

WTO/PIFS/EIF REGIONAL WORKSHOP ON LDC GRADUATION

22-24 OCTOBER 2019, PORT VILA, VANUATU

Summary

The WTO, in cooperation with the Secretariats of PIFS and EIF, organized a Regional Workshop on LDC Graduation in Port Vila, Vanuatu, from 22 to 24 October 2020. The event was specifically designed for the graduating LDCs in the Pacific region - Kiribati, Solomon Islands, Tuvalu and Vanuatu. The recently graduated LDC in the region - Samoa - took part in the Workshop and shared its experience during the graduation process, as well as the strategies it is pursuing to integrate in global economy following graduation.

The Workshop constituted a key activity of the EIF-WTO project on LDC graduation, aimed at assisting the graduating LDCs assess the trade-related implications of LDC graduation, including in the context of relevant WTO Agreements, and the likely impact that graduation may have on market access currently enjoyed by the graduating LDCs.

The Workshop was opened by the Foreign Minister of Vanuatu, Hon Mr. Raplh Regenvanu, who emphasized the need to provide adequate attention to the unique needs of graduating LDCs in the Pacific region. Senior officials from Kiribati, Solomon Islands, Tuvalu and Vanuatu attended the Workshop. Representatives from private sector/business associations from these countries also took part in it. The Workshop helped enhance the knowledge and understanding of the participants of the likely impact of graduation from LDC status on trade and development cooperation and identify options and strategies to address the challenges associated with graduation.

The key UN agencies with mandates on LDC graduation - the United Nations Department of Economic and Social Affairs (UNDESA - the Secretariat of the Committee for Development Policy) as well as the United Nations Office of the High Representative for LDCs, LLDCs and SIDS (UN-OHRLLS) - made key contributions to the deliberations of the Workshop. Both these agencies explained the graduation process, the procedures followed in the UN, the support provided to graduating LDCs, including with a view to ensuring smooth transition, and the likely scenario following graduation vis-à-vis international support measures. The UNOHRLLS leads the Inter-Agency Task Force on Graduation to coordinate support for graduating LDCs. The UNCDP manages the support measures portal for LDCs (www.gradjet.org) which provides a unique platform hosting comprehensive information on LDC graduation.

WTO delegation was led by Chef de Cabinet, who reiterated support and cooperation to assist the graduating LDCs with a view to ensuring their smooth integration in global economy. The Workshop provided an occasion to update participants with a detailed account of the progress made in the implementation of LDC decisions, in particular the Duty-free and Quota-free market access (DFQF) for LDCs, Preferential Rules of Origin and LDC Services Waiver. Participants were also updated on the current state of work in the WTO and issues that could be of relevance to graduating LDCs at the twelfth Ministerial Conference of the WTO to be held in Nur Sultan, Kazakhstan, in June 2020 (MC12).

The Workshop was able to highlight the unique constraints and needs of Pacific LDCs in the graduation process, given their limitations with scale economies, geographic isolation, high transport costs, overdependence on natural resources (fisheries and forest) and vulnerability to climate change. The Workshop also allowed obtaining views from participating governments on the country-specific reports that are being prepared as part of the EIF-WTO project on LDC graduation.

WTO provided an assessment of market access scenario following graduation as well as a brief WTO Agreement-specific analysis. Challenges for the participation of international trade include: loss of LDC-specific preferences (e.g. LDC GSP schemes) including access to most favourable rules of origin conditions and shorter timelines for implementation of tariff reductions in the context of regional trade arrangements. The challenges in WTO participation include loss of access to S&D provisions in favour of LDCs, in particular reduced flexibility in the implementation of rules (e.g. loss of transition periods under TRIPS Agreement) as well as increased obligations to fulfil (e.g. increased frequency of notifications under Agreement on Agriculture).

It was also noted that the implications for graduating LDCs in the Pacific region would be somewhat limited compared to graduating LDCs in other regions. This is due to limited reliance on non-reciprocal preferences, and access to concessional lending being unaffected as they continue to remain small economies having access to certain key funding channels.

A number of suggestions and forward-looking steps were made during the Workshop which could be summarized as follows:

- Graduation should be part of broader development agenda of the country. Mainstreaming of graduation in national development strategies should be a priority. Kiribati has adopted a trade policy framework for a ten-year period (2017-2027). Solomon Islands has a 20-year national development strategy (2016-2035) and is soon initiating a process of developing their smooth transition strategy.
- Each LDC has to define its own strategy – currently there is no template for a smooth transition strategy – Vanuatu has validated a smooth transition strategy in consultation with key stakeholders. In this context, Samoa which graduated from LDC status in 2014 emphasized the need to develop niche products (e.g. its noni juice exports is the main foreign exchange earner) to enhance export earnings.
- Since graduating LDCs represent diverse circumstances with the scope and nature of challenges unique to each graduating LDC, it was pointed out that support should be tailor-made and from all possible sources of broader development community.
- In the area of market access, the objective should be to secure continued LDC treatment in preference granting markets. For graduating LDCs, the EU grants three-year extensions to the EBA scheme following effective date of graduation. This could be replicated by other preference granting Members, especially developed country Members.
- Though reliance on non-reciprocal preferences by major developed country partners (such as the EU) has been limited for Pacific LDCs – arrangements are being made through signing of Interim EPAs or reciprocal agreements (e.g. PACER Plus) to ensure preferences. The global sourcing RoO provisions for fish and fish products in the Interim EPAs are regarded as beneficial to the Pacific tuna exporters.
- The EIF allows the graduating LDCs to benefit from EIF resources for a total period of five years after graduation; this transition period could be extended depending on the needs of individual graduating LDC.
- No specific provisions for graduating LDCs exist in WTO rules. LDC Members should continue to pursue securing provisions for graduating LDCs in WTO rules including a decision which allows the graduating LDCs to grant export subsidies for non-agricultural products if their per capita income remain below \$1000 (in 1990 constant dollar terms) following graduation.
- There are options available under the aegis of WTO rules and disciplines to address difficulties encountered by a graduating LDC to implement WTO provisions. Specific transition period or waiver from obligations could be negotiated in the WTO by the graduating LDC and for which WTO Members should give sympathetic consideration.
- If an LDC graduates in the middle of a transition period that had been agreed while it was an LDC, the graduating LDC in question should be allowed to utilize the remaining period of transition period envisaged for the LDCs.
- Graduating LDCs to build coalitions in the WTO to pursue their trade interests at the multilateral platform – one such area of focus could be the Work Programme on Small Economies which accords special focus to address the challenges of small economies in world trade.
- A range of development challenges will remain even after achieving the milestone on graduation. Continued support is required for strengthening productive capacity and for economic diversification. Access to concessional assistance available under multilateral lending agencies should continue.

- LDC V in 2021 to be seized to realize potential support measures for graduating LDCs, including in areas of finance and technology transfer.
 - Small island LDCs such as Kiribati and Tuvalu would like to strengthen the vulnerability index, as part of refining of LDC criteria. Despite high GNI, environmental threats and unique geographical features makes them extremely vulnerable to make any graduation case untenable.
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