does not exceed 0.10 per cent over the period 1995-2004, will be expected to:

(a) Make tariff reductions not exceeding 15 per cent, but with minimum cuts of 10 per cent on individual lines and with no more than half the cuts at the lowest level of this range. This contribution will ensure a significant reduction of small, vulnerable economies' tariff averages as well as a reduction in individual tariff lines.

(b) On the treatment of unbound tariffs, small, vulnerable economies whose binding coverage is more then 90 per cent commit themselves to the objective of full tariff binding as an outcome of the NAMA negotiations. However, newly bound tariff lines will not be subject to reductions through the formula during these negotiations. Small, vulnerable economies are open to discuss a possible target rate at which these tariffs should be bound or a maximum rate at which to bind these lines.

10. Small, vulnerable economies firmly believe that only tariff reductions compatible with their capacity to sustain trade reforms, as spelt out in this paper, are likely to efficiently discharge the Doha mandate. In this context, small, vulnerable economies will continue to have access to flexibilities such as those outlined in paragraph 8 of Annex B.

2. Progress Report by the Chairman to the Trade Negotiations Committee – TN/MA/16 (24 November 2005), also Annex B of the Hong Kong Ministerial Declaration

19. A paper was submitted recently by a group of Members which proposes inter alia lesser and linear cuts to Members identified by a criterion using trade share. While some developing and developed Members were sympathetic to the situation of such Members, concerns were expressed with respect to the threshold used to establish eligibility, and also the treatment envisaged. Other developing Members 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. The sponsors of this proposal stressed that the small, vulnerable economies had characteristics which warranted special treatment.

20. This is an issue on which there is a serious divergence of opinion among developing Members. This subject will need to be debated further. Discussions may be facilitated through additional statistical analysis.

3. NAMA – Market Access for Non-Agricultural Products - Criteria and Treatment of SVEs, submission by the SVEs – (1 May 2006)

1. Following the submission of two proposals to the Negotiating Group on Market Access[12], and in pursuance of paragraph 21 of the Hong Kong Ministerial Declaration in which Ministers agreed to "establish ways to provide flexibilities" for the small, vulnerable economies, the proponents have held a series of consultations with a number of delegations over the past weeks regarding the criteria and treatment of the small, vulnerable economies in the NAMA and agriculture modalities.

2. Members of the NAMA Negotiating Group have shown an understanding of the concerns raised by the small, vulnerable economies and have demonstrated a willingness to engage constructively to find solutions that are capable of integrating these economies into the multilateral trading system, consistent with the wishes of the Ministers.

3. A number of issues were raised by delegations participating in the consultations regarding the criteria and treatment of small, vulnerable economies as well as the contribution these economies are capable of making to trade liberalisation.

7. The **criteria** for the identification of potential developing country beneficiaries of this proposal in the NAMA negotiations, excluding LDC's, countries in transition and paragraph 6 countries, would apply to the remaining countries:

- whose share of world merchandise trade does not exceed 0.16 per cent; and
- whose share of world NAMA trade does not exceed 0.10 per cent; and
- whose share of world agricultural trade does not exceed 0.40 per cent[13].

8. The **treatment** proposed for all developing countries who meet the above criteria would be that these countries would not be subject to formula cuts, but would bind 100 per cent of their non-agricultural tariff lines at average levels reflected in the following tiers and bands:

Current Bound Average %	**Average % Cut**	**Final Bound Average %**
0 – 30	10	0 – 27
31 – 40	15	26 – 34
41 – 50	20	33 – 40
51 - 60	25	38 – 45
61 -	30	43 -

[12] JOB(05)/165 of 29 July 2005; and TN/MA/W/66 of 11 November 2005.
[13] Data Source: WTO, 1999 – 2004.

9. Beneficiaries with less than 50 per cent binding coverage shall be allowed to keep [5 per cent] of their lines unbound while binding the remaining [95 per cent] at an average of [ ].

10. The implementation of the tariff reduction commitments should be staged over a longer period than other developing countries in order to ensure a smooth liberalisation process and not jeopardise the industrial and social development prospects of the small, vulnerable economies.

4. Small and Vulnerable Economies - Text Proposal for the Chairman of NAMA by the Delegations of Costa Rica and Uruguay – Room Document (30 May 2006)

Criteria
Regarding trade participation of a small and vulnerable economy in global trade, the identifying criteria should be as follows:

- Developing countries whose share of world **NAMA trade** (exp-imp) does not exceed a unique percentage to be agreed as a threshold.
  - WTO Secretariat statistics should be used in order to determine the specific situation of these countries in this area of negotiation.
  - The period of reference to be used should be from year 1999 to year 2004 given that year 1999 is already included as the reference period in Annex B.

Treatment
Once the objective criteria and period of reference have been determined, the negotiating group should then proceed to negotiate the treatment. Such treatment should take into account the following principles:

- SVEs contribution should be significantly higher than the contribution to be agreed for paragraph 6 countries and LDCs.
- Treatment should be compatible with the NAMA Framework and the Hong Kong Declaration.

Proposal
The treatment proposed for small and vulnerable economies is as follows:

- Developing countries that have been identified by the above mentioned criteria to be small and vulnerable economies will benefit from a unique [X] additional percentage points to the figure currently in brackets in paragraph 8(a) or paragraph 8(b)[14].

5. NAMA 11 - Non-Paper – Small Vulnerable Economies – (30 May 2006)

4. For the above reasons, it is the view of the NAMA 11[15] that a solution based on the paragraph 8, with appropriate modulation, will provide the much needed additional protection for the sensitivities and specific needs of the SVEs. In document TN/MA/W/66, the SVEs have pointed out that the flexibilities "as currently crafted in paragraph 8 are of very limited scope ... in addition, the thresholds and conditionalities limit the usefulness...". The NAMA 11 agrees that these limitations have to be overcome and thereby the following could be considered as an appropriate solution:

[14] The additional [X] percentage points will depend on the share of NAMA trade to be agreed in the selection criteria. These [X] percentage points would be higher if the threshold of NAMA trade is lower, and vice versa.

[15] Grouping includes Argentina, Brazil, Egypt, India, Indonesia, Namibia, Philippines, South Africa, Tunisia and Venezuela.

i. Once the number in brackets of paragraph 8(a) and (b) has been agreed for developing countries, additional flexibility beyond that shall be identified for SVEs; further relaxation of the trade limitation, in particular, is an avenue worth exploring, considering the economic situation of SVEs, with a longer implementation period; or

ii. The SVEs could be permitted access to paragraph 8(a) and (b) cumulatively, with a longer implementation period.

