

2. Small Vulnerable Economy Issues and the WTO

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1. Introduction

Since the second Ministerial Conference of the WTO¹ held in Geneva in 1998 there has been an attempt by small vulnerable economies (SVEs)² to achieve some measure of recognition of the particular problems that confront them in the process of globalisation. At the failed Seattle Ministerial Conference the establishment of a work programme for small economies was agreed to by members,³ but as the draft text was not accepted it was left until the fourth session in Doha before a Small Economies Work Programme (SEWP) was agreed.⁴

This chapter addresses several issues pertaining to the apparent contradiction in the wording of the work programme agreed to at Doha, which on the one hand mandates Members to frame responses to trade concerns of small, vulnerable economies, but on the other prohibits the creation of a sub-category of states. The relevant paragraph of the Ministerial Declaration was a political compromise between the small economy proponents of the WTO work programme and the developed countries which insisted on the definitional caveat. It has created a conundrum of sorts for negotiators, as it seems impossible to target responses to the concerns of a group that is yet to be defined or recognised because WTO Members have consistently refused to recognise SVEs as a distinct category. While the creation of a WTO sub-category of members is explicitly prohibited in the work programme this does not nullify the right of any WTO member or group of members to make a proposal during negotiations that includes such a group of countries.

This chapter seeks to review the concerns and specificities of small states, thereby highlighting the peculiarities and natural disadvantages that inhibit the ability of SVEs to thrive, and at times survive, in the multilateral trading context. It then considers the implicit definitions and other sub-categorisations relating to smallness that already exist in various WTO agreements, as well as in its administrative practice. We argue that small states have many characteristics that are similar to, but sufficiently distinct from, that of least-developed countries (the only formally recognised group in the WTO) which warrants special treatment of them in the WTO.⁵ This chapter argues, however,

that such special treatment can begin only with a definition, which it goes some way in advancing. Lastly, we briefly examine the discussions currently taking place in WTO sessions pursuant to the work programme, which underscores the intense discomfort that some WTO members may feel with the creation of new categories. Irrespective of this stated uneasiness, however, this chapter argues that they have already done so during the Uruguay Round and must do so implicitly or explicitly if they are to address the legitimate trade concerns of small vulnerable states.

2. Small states, globalisation and the WTO

Prior to any discussion of definitions, the first question that must be answered is why SVEs require particular attention in the WTO. SVEs comprise small states and small island states which in particular suffer from a combination of inherited and inherent characteristics that impede their ability to integrate into the global economy. These characteristics include smallness, physical isolation from markets, dispersion of small pockets of populations, and a small and highly specialised human and physical resource base. Together these characteristics raise the operating cost structure of small economies and render market adjustment more difficult. The high cost structure that has traditionally been associated with these economies has meant that many have predicated their export trade upon products or services where the export price includes either market or institutionalised quasi-rents, as few other activities have proven viable for these very small producers. These market based quasi-rents have been based on either short temporary booms that have facilitated resource extraction activities and created transitory rents or short-term niche markets. The institutional sources of quasi-rent have stemmed from trade preferences, tax concessions, or sovereignty-based activities.

Historically, SVEs have become dependent upon these forms of export-oriented activities primarily because few other exports ever developed. Merchandise exports in particular have been based on high rates of trade preference resulting from high most-favoured nation (MFN) tariffs, or preference donors have created quota-based systems such as the Sugar and Banana Protocols. It is these particularly distortive trade measures that are most beneficial to SVEs because they offer guaranteed access under quota for what are often small volumes that would otherwise not be traded. In so doing these measures have addressed the marketing constraints faced by SVEs.

Since the creation of the WTO in 1995 these high rates of trade preference, along with the tariff quotas, have been diminished by a series of disputes and on-going negotiations that have shaken the foundations of SVE economies. These include:

- (a) The Banana Dispute, which has not only caused a major restructuring in the Caribbean and parts of Africa, but is forcing a complete realignment of trade regimes throughout the ACP regions and necessitating reciprocity in the ACP-EU trade relationship.
- (b) The Sugar Dispute between Brazil/Australia/Thailand and the EU over subsidies in the EU sugar regime will force similar adjustment in at least twelve small ACP

states that have been substantial beneficiaries of the Sugar Protocol of the Cotonou Agreement.