6. Proposal on Small, Vulnerable Economies by Norway – Room Document (6 June 2006)

For the purposes of the NAMA negotiations, we propose that developing Members whose share of total NAMA trade (imports plus exports) does not exceed [0.1] per cent for the time period of 1999-2004 as contained in document TN/MA/S/18 shall be considered a small, vulnerable economy pursuant to paragraph 21 of the Hong Kong Ministerial Declaration.

In the event that NAMA trade data is not available for a Member for any of the years in this time period, that Member's share of total NAMA trade shall be calculated by the Secretariat using the best available data.

We propose that the developing Members who meet the above criteria will bind [100] per cent of their non agricultural tariffs. The average bound tariff level of a Member being considered a small, vulnerable economy will not exceed [X] per cent after the implementation period. In meeting this requirement, beneficiaries would make minimum reductions of [Y] per cent on individual tariff lines.[16]

7. Treatment of Small, Vulnerable Economies in the NAMA Negotiations, Proposal by the SVEs – (15 June 2006)

4. The following principles have guided the revision of the SVEs **treatment** proposal:

- SVEs should not be penalised for the progressive liberalization decisions they made during the Uruguay Round, nor should they be asked to accept cuts in this Round greater than Members who achieve greater benefits from the Round.

- The dispersion in proponent's current bound averages (32.6 to 73.0) demands variable cuts to variable final bound averages.

- The **treatment** being sought by the small, vulnerable economies should be compatible with the terms and mechanisms established in the NAMA Framework (Annex B of the July 2004 decision by the General Council) and further mandated in paragraph 21 of the Hong Kong Ministerial Declaration.

- This proposal builds on the treatment proposed in the Norwegian submission, which did receive some favourable responses.

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[16] The values of X and Y should be set at appropriate levels with the objective to ensure that the SVEs make a contribution that goes beyond the contribution to be made by the Members covered by paragraph 6.

The values of X and Y are related. The more stringent the average requirement, the less stringent will be the line by line reduction requirement, and vice versa. Mathematically, this implies that the lower X is the lower Y will be. The exact levels of these variables will be determined by Members.

- Full binding at any one bound average is not easily compared with less than full binding at the same bound average.

- There is no justification for all SVEs binding at a lower average than other members whose economies are at similar levels of development.

5. Based on data from the World Trade Report 2005, SVE proponents (excluding paragraph 6 and LDC countries) have average applied rates of 7.6 per cent while paragraph 6 countries have an average of 13.8 per cent and LDCs 13.4 per cent. SVEs effort to welcome imports is therefore clear.

Proposal:

6. The **treatment** proposed for small, vulnerable economies would be that these countries would not be subject to formula cuts, but would bind 100 per cent of their non-agricultural tariff lines at average levels reflected in the following bands:

Current Bound Average %	**Average % Cut**	**Expected Final Bound Average %**
≤ 37	[….]	[….]
38 – 47	[….]	[….]
48 – 57	[….]	[….]
≥ 58	[….]	[….]

7. Tariff reduction for SVEs shall be on the basis of lower tariff cuts for those in the lower bands and higher cuts for those in the higher bands

8. In meeting this requirement, beneficiaries would make minimum reductions of [ ] per cent on a maximum of [ ] per cent of individual tariff lines

9. In the specific case of Fiji with less than 50 per cent binding coverage, Fiji shall be allowed to keep [5 per cent] of their lines unbound while binding the remaining [95 per cent] at an average of [ ].

10. The implementation of the tariff reduction commitments should be staged over a longer period than other developing countries in order to ensure a smooth liberalisation process and not jeopardise the industrial and social development prospects of the small, vulnerable economies.

8. Towards NAMA Modalities – TN/MA/W/80 (19 July 2006)

Modalities[17]

The criteria

With the exception of developed countries, Members having a share of NAMA trade (exports and imports) of less than [0.1 per cent] of world trade for a reference period of 1999 to 2001,

[17] In the reference Paper, there is no text in the modalities concerning the treatment of small economies.

or best available data, as contained in document TN/MA/S/18 may use the following modality for tariff reduction:

It is understood that this does not create a sub-category of WTO Members.

Chairman's remarks

The criteria

There is consensus on the use of this criterion to determine eligibility for additional flexibilities as a small, vulnerable economy.

While recognizing that this benchmark establishes only that an economy is small, in terms of its NAMA trade, Members have acknowledged the difficulties of articulating additional criteria to establish that economies are also vulnerable and can accept the single criterion.

The proponents have proposed additional criteria related to agricultural trade and total goods (both NAMA and agriculture) trade. Many Members oppose the use of such criteria, arguing that this would create a new sub-category of Members. I would note, in this regard, that it is important for many Members that the treatment of small, vulnerable economies in these negotiations does not create a precedent for future negotiations.

Finally, it was noted that this 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. Members will recall that the proponents do not include all countries with trade below this threshold.

The treatment

There is no consensus on the treatment of small, vulnerable economies.

There are two basic options on the table: a paragraph 6-type solution or a paragraph 8-type solution. The first option has two variations, one put forward by the SVEs proponents and the second by Norway. The SVE proponents have suggested a banded approach while Norway's proposal is more similar in structure to paragraph 6, with a single target tariff average. The second option is to use a paragraph 8-type solution, which would envisage increasing the flexibilities in paragraph 8. There are different permutations of this option including adding percentage points to the existing numbers in paragraph 8; removing the trade limitation, combining sub-paragraph (a) and (b), and by extending the implementation period.

Unfortunately, I am unable to provide much guidance on this issue. I would note that one factor which has made this discussion difficult is the diverse tariff profiles of the SVE proponents. Beyond this, I can only repeat my view that a satisfactory contribution from these Members can be achieved using either the paragraph 8 or paragraph 6 approach. The central question, therefore, is how great a contribution is required of these Members.

V. COUNCIL FOR TRADE IN SERVICES SPECIAL SESSION

1. Services – Information Note (November 2005)

Proponents: Antigua and Barbuda, Barbados, Cuba, Dominica, Dominican Republic, El Salvador, Fiji, Grenada, Guatemala, Honduras, Jamaica, Mauritius, Mongolia, Nicaragua, Paraguay, St. Kitts and Nevis, St. Vincent and the Grenadines and Trinidad and Tobago.

The two-track process involving the CTD and negotiating groups has therefore emerged as the process whereby the objective of framing responses to the trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system is being pursued.

Small Economies have already and will continue to demonstrate their engagement to the services negotiations including through the tabling of initial and revised offers.

Taking the above into consideration, issues of concern to small, vulnerable economies should be addressed satisfactorily in the services negotiations in order for these economies to participate meaningfully in the multilateral trading system in accordance with their level of development, market share, vulnerabilities and economic size and structure, without creating a subcategory of WTO Members.

VI. WORKING PARTY ON DOMESTIC REGULATION

A. CURRENT STATE OF PLAY

The proposal by the small, vulnerable economies was taken into account in the Chairman's Draft Disciplines on Domestic Regulation - Room Document (18 April 2007).

B. PROPOSAL BY THE SMALL, VULNERABLE ECONOMIES

1. Services - Trade-Related Concerns of Small, Vulnerable Economies in the Working Party on Domestic Regulation - JOB(06)/66/Rev.2 (10 July 2006)

Proponents: Antigua and Barbuda, Barbados, Cuba, Dominica, Dominican Republic, El Salvador, Fiji, Grenada, Guatemala, Honduras, Jamaica, Mauritius, Mongolia, Nicaragua, Paraguay, St. Kitts and Nevis, St. Vincent and the Grenadines and Trinidad and Tobago.

Small, vulnerable economies recommend that the following elements be included in any future disciplines on domestic regulation in services.

III. RECOMMENDATIONS TO ADDRESS THE CONCERNS OF SMALL, VULNERABLE ECONOMIES

A. GENERAL PRINCIPLES

(i) These disciplines shall not affect nor limit a Member's right to regulate, and shall not prevent or prescribe the development and adoption of future legislation to meet Members' national policy objectives.

(ii) Developing country Members shall implement the disciplines that require adjustment of existing domestic regulation and/or the adoption of new implementation mechanisms to the extent consistent with their financial, administrative and institutional capabilities and according to their size and level of development.

(iii) Developing country Members shall be accorded adequate time frames to upgrade their legislative, regulatory, administrative and institutional capacity to implement these disciplines. Members shall provide technical assistance and capacity-building assistance in order to help developing country Members to develop such capacity.

(iv) These disciplines shall apply to a Member's measures only to the extent that these affect sectors, sub-sectors and modes of supply covered by the respective Member's schedule of commitments.

(v) These disciplines shall not prevent a Member from establishing measures or mechanisms to support the development of regional economic integration.

B. QUALIFICATION REQUIREMENTS

(i) The establishment of qualification requirements by the competent authorities shall not be limited to the recognition and verification of specific diplomas, test scores or the like, but shall include where possible, the opportunity to fulfil such requirements by the recognition and verification of relevant experience and other education methods for establishing a provider's competence to supply the respective services.

(ii) To ensure that qualification requirements do not in themselves constitute barriers to trade, Members shall provide technical assistance and capacity building assistance in order to help developing country Members and their suppliers meet such requirements**.**

C. QUALIFICATION PROCEDURES

(i) Fees charged by the competent authorities should not be an impediment in themselves to practising the relevant activity. Developing country Members are not precluded from recovering fees where fees are utilised to meet national policy objectives.

(ii) Procedures for the verification of qualifications shall be limited to those required to establish the minimum qualifications required for supplying the service.

(iii) Members shall ensure that its competent authorities provide for clear and practical mechanisms for recognizing as being comparable, education or experience obtained, requirements met, or licences or certifications granted in the territory of another Member.

(iv) To ensure that qualification procedures do not in themselves constitute barriers to trade, Members shall provide technical assistance and capacity building assistance in order to help developing country Members and their suppliers meet such procedures.

D. LICENSING REQUIREMENTS

(i) Fees charged by the competent authorities should not be an impediment in themselves to practising the relevant activity. Developing country Members are not precluded from recovering fees where fees are utilised to meet national policy objectives.

(ii) To ensure that licensing requirements do not in themselves constitute barriers to trade, Members shall provide technical assistance and capacity building assistance in order to help developing country Members and their suppliers meet such requirements.

E. LICENSING PROCEDURES

(i) Members shall ensure that licensing procedures applied by its competent authorities are of minimal complexity and entail minimal costs for meeting requirements and fulfilling procedures for entry into export markets. Members may grant reduced licensing and other related fees to service providers from developing country Members.

(ii) To ensure that licensing procedures do not in themselves constitute barriers to trade, Members shall provide technical assistance and capacity building assistance in order to help developing country Members and their suppliers meet such procedures.

F. TECHNICAL STANDARDS

(i) Members shall in reasonable time publish a notice in a publication, print or electronic, and notify other Members through the Secretariat, of the establishment and application of measures relating to national or international technical standards relating to services and service providers.

(ii) Members shall, where requested, grant other Members, especially developing country Members, technical assistance on mutually agreed terms and conditions regarding the establishment of technical standards and participation in the international standardizing bodies in the area of services.

(iii) As a matter of good practice, Members involved in the development and application of measures relating to plurilateral standards, and standards developed and applied by non-governmental standardisation bodies should ensure maximum transparency of relevant processes for the benefit of other Members.

G. TRANSPARENCY

(i) Members shall ensure access for service suppliers of other Members to relevant information on legislative, regulatory and administrative measures relating to qualification requirements and procedures, licensing requirements and procedures, and technical standards.

(ii) Members shall ensure the establishment of appropriate, transparent and accessible administrative and judicial channels for reviewing decisions.

Discussions

- Working Party on Domestic Regulation meeting of 27 March 2006, summary of meeting in document (JOB(06)/124).
- Working Party on Domestic Regulation meeting of 2 May 2006, summary of meeting in document (JOB(06)/157).
- Working Party on Domestic Regulation meeting of 1-2 June 2006, summary of meeting in document (JOB(06)/226).

VII. NEGOTIATING GROUP ON RULES

1. WTO Fisheries Subsidies Disciplines – Architecture on Fisheries Subsidies Disciplines - TN/RL/GEN/57/Rev.2 (13 September 2005)

Proponents: Antigua and Barbuda, Barbados, Dominican Republic, Fiji, Grenada, Guyana, Jamaica, Papua New Guinea, St. Kitts and Nevis, St. Lucia, Solomon Islands and Trinidad and Tobago.

16. Small, vulnerable coastal states seek appropriate special and differential treatment in any disciplines on fisheries subsidies. In this regard the following should not be subject to subsidies disciplines:

(i) Any development assistance to developing coastal states;

(ii) Assistance to artisanal or small-scale fisheries. This requires a consensus on the definition of artisanal or small-scale. Some existing definitions of artisanal are based on vessel size in metres, capacity in gross registered tonnage (GRT), or area of operation in terms of proximity to the shoreline. We invite discussions on prevailing definitions used by Member States and possible approaches for arriving at a definition for use in the WTO; to facilitate the discussions, the sponsors of this paper will share information with Members on definitions currently being used in their respective jurisdictions;

(iii) Access fees in fisheries access agreements;

(iv) Fiscal Incentives - to facilitate the development of capabilities of small vulnerable coastal states.