- (c) The Thailand–Philippines/EU mediation over margins of preference for canned tuna has further eroded the competitive position of a number of small states including Mauritius, Papua New Guinea, Fiji and Seychelles.
- (d) The Fisheries Subsidies negotiations threaten to undermine the revenue of small coastal developing states that are highly dependent upon fisheries access arrangements.
- (e) The full implementation of the provisions of the ASCM (Agreement on Subsidies and Countervailing Measures) will, by 2008, undermine the ability of many small developing countries to use their current range of export incentives in the Export Processing Zones.

Nonetheless, the economic adjustments and loss of quasi-rents in export-oriented activities brought about by these changes in the WTO are not the only cause for concern. In addition, the OECD's Harmful Tax Initiative has undermined the development of off-shore finance centres located predominantly in small states which have used this sector to diversify away from the high trade-preference-dependent activities. Thus the international trade policy shift that has occurred in recent years has thoroughly undermined the export sector of small states.

In fact, no other group of developing countries, including least-developed countries (LDCs), has been obliged to undertake such wide-ranging adjustments necessitated by the last decade of globalisation. This is the reason for the particular problems of small states which, in the WTO context, include:

- (a) loss of trade preferences stemming from MFN liberalisation and WTO disputes;
- (b) application of rules, including ASCMs, in a manner that does not recognise the inherent economic characteristics of small states; and
- (c) implementation of complex and burdensome WTO obligations that are beyond the capabilities of small states with very small administrations.

3. WTO precedents on sub-categorisation of members, including small economies

WTO provisions have created a number of sub-categories of Members, and in the process have set precedents that may be useful for present purposes. These precedents usually constitute provisions on special and differential treatment for small Members or small suppliers, although it is noteworthy that preferential treatment is not true in all cases. For instance, small Members pay proportionately higher contributions to the WTO budget than larger Members. This has been justified from the earliest days of the GATT 1947 by the cost to the Organisation of providing services to Members.

MFN Treatment and Non-Discrimination among its Members are among the most basic principles of the WTO. However, there is an increasing amount of trade being carried out on the basis of exceptions to these basic rules and which allow for differentiation among Members. For instance, there are provisions permitting free-trade areas and customs unions or preferences for developing countries and LDCs. Tulloch has also drawn attention to the fact that special characteristics, interests and concerns of various groups of countries, other than developing countries or least-developed countries, are recognised and accommodated in some of the WTO Agreements (Tulloch, 2001, p.258).

LDCs constitute the only sub-category of WTO Members that is clearly agreed and defined. The WTO has agreed that LDCs are those countries designated as such by the United Nations, and who are Members of the WTO. As this grouping is clearly defined, LDCs are specifically referred to and granted special and differential treatment in many WTO Agreements, including the Decision on Measures in Favour of Least-Developed Countries appended to the Final Act of the Uruguay Round.

Apart from these references to LDCs, the WTO also recognises other sub-groupings within the broader category of developing countries. This has often been done either explicitly or implicitly through the creation of *de minimis* thresholds that in effect distinguish small states and often entitle them to special and or preferential treatment. This is reflected in the following WTO Agreements and practices:

- (a) The Agreement on Agriculture and its related Decision contain special provisions for net food-importing developing countries (Article 16). Article 6:2 also contains special provisions for low-income or resource-poor producers in developing countries, which are aimed at encouraging diversification from growing illicit narcotic crops (Article 6.2).
- (b) The ASCM also grants developing countries with a per capita GNP below US\$1,000 the same treatment as least-developed countries in respect of export subsidies (Article 3 and Annex VII). Other developing countries are granted a transitional period to phase out their export subsidies on non-agricultural products, unless they have reached export competitiveness in particular products. Furthermore, the ASCM defines export competitiveness to exist if a developing country Member's exports of the product in question have reached a share of at least 3.25 per cent in world trade in the relevant period (Article 27.6). The agreement also provides for the termination of any countervailing duty investigations as soon as the authorities determine that the volume of subsidised imports represents less than 4 per cent of the total imports of the like product in the importing Member concerned (Article 27.10). Significantly, at the Doha Ministerial Conference, while explicitly rejecting the creation of a new category of small states, another *de minimis* threshold was established for defining the conditions under which developing country members may obtain an extension of the right to use prohibited export subsidies.⁶
- (c) The Agreement on Implementation of Article VI of GATT 1994 provides that the volume of dumped imports shall normally be regarded as negligible if the volume

of dumped imports from a particular country is found to account for less than 3 per cent of imports of the like product in the importing Member, unless the countries which individually account for less than 3 per cent of the imports of the like product in the importing Member collectively account for more than 7 per cent of imports of the like product in the importing Member (Article 5:8). The Agreement also provides that due account shall be taken of any difficulties experienced by interested parties, in particular small companies, in supplying information (Article 6).