17. We propose that the special and differential treatment provisions of the ASCM for Least Developed Countries be maintained in future disciplines.

2. Special and Differential Treatment in the Fisheries Subsidies Negotiations[18]: Views of the Small, Vulnerable Economies (SVEs) - TN/RL/W/210/Rev.2 (22 June 2007)

Proponents: Antigua and Barbuda, Barbados, Cuba, Dominican Republic, El Salvador, Fiji, Guyana, Honduras, Jamaica, Mauritius, Nicaragua, Papua New Guinea, and Solomon Islands.

A. INTERPRETING THE MINISTERIAL MANDATES ON FISHERIES SUBSIDIES

The Doha Ministerial Declaration states that "*In the context of these negotiations, participants shall also aim to clarify and improve WTO disciplines on fisheries subsidies, taking into account the importance of this sector to developing countries*".

The Hong Kong Ministerial Declaration noted that *there is broad agreement that the Group should strengthen disciplines on subsidies in the fisheries sector, including through the prohibition of certain forms of fisheries subsidies that contribute to overcapacity and over-fishing, and* call on *Participants promptly to undertake further detailed work to, inter alia, establish the nature and extent of those disciplines, including transparency and enforceability.*

[18] This document is an attempt to respond to the call of the Chair of the Negotiating Group on Rules for brainstorming on S&DT issues and does not preclude the co-sponsors of this document from submitting any additional proposals on these matters.

Appropriate and effective special and differential treatment for developing and least-developed Members should be an integral part of the fisheries subsidies negotiations, taking into account the importance of this sector to development priorities, poverty reduction, and livelihood and food security concerns:

i. The Co-sponsors of this document are of the view that the Ministerial mandates give clear instruction and guidance to negotiators on the issue of Special and Differential Treatment (S&DT) for developing and least developed countries. The Hong Kong Ministerial mandate specifically reflects the need for S&DT to be an integral component of the disciplines and recognises that the fisheries sector is of importance to developing countries for a number of socio-economic reasons.

ii. With this in mind, S&DT must be more than an instrument to assist developing countries to implement the emerging rules, but must also allow developing countries the opportunity to take advantage of the natural resources in their maritime space and enhance their level of productivity in the area of fisheries.

iii. In this respect S&DT in the fisheries disciplines must be more than longer implementation periods and must instead support the development of the fisheries sector in small, vulnerable economies and their potential trade in fisheries products and must not impede their capacity enhancement, management initiatives, or the processing and value added components of the industry in these economies.

iv. The co-sponsors of this proposal recognise the environmental and sustainability effects of over fishing and overcapacity and are willing to examine possible disciplines which seek to minimise environmental and ecological damage so long as they are mutually supportive of the developmental priorities of small, vulnerable economies and other similarly situated developing countries.

B. SHOULD THE PROVISION OF S&DT BE CONDITIONAL?

i. The co-sponsors of this document view S&DT as a fundamental principle of all WTO Agreements for developing countries and should be accorded without conditions attached. However, the co-sponsors recognise that given the environmental and sustainability element of the fisheries negotiations, there have been proposals which recommend the provision of S&DT on the basis of the individual country either acquiring certain management capacity or on ideas such as status of the fisheries and total allowable catch. Such conditionality would depart from WTO principles for according S&DT.

ii. The co-sponsors recognise that there are wide divergences between the productive and trading capacity of developing countries in the fisheries sector and in the interests of sustainability of the marine resources are willing to consider carefully crafted parameters for S&DT which could meet this objective. It is clear however that small, vulnerable economies, LDCs and some other developing countries have had such a minimum impact on over fishing and overcapacity that the proposed restrictions on these countries would be unduly punitive and would have the detrimental effect of impeding the legitimate growth of their fisheries industry, thereby leading to industry regression and stagnation.

iii. An effective management regime for fisheries is an important component of a country's fisheries policy. However, it must be recognised that not all developing countries, especially the SVEs and the LDCs, have the capacity to enact a management regime which can produce statistics, analyse data or secure its waters from IUU fishing to the extent that major fishing nations do. In light of this relatively limited capacity, any S&DT conditionality in the area of management regimes should not unduly punish these countries for their capacity constraints and should be examined in light of their relatively small productive and trading share of world fisheries.

iv. The FAO Code of Conduct has been suggested as an appropriate guideline for countries to follow with regards to their management regimes and the co-sponsors of this document concur that it has many important elements. However as it is a voluntary instrument, the Code of Conduct should not be simply imported into a WTO agreement as a binding discipline. Rather it may be appropriate for developing countries to illustrate the existence of a management plan, either a national management plan or a regional management plan. If the architecture of these plans is found to be significantly lacking, the developed countries and international organisations with necessary levels of capacity and competence in these areas for improvement should provide technical and financial assistance to these developing countries to enhance their management plans.

v. Environmental criteria such as the level of exploitation of the fisheries species or the level of exploitation in certain waters have been suggested as conditions for developing countries to use certain subsidies. The co-sponsors are concerned about the accuracy of data and unwarranted penalisation of small economies as a result of the exploitation of fisheries species outside of their waters by larger fleets of countries with greater capacity. The idea of utilising total allowable catch as a mechanism is one which must also take into account the need to accord flexibility for developing countries as well as to safeguard the future growth prospects of their fishing industry.

C. ARTISANAL AND SMALL SCALE FISHERIES

i. The co-sponsors of this document recognise that there has been a great degree of discussion on this issue within the negotiating group. Despite this, there does not appear to be any agreement on a definition for these types of fisheries nor how they should be treated in the disciplines.

ii. SVEs have consistently stated that their domestic definitions and practical industry realities do not recognise a clear distinction between artisanal and small scale fisheries. In the majority of cases there is a small profit trade involved in the fisheries and in some cases it is part of a small productive chain especially in those countries dependent on tourism. These small fisheries may also be organised into cooperatives and hence there could be an economic component to the fisheries transactions notwithstanding the traditional nature of the fishery and its livelihood and food security aspect.

iii. With this in mind the co-sponsors believe that any definition of artisanal must take into account this economic aspect if it is really to result in any benefits for the developing countries. It has been recognised however that a cumulative view of small artisanal and small scale fishing fleets may result in certain environmental and sustainability impacts and we are willing to further discuss how this impact can be minimised including discussions on the assistance which can be provided by relevant international organisations and developed country members in this area.

iv. Some proposals have sought to use physical characteristics for determining artisanal and small scale fishing and the co-sponsors are of the view that any definition based on physical attributes should recognise the following if it is to take the reality of SVEs artisanal and small scale fisheries into account:

- Any definition using the length of vessel should take into account the domestic definitions used by SVEs,
- Allowances should be made for a certain level of modernisation such as engine horsepower of up to 300hp, the use of navigation and safety equipment and mechanised fishing gear as improved technology becomes available.

v. Socio-economic considerations must also be taken into account if seeking to define artisanal and small scale fisheries such as the importance of the sector to employment, food security, poverty reduction and nutrition.

vi. The co-sponsors recognise that the issue of "small programmes" has also been raised in the negotiations. Any treatment for "small programmes" should be a component of the S&DT for developing countries and its architecture could be based on a level of financial amount, the size of the fleet and/or the share of the country in world fisheries trade.

D. OTHER AREAS OF S&DT

i. The co-sponsors believe that there are other areas in the disciplines where S&DT should apply. These include:

1. appropriate flexibilities for industrial and semi-industrial fishing for SVEs
2. notification requirements
3. length of time to implement the agreement
4. greater opportunity for consultation before any DSB cases
5. technical assistance and capacity building for enhancing management regimes

The co-sponsors of this document are willing to continue to work with other members to find solutions in these areas which take into account the trade, development and environmental elements of the fisheries negotiations.

VIII. COMMITTEE ON SUBSIDIES AND COUNTERVAILING MEASURES

A. DECISION

1. Decision of the General Council of 27 July 2007 (WT/L/691)

ARTICLE 27.4 OF THE AGREEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES

Decision of 27 July 2007

The General Council,

Having regard to Articles IV:1 and 2 and IX:1 of the Marrakesh Agreement Establishing the World Trade Organization ("WTO Agreement") and Article 27.4 of the *Agreement on Subsidies and Countervailing Measures* ("*SCM Agreement*");

Recalling that the Members of the Committee on Subsidies and Countervailing Measures ("SCM Committee" or "Committee"), as directed by the Ministerial Conference[19] have granted, pursuant to the procedures set forth in document G/SCM/39, extensions pursuant to Article 27.4 of the *SCM Agreement* of the transition period under Article 27.2(b) of the *SCM Agreement* for the elimination of export subsidies, in respect of certain programmes of certain developing country Members;

Noting the proposals submitted by those developing country Members to extend the procedures contained in G/SCM/39;[20]

Noting the terms of paragraph 5 of this Decision;

Recognizing the economic, financial and development needs, as well as the capacity and administrative constraints, of those Members in implementing their commitments pursuant to the *SCM Agreement* in respect of the elimination of export subsidies;

On the basis of the commitment of those Members to eliminate the export subsidies in question not later than 31 December 2015, with no requests for extension beyond those foreseen pursuant to this Decision;

Decides to adopt the following procedures.

[19] Ministerial Decision on Implementation-Related Issues and Concerns, (WT/MIN(01)/17), paragraph 10.6.

[20] See documents G/SCM/W/535 and G/SCM/W/537 and addenda.

PROCEDURES FOR CONTINUATION OF EXTENSIONS PURSUANT TO ARTICLE 27.4 OF THE SCM AGREEMENT OF THE TRANSITION PERIOD UNDER ARTICLE 27.2(b) OF THE SCM AGREEMENT FOR CERTAIN DEVELOPING COUNTRY MEMBERS

The SCM Committee shall follow the procedures set forth below in respect of the continuation of extensions pursuant to Article 27.4 of the *SCM Agreement* ("SCM Article 27.4") of the transition period under Article 27.2(b) of the *SCM Agreement* for certain programmes, identified in the Annex.[21]

1. Mechanism for continuation of extension

(a) A Member that wishes to seek a continuation, for calendar year 2008, of the extension under SCM Article 27.4 for a programme listed in the Annex, shall submit a request to that effect to the SCM Committee not later than 3 September 2007. The request also shall include a reference to the WTO document containing the corresponding updating notification covering calendar year 2006, which the Member shall have submitted to the SCM Committee pursuant to 1(d) of G/SCM/39.[22]

(b) Not later than 26 October 2007, Members of the SCM Committee shall agree to continue the extensions, for calendar year 2008, for programmes listed in the Annex in respect of which requests have been submitted pursuant to 1(a) and for which the Committee has verified, in its annual review conducted pursuant to G/SCM/39[23], that the transparency and standstill requirements under G/SCM/39 were fulfilled during 2006.

(c) As provided for in SCM Article 27.4, the continuation of extensions by the SCM Committee pursuant to these procedures shall be subject to annual reviews in the form of consultations between the Committee and the Members receiving continuations of extensions. These annual reviews shall be conducted on the basis of annual updating notifications from the Members in question, as referred to in 2(a). The purpose of the annual reviews shall be to verify that the transparency and standstill requirements set forth in 2 and 3 are being fulfilled.

(d) During the period 2008-2012, Members of the SCM Committee shall agree to continue the extensions pursuant to these procedures, subject to verification through annual reviews as provided for in 1(c) that the transparency and standstill requirements set forth in 2 and 3 are being fulfilled.[24] The "last authorized period" referred to in the last sentence of SCM Article 27.4 shall not extend beyond 31 December 2013, and the final two-year phase-out period provided for in the last sentence of SCM Article 27.4 shall end not later than 31 December 2015.

[21] The programmes eligible for continuations of extensions under these procedures are programmes providing export subsidies in the form of full or partial exemptions from import duties and internal taxes for which the SCM Committee continued extensions of the transition period under SCM Article 27.4 for calendar year 2007 pursuant to the procedures in G/SCM/39.

[22] At the regular meeting of the Committee in April 2007, these Members were reminded to submit their updating notifications by 30 June 2007.

[23] The procedures in G/SCM/39 shall cease to be effective upon completion of this 2007 annual review.

[24] This extension mechanism shall cease to be effective upon completion in 2012 of the annual review by the Committee to continue the extensions for calendar year 2013, such that there will be no basis for requests for extension beyond those foreseen in this Decision.

(e) A Member receiving a continuation of an extension under these procedures shall take, from 1 January 2008, the necessary internal steps with a view to eliminating export subsidies under the programme before the end of the final two-year phase-out period provided for in the last sentence of SCM Article 27.4. These steps shall include consultations with relevant government bodies and organisations and any necessary technical and/or legal assessments. In addition, from 1 January 2008 and in no case later than 31 December 2009, the Member shall notify each beneficiary under the programme indicating that no export subsidies within the meaning of SCM Article 3.1(a) will be granted or maintained beyond the end of calendar year 2015.