- (d) The Agreement on Safeguards lays down that safeguard measures shall not be applied against a product originating in a developing country Member as long as its share of imports of the product concerned in the importing Member does not exceed 3 per cent, provided that the developing country Members with less than 3 per cent import share collectively account for no more than 9 per cent of the total imports of the product concerned (Article 9, Agreement on Safeguards).
- (e) The Agreement on Textiles and Clothing lays down that meaningful improvement in access for exports of Members that are subject to restriction and account for 1.2 per cent or less of the total volume of restrictions applied by the importing Member concerned (Agreement on Textiles and Clothing, Article 2). Special and differential treatment provisions under the agreement provide that Members whose total volume of textile and clothing exports is small in comparison with the total volume of exports of other Members and who account for a small percentage of total imports of that product into the importing Members (Article 6:6(a)). Furthermore special consideration to be given to wool products from wool-producing country Members whose economy and textiles and clothing trade are dependent on the wool sector, whose total textile and clothing exports consist almost exclusively of wool products, and whose volume of textile and clothing trade is comparatively small in the markets of the importing Member (Article 6:6(b)).
- (f) In the Doha Declaration dealing with Technical Cooperation and Capacity Building, Ministers agreed that priority shall be accorded to small, vulnerable, and transitional economies, as well as Members and Observers without representation in Geneva (Ministerial Declaration WT/MIN(01)/DEC/1, 20 November 2001, Paragraph 38). Members with a relatively small share of world trade are subject to less frequent review of their trade regime under the Trade Policy Review Mechanism (GATT (1994) Annex 3 Trade Policy Review Mechanism, para. C(ii)).
- (g) The rules setting contributions to the WTO budget, drawn up under Article VII of the Agreement establishing the Organisation, provide that each Member's contribution is a function of its share of world trade. However, these rules provide that Members with less than 0.015 per cent of world trade pay a minimum contribution of 0.015 per cent of the budget (this figure has been modified on a number of occasions in the past and was reduced from 0.03 per cent from the budget year 2000).

4. A small matter of definition

While WTO members have been emphatic in their opposition to the creation of a separate category of SVEs and have frequently restated their support for the principles of non-discrimination, they have nonetheless systematically created at least seven *de minimis* thresholds in various agreements and administrative arrangements, which reveals a preference for rules dependent upon the size of the particular member. As mentioned above in the Introduction, the difficulty arises because the mandate undertaken by WTO members is to ‘...frame responses to the trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system...’. Clearly such responses, if they are to involve any derogation from, or alteration of, existing WTO rules, will by definition require WTO Members to differentiate between those members to whom the derogation or alteration of obligations applies and those outside that group. However, because WTO members went on to say that they would not create a new sub-category of WTO Members, the Doha mandate creates an impossible conundrum for policymakers and negotiators.

In fact, should WTO Members desire it, the task of defining SVEs is far from impossible. Quite inadvertently, WTO Members may in fact have created a defined, albeit imperfect, category of ‘vulnerable’ states. The ECOSOC definition of an LDC, the only category of WTO members officially recognised, is defined by three criteria, one of which is the UN Economic Vulnerability Index (EVI). If a country’s rating on the EVI is greater than 31 then it is deemed to be vulnerable. If it is greater than 36 then a country is deemed to be highly vulnerable. In order to be an LDC, a country must rank above 36. Unfortunately only 128 UN Members have been classified on the EVI. The first 96 countries on the list in Annex 3 of this chapter would qualify as ‘vulnerable’ using this criterion. However, one limitation of the list is that while EVIs have been calculated for 128 countries, they do not include all WTO Members and acceding countries, notably transition economies.

For expository purposes, one could use a trade criterion of 0.05 per cent of world trade for measuring ‘smallness’. This threshold would categorise some 86 WTO Members as small. In total these 86 states account for 1.5 per cent of world trade, and if the trade of least-developed countries is subtracted then the total amount of world trade potentially affected by the WTO recognising small economies, as a group, is a mere 1.1 per cent (see Annex 2).