(f) A Member receiving a continuation of an extension under these procedures shall provide, for transparency purposes, an action plan for eliminating export subsidies under the programme, as an integral part of the annual updating notification submitted for the annual review to be conducted in 2010.[25] As part of this review, the SCM Committee shall undertake a mid-period assessment of each programme for which it has continued an extension under these procedures. During this mid-period assessment, the SCM Committee shall take stock of the steps undertaken as of that point by the notifying Member pursuant to 1(e), and shall discuss the action plan provided by the Member.

(g) A Member receiving a continuation of an extension under these procedures may request the WTO Secretariat to provide technical assistance for eliminating export subsidies under the programme.

2. Transparency

(a) The annual updating notifications shall follow the agreed format for subsidy notifications under SCM Article 25 (found in G/SCM/6/Rev.1). Beginning with the updating notifications covering calendar year 2008, notifying Members also shall provide information regarding the actions they have taken pursuant to 1(e) and 1(f).

(b) During the annual reviews by the SCM Committee referred to in 1(c), notifying Members can be requested by other Members to provide additional detail and clarification with a view to maintaining transparency in respect of the scope, coverage and intensity of benefits (the "favourability") of the programmes in question[26] and the form of the subsidies provided thereunder; and in respect of the actions taken pursuant to 1(e) and 1(f). Any information provided in response to such requests shall be considered part of the notified information.

(c) A Member receiving a continuation of an extension under these procedures shall ensure transparency in respect of the final two-year phase-out period provided for in the last sentence of SCM Article 27.4 by submitting updating notifications under paragraph 2(a), which shall be subject to annual review by the Committee.

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[25] The action plan shall indicate how the Member intends to eliminate export subsidies under the programme not later than the end of the final two-year phase-out period provided for in the last sentence of SCM Article 27.4, including information as to legislative changes, administrative amendments and/or other procedures as may be necessary, and whether any of these actions have been undertaken or are in the process of being undertaken, including how the individual beneficiaries have been notified pursuant to 1(e).

[26] The scope, coverage and intensity of benefits of the programmes in question will be determined on the basis of the legal instruments underlying the programmes.

3. Standstill

(a) Through the end of the final two-year phase-out period provided for in SCM Article 27.4, the programmes for which extensions are continued under these procedures shall not be modified so as to make them more favourable than they were as at 1 September 2001, as specified in the notified information previously submitted pursuant to the procedures in G/SCM/39. The continuation of an expiring programme without modification shall not be deemed to violate standstill.

(b) The verification of standstill in respect of the scope, coverage and intensity of benefits (the "favourability") of the programmes shall be based on the notified information referred to in 1(c), 2(a), 2(b) and 3(a).

4. Product graduation on the basis of export competitiveness

Notwithstanding these procedures, Articles 27.5 and 27.6 shall apply in respect of export subsidies for which extensions are continued pursuant to these procedures.

5. Members listed in Annex VII(b) which reserved rights pursuant to the procedures in G/SCM/39

(a) This Decision does not prejudge rights of Annex VII Members.

(b) If, during the period 2008-2015, the per capita GNP of a Member that reserved rights under paragraph 6(b) of G/SCM/39[27] reaches the level provided for in Annex VII(b) of the *SCM Agreement* such that the Member is no longer included in Annex VII(b), that Member shall be able to make use of these procedures as from the date at which its per capita GNP reaches that level and for the remainder of that period. The effective date for the standstill requirement referred to in 3(a) shall be the year in which that Member's GNP per capita reaches the level provided for in Annex VII(b) such that it is no longer included in Annex VII(b).

[27] The Members that reserved rights, and the programmes in respect of which these rights were reserved, are identified in documents G/SCM/N/74/BOL & Suppl.1, G/SCM/N/74/HND, G/SCM/N/74/KEN, and G/SCM/N/74/LKA.

ANNEX

LIST OF PROGRAMMES ELIGIBLE FOR CONTINUATION OF EXTENSIONS UNDER THE PROCEDURES[28], AND DOCUMENT REFERENCES FOR THE EXTENSION DECISIONS BY THE SCM COMMITTEE COVERING CALENDAR YEAR 2007

Antigua & Barbuda
- Fiscal Incentive Act Cap 172 (December 1975) (G/SCM/50/Add.4)
- Free Trade and Processing Zone Act No. 12 of 1994 (G/SCM/51/Add.4)

Barbados
- Fiscal Incentive Programme (G/SCM/52/Add.4)
- Export Allowance (G/SCM/53/Add.4)
- Research & Development Allowance (G/SCM/54/Add.4)
- International Business Incentives (G/SCM/55/Add.4)
- Societies With Restricted Liability (G/SCM/56/Add.4)

Belize
- Fiscal Incentives Act (G/SCM/57/Add.4)
- Export Processing Zone Act (G/SCM/58/Add. 4)
- Commercial Free Zone Act (G/SCM/59/Add.4)
- Conditional Duty Exemptions Facility under Treaty of Chaguaramas (G/SCM/60/Add.4)

Costa Rica
- Free Zone Regime (G/SCM/61/Add.4)
- Inward Processing Regime (G/SCM/62/Add.4)

Dominica
- Fiscal Incentives Programme (G/SCM/63/Add.4)

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[28] Programmes for which the SCM Committee continued extensions of the transition period under SCM Article 27.4 for calendar year 2007 pursuant to the procedures in G/SCM/39. It is recalled that the eligibility criteria in G/SCM/39 on the basis of which the original extension decisions pursuant to those procedures (for calendar year 2003) were taken for the listed programmes were as follows (footnotes omitted):

> "Programmes eligible for extension pursuant to these procedures, and for which Members shall therefore grant extensions for calendar year 2003 [...], are export subsidy programmes (i) in the form of full or partial exemptions from import duties and internal taxes, (ii) which were in existence not later than 1 September 2001, and (iii) which are provided by developing country Members (iv) whose share of world merchandise export trade was not greater than 0.10 per cent, (v) whose total Gross National Income ("GNI") for the year 2000 as published by the World Bank was at or below US$20 billion, (vi) and who are otherwise eligible to request an extension pursuant to Article 27.4, and (vii) in respect of which these procedures are followed."

It is further recalled that, in respect of the above eligibility criteria, G/SCM/39 also provided that:

> "The criteria set forth in these procedures are solely and strictly for the purpose of determining whether Members are eligible to invoke these procedures. Members of the Committee agree that these criteria have no precedential value or relevance, direct or indirect, for any other purpose."

Dominican Republic

- Law No. 8-90 to "Promote the Establishment of New Free Zones and Expand Existing Ones" (G/SCM/64/Add.4)

El Salvador

- Export Processing Zones and Marketing Act, as amended (G/SCM/65/Add.4)

Fiji

- Short-Term Export Profit Deduction (G/SCM/66/Add.4)
- Export Processing Factories/Export Processing Zones Scheme (G/SCM/67/Add.4)
- The Income Tax Act (Film Making and Audio Visual Incentive Amendment Decree 2000) (G/SCM/68/Add.4)

Grenada

- Fiscal Incentives Act No. 41 of 1974 (G/SCM/69/Add.4)
- Statutory Rules and Orders No. 37 of 1999 (G/SCM/70/Add.4)
- Qualified Enterprises Act No. 18 of 1978 (G/SCM/71/Add.4)

Guatemala

- Exemption from Company Tax, Customs Duties and Other Import Taxes for Companies under Special Customs Regimes (G/SCM/72/Add.4)
- Exemption from Company Tax, Customs Duties and Other Import Taxes for the Production Process Relating to Activities of Managers and Users of Free Zones (G/SCM/73/Add.4)
- Exemption from Company Tax, Customs Duties and Other Import Taxes for the Production Process of Commercial and Industrial Enterprises Operating in the Industrial and Free Trade Zone (G/SCM/74/Add.4)

Jamaica

- Export Industry Encouragement Act (G/SCM/75/Add.4)
- Jamaica Export Free Zone Act (G/SCM/76/Add.4)
- Foreign Sales Corporation Act (G/SCM/77/Add.4)
- Industrial Incentives (Factory Construction) Act (G/SCM/78/Add.4)

Jordan

- Partial or Total Exemption from Income Tax of Profits Generated from Exports under Law No. 57 of 1985, as amended (G/SCM/79/Add.4)

Mauritius

- Export Enterprise Scheme (G/SCM/80/Add.4)
- Pioneer Status Enterprise Scheme (G/SCM/81/Add.4)
- Export Promotion (G/SCM/82/Add.4)
- Freeport Scheme (G/SCM/83/Add.4)

Panama

- Official Industry Register (G/SCM/84/Add.4
- Export Processing Zones (G/SCM/85/Add.4)

Papua New Guinea

- Section 45 of the Income Tax (G/SCM/86/Add.4)

St. Kitts and Nevis

- Fiscal Incentives Act No. 17 of 1974 (G/SCM/90/Add.4)

St. Lucia

- Fiscal Incentives Act No. 15 of 1974 (G/SCM/87/Add.4)
- Free Zone Act, No. 10 of 1999 (G/SCM/88/Add.4)
- Micro and Small Scale Business Enterprises Act, No. 19 of 1998 (G/SCM/89/Add.4)

St. Vincent & Grenadines

- Fiscal Incentives Act No. 5 of 1982, as amended (G/SCM/91/Add.4)

Uruguay

- Automotive Industry Export Promotion Regime (G/SCM/92/Add.4)

IX. NEGOTIATING GROUP ON TRADE FACILITATION

1. Regional Approaches to Trade Facilitation: Enquiry Points - TN/TF/W/129/Rev.1 (21 July 2006)

Proponents: Antigua and Barbuda, Barbados, Dominica, Fiji, Grenada, Papua New Guinea, the Solomon Islands, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines.

PARAGRAPHS 5 TO 10

Proposal

5. The proposals currently on the table recognize the importance and usefulness of enquiry points for providing information to traders and/or Member States the trade regulation of a country. This submission by the co-sponsors seeks explicit recognition that a regional enquiry point for a group of countries shall also be accepted and recognized as fulfilling any obligation under these provisions. Notwithstanding the proposal, it should be recognized that the responsibility for ensuring that the information is available to the regional enquiry point will remain with the individual WTO Members concerned.

6. The following language is proposed for inclusion in any draft text which could be prepared in the future:

> *"Establish enquiry points at the national level or in the case of SVEs/developing countries involved in a Customs Union/RTA/FTA, the option of the establishment of enquiry points at the regional level, to provide relevant information on trade procedures to trade."*
>
> *"Members and the WTO, within its competence, shall provide technical and financial assistance on mutually agreed terms to SVEs/developing countries to support the establishment, modification and maintenance of these national and/or regional enquiry points."*

Special and Differential Treatment

7. SVEs/Developing countries/LDCs should have longer time periods to implement any requirement on enquiry points.

8. It should be understood that individual members of the Customs Union /RTA should maintain a national enquiry point if it is within their ability to do so but existence of a regional enquiry point would preclude the obligation to maintain a national enquiry point.

Technical Assistance and Capacity Building Requirements

9. The regional approach lends itself to more effective and targeted forms of technical assistance and capacity building and much of the assistance would be directed towards a mechanism which would be utilized by all members of the Customs Union/RTA/FTA. To fully exploit the benefits of a regional approach capacity building and technical assistance may also be channelled to the individual members.

10. The specific forms of technical assistance and capacity building required at both the national and regional level would include the following:

- Audit and compilation of regional trade-related legislation in an electronically exploitable format (to be carried out at the national level).
- Updating model legislation which could ultimately lead to a harmonising of a regional data base.
- Creation of a regional database with a view to harmonizing and updating the legislation.
- Provision of translations in Spanish, Dutch, French and English.
- Provision of security for data transmitted by the internet from the national governments to the regional mechanism as well as the provision of backup data systems.
- Review and revamping, where necessary, of national and regional trade policy communication plans to incorporate all levels of traders (commercial and informal) into the information forwarded to the regional mechanism.
- Creation of websites and the development of interactive software on trade regulation to ensure that the national legislation and trade policies can be fed into the regional mechanism.
- Training for customs and trade officials in internet publication website data entry, monitoring and update of information and dissemination of information.
- Infrastructure for the establishment/conversion/designation of a regional body or for a department within a regional body to carry out the functions of a regional enquiry point. This could include physical construction or modification of a facility; the provision of computer systems; the hiring of additional dedicated staff, etc.

Discussions

- Negotiating Group on Trade facilitation Regular meeting of 24-26 July 2006, introduction of the proposal. (TN/TF/M/15)
- The proposal has also been discussed at all informal meetings of the Trade Facilitation Negotiating Group.