Unfortunately, if individual thresholds are chosen there are some anomalies that would be created. This is because at least five countries, namely Cyprus, Malta, Iceland, Singapore and Lichtenstein, are either small or vulnerable economies. This could be resolved, however, if EU members are excluded on the basis that any criteria would be restricted to developing countries. In this way, Cyprus, Malta and Lichtenstein would be excluded. In addition, if one uses both filters – that is, ‘small’ and ‘vulnerable’ – Iceland and Singapore would also be excluded.⁷ Notably, the Doha Ministerial mandate uses both these terms in its language.

This raises the question of the choice of thresholds for the definition of small. There is little doubt that the threshold chosen for expository purposes is *ad hoc* in nature. There is and can be no legitimate theoretical explanation for the choice of 0.05 per cent as a threshold except for the purely practical consideration that it excludes the most egregious anomalies, something that would be necessary in order to satisfy WTO members that a trade advantage was not being offered to high-income developed countries. In defence of such an *ad hoc* approach to the definition of small, one need look no further than WTO practice itself, as WTO Members in the past have never provided a justification for the particular choice of *de minimis* thresholds in any of the WTO Agreements.

For the moment, this definitional debate could be largely academic because, as will be seen below, the demands currently being made by SVEs in WTO negotiations may not as yet require a formal definition *per se*. However, the emerging situation and debate suggests that it may soon be necessary for proponents of a definition to develop at least the contours of a working definition in order to address more specifically the economic and trade concerns of Members. Significantly, given the precedence above, there are a host of possible definitions and approaches to the issue that could be employed depending upon the circumstances.

5. Small economy issues in the dedicated sessions of the WTO

Discussions concerning small economies in the WTO have taken place in four dedicated sessions of the Committee on Trade and Development (CTD). This Committee was entrusted with the task of ensuring compliance with, and completion of, the Doha mandate regarding small economies.⁸

The dedicated sessions have shown the small economies representatives to be the agenda-setters, as they have taken the lead in initiating and steering discussions thus far. In particular, a grouping of SVEs⁹ has submitted papers and tabled various proposals specific to their circumstances. In their first paper, the SVEs underscore the characteristics that make them vulnerable, and the implications that these characteristics have on their trade and development (see WT/COMTD/SE//Rev 1*, 3 May 2002). In sessions of the CTD, SVE representatives have also recounted their day-to-day hardships in trying to operate in a multilateral trading context. Although the developed countries have been generally supportive of these papers and have encouraged the sharing of individual experiences, they have at times raised the definitional issue, with the wearying precaution that the mandate clearly restricts sub-categorisation of the kind that appear to interest SVEs (see in this regard, minutes of the Dedicated Sessions, available at WT/COMTD/SE/M/1,2,3 and 4).

The actual proposals tabled by SVEs thus far address concerns of smaller economies generally, and are relatively modest in scope.¹⁰ They are expressly intended to complement others submitted in specific negotiating groups. Their coverage is both procedural and substantive in nature, and is aimed generally at improving administrative

procedures for SVEs, as well as towards refashioning current rules to better suit and accommodate their needs. Developed countries have in general been amenable to the former, but as regards the rule-based proposals, they have indicated discomfort with the idea of changing rules to address the need of a sub-category of WTO Members.¹¹ Many SVEs have, however, indicated their intention to present, and to have their proposals accepted as a packaged and all-inclusive deal.

Not surprisingly, one of the proposals made seeks to retain the margins of preferences for small economy exports. However, this has led to some contention within the small economies camp, and in particular concern from the likes of some Latin American countries, who self-define as small economies, and who would want existing preferences extended to all small economies. However, a number of the proponents of the proposal feel that such a blanket application to all self-professed small economies would have the effect of diluting any advantage or benefit to SVEs. This would be an area where a definition could be helpful.

Less contentious were proposals on Article XXIV and Regional Trading Arrangements which seek to ensure non-reciprocity in regional trade agreements between developed and small economies. Small economies have proposed that sufficient space for policy development specific to their needs be retained in the WTO, and that developed countries do not require concessions in negotiations that are inconsistent with the development, financial and trade needs of smaller economies.

Most proposals are aimed at improving how the rules of various WTO Agreements work and affect small economies. One such proposal regarding the ASCM seeks to ensure that small economies are not made subject to the provisions of paragraph 1(a) of Article 3 of the ASCM, requiring the phasing out of fiscal incentives. The proposal further provides that the rules and procedures of the Agreement be modified for small economies. However, developed countries have generally not seen the need for such special treatment of smaller economies, arguing that current procedures are working well, and that any special consideration would encourage sub-categorisation of the kind prohibited under the mandate. Other more administrative proposals that call for the explicit recognition of the right of small economies to designate regional bodies as their 'competent authorities' for the purposes of that Agreement, have been more generally supported by developed countries, with some instances of voluntary pledges for the provision of technical assistance. A similar proposal in the context of the Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) Agreements has likewise been welcomed, and developed countries have been generally supportive of any requests for technical assistance in the establishment of joint and shared missions for current non-resident Members.

Proposals for the revision of some rules in the Safeguard Agreement for small economies, including those relating to the definition of domestic industry; serious injury; investigations; reporting requirements; causation and non-attribution principle; and the right of compensation and/or retaliation; were not embraced by developed countries who drew attention to the fact that Article XIX of the Agreement already catered

to developing countries. The proponents have, however, responded that the rules of the Safeguards Agreement entail cumbersome administrative procedures which would need to be simplified for smaller economies.

There have also been proposals for developed countries to assist small economies in complying with their obligations under the SPS and TBT Agreements through (a) the use of the former's technology and technical facilities on preferential and non-commercial terms, preferably free of costs; and (b) appropriate flexibility for small economies in dealing with timeframes and notifications requirements. Again, developed countries reacted to these proposals negatively by suggesting that technical regulation was also a problem for them, and that smaller economies could focus instead on the notification requirements of these Agreements. Some developed countries have even suggested the increased use of electronic technology to access such notifications. According to smaller economies however, the plight of the developed countries was not comparable to that of smaller developing ones, and flexibility needed to be incorporated into the timeframe and notification requirements.

Proposals on the dispute settlement body were met with comments from developing countries that many of the issues raised were already being discussed in the context of special and differential S&D treatment in dispute settlement understanding DSU negotiations. The proponents expressed their awareness and intention to participate concurrently in these discussions as well. On issues of graduation and accession of small economies from LDC status, there is general agreement that these issues would have to be considered to develop acceptable guidelines and procedures for small economies.

The proponents of all of these proposals attempted to make them the basis of recommendations to the General Council (this request is contained in the Communication found at WT/COMTD/SE/W/8), as required under the mandate. However, lack of consensus, particularly by developed countries, on the suitability and workability of some proposals, and on the issue of how to prevent the creation of a two-tier system of rights and obligations within the WTO, prevented the forwarding of these proposals.

6. Conclusion

The present discussions in the WTO underscore the discomfort among developed countries with the idea of explicitly recognising a sub-category of smaller economies, and further SVEs. However, it is hard to surmise how execution of the mandate in paragraph 35, requiring the framing of trade-related responses to problems of smaller vulnerable economies, can occur without the logical first step of defining and clarifying what is a small vulnerable economy. The existence of clear precedents in the text and practice of the WTO exposes the possibility and indeed desirability of doing so, once the requisite political will exists. In order for small states within the WTO to gain any measure of success in current trade negotiations, they must first and foremost achieve recognition as a separate sub-grouping within the Membership of the WTO.

Notes

1. Ministerial Declaration, Second Session, Ministerial Conference of the World Trade Organization WT/MIN(98)/DEC/1, 25 May 1998, (98-2149), Geneva, 18 and 20 May 1998, adopted on 20 May, 1998, para 6:

‘We remain deeply concerned over the marginalization of least-developed countries and certain small economies, and recognize the urgent need to address this issue which has been compounded by the chronic foreign debt problem facing many of them.’

2. The authors are keenly aware that there is a substantial difference between small states and small economies. Small economies include the self-selected group of WTO members that includes countries as large as Sri Lanka, Cuba and Bolivia, who are not necessarily small states. Small economies often do not face the constraints imposed by very small administrative capacity to implement WTO agreements. Employing the World Bank/Commonwealth criteria of a population of 1.5 million would have excluded these larger countries. The WTO mandates and nomenclature refer to small economies but the problems addressed in this paper refer to the problems of small states, which are usually more vulnerable and have vastly different problems, both economically and administratively, to some of the larger ‘small economies’ that are members of the small economies group at the WTO. For the purposes of this paper, reference to small states, as distinct from small economies, will be to small vulnerable economies.
3. The later versions of the draft text of the Seattle Ministerial Declaration contained no square brackets in the section pertaining to small economies but the draft ministerial declaration was not endorsed by WTO members.
4. Ministerial Declaration, Fourth Session, Ministerial Conference of the World Trade Organization, WT/MIN(01)/DEC/1, 20 November, 2001, (01-5859), Doha, 9-14 November, 2001, adopted