X. AID FOR TRADE TASK FORCE

1. Aid for Trade - WT/AFT/W/18 (15 June 2006)

Proponent: Barbados

III. SCOPE FOR AFT

9. In general, AFT should cover the following:

- Trade Policy and Regulations, (i.e. regional and multilateral negotiations, standards, implementation of trade agreements, trade policy and planning);

- Trade-Related Infrastructure (i.e. transport and storage, communications, energy, trade facilitation, etc);

- Trade Development (i.e. trade promotion strategy and implementation, market analysis and development);

- Productive Supply-Side Constraints, (i.e. banking and financial services, research and development and innovation; business and other services, agriculture, forestry, fishing, industry and mining, tourism etc.); and

- Trade Adjustment (abnormal adjustment resulting from severe adverse trade shocks).

IV. PRIORITY AREAS FOR INTERVENTION

A. TRADE POLICY AND REGULATIONS

B. TRADE ADJUSTMENT

C. TRADE-RELATED INFRASTRUCTURE

D. TRADE DEVELOPMENT

E. PRODUCTIVE SUPPLY-SIDE CONSTRAINTS

V. A PRIVATE SECTOR AID FOR TRADE PROGRAMME

29. A special effort should be made to ensure the involvement of the private sectors in both developed and developing countries and to connect them to each other.

30. The scope of a Private Sector Aid For Trade Programme should relate to activities capable of supporting private sector efforts to export. The identification of gaps in current Official Development Assistance in the trade-related field would be an appropriate starting point.

31. The delivery and monitoring of Private Sector AFT programmes should be vested in an organization agreed between interested multilateral and bilateral donor agencies and sector specific representative institutions on a country basis or, where appropriate, on a regional basis.

32. AFT participants should aim for a feasible programme of assistance that is based on professional diagnostic studies and needs assessments and on arrangements for a monitoring system using mutually agreed benchmarks. Improving coherence and coordination of action among multiple donors should also be part of this approach.

33. An existing international trade-related organization that has a comparative advantage in this field, and also enjoys the confidence of developing countries, should be given responsibility for managing the programme. On the recipient side, the executing agency could be the agreed representative institution such as regional development banks.

VI. VOLUME AND NATURE OF FINANCIAL SUPPORT

A. MOBILIZING ADDITIONAL FINANCIAL RESOURCES

34. According to the paragraph 57 mandate, additional funding is required. Between 1994-2004, development aid has been decreasing as debt relief became an increasing part of ODA. It would be important therefore that current aid budgets are not depleted in order to support AFT but rather additional resources would be tapped to add "new money" to ODA budgets.

35. The pledges so far for 2010 are promising but the challenge remains to realize additionality. In this respect, it is essential that in finalizing commitments to the provision of these resources that long-term sustainability of the AFT process and predictability in the provision of funds are assured.

B. NATURE OF AFT FINANCIAL SUPPORT

36. In order to avoid an increase in the debt burden of developing countries, particularly LDCs and small, vulnerable developing countries, aid-for-trade financial support should be provided primarily in the form of grants. However, for certain high cost physical infrastructure projects, these could be co-financed with long-term concessional loans from other multilateral financial institutions (e.g., regional development banks and the World Bank). Such loans should be on terms no less favourable than those of IDA or IFAD.

37. Funding should also not involve any burdensome conditionalities. The latter should be limited to monitoring and governance.

38. With regard to the financial instruments, there is as much a need for budgetary support that is available for sector-wide approaches on a multi-annual basis, as for specific "project financing". Budgetary support in situations of fiscal imbalance and balance-of-payments deficit ensures macroeconomic stability through quicker disbursement and a focus on the areas of adjustment most in need. It facilitates the development of projects by ensuring the correct macroeconomic environment.

C. DURATION AND SUSTAINABILITY OF AFT FUNDING

39. The problems related to supply-side capacity and trade-related infrastructure must be tackled on a sustainable basis. This essentially implies that projects must be developed and implemented over many years and be funded on a multi-year basis. AFT funds would therefore have to be replenished periodically according to an agreed schedule, and procedures would have to be established to ensure this.

40. Access to these funds would also have to be guaranteed and predictable, and to achieve this purpose, some agreement between donors and recipients would be needed to provide such security. In this context, some consideration could be given to strengthening the role of multilateral sources in the provision of the additional resources.

VII. MONITORING AND GOVERNANCE OF AFT

A. MONITORING MECHANISM

41. The role of the WTO in monitoring and evaluating performance of AFT programmes should be paramount, and this responsibility could be assigned to its highest Council and its subsidiary bodies (particularly the Committee on Trade and Development). The Joint WTO/OECD Database on TRTA/CB already constitutes a useful monitoring tool which could be further enhanced by improved supervision of the collection and processing of information. In addition, a mechanism would be needed to assess the impact of AFT. Monitoring should permit the involvement of recipients, donors and other interested parties.

B. GOVERNANCE MECHANISM

42. The wide range of bilateral, regional and multilateral mechanisms now in operation would suggest that the AFT governance mechanism should first explore the comparative advantage of existing institutions and seek to improve functioning where gaps exists.

43. Several forms of assistance suffer from insufficient resources as well as a lack of coordination between the institutions managing the projects. These weaknesses should be avoided in AFT.

44. There is need for credible mechanisms for delivering AFT and ways of improving existing national and regional mechanisms must be found. Regional development banks should play a key role in this area.

45. Any governance structure should ensure WTO involvement as well as provide for adequate coordination where gaps have been observed. The effective participation of WTO Members or their representatives – which again could be the regional development banks should be assured. It should also draw into the process international and regional financial agencies, the private sector, bilateral donors along with experts, and other interested parties. There should be an agreed administrative framework with agreed principles of management and allocation of funds. Institutional conditionalities should be avoided.

C. ELIGIBILITY

46. In terms of country coverage, AFT should address the relevant needs of all WTO developing-country Members with priority to LDCs, SVEs and acceding small developing countries.

VIII. PROCESSES TO IDENTIFY TRADE-RELATED NEEDS AT THE INDIVIDUAL COUNTRY LEVEL

47. In view of the wide variation in country situations, a country-specific approach to needs assessment will be necessary in order to identify both the priority needs of individual countries and the additional assistance required in each case. This effort should take into account the needs of the private sector.

48. For countries that are part of a regional integration scheme and would wish their national approaches to be complimented by a regional needs assessment approach, the latter should also be undertaken.

49. Aid for trade should allow policy flexibilities and national ownership as mandated in the Paris Declaration of June 2005. Adopted at the High-Level Forum on Aid Effectiveness (March 2005) the Paris Declaration on Aid Effectiveness has been prepared with broad participation from development practitioners, through a process coordinated by the High-Level Forum Steering Committee. The declaration outlines a set of joint commitments and targets for governments and multilateral donors to reach over the next five years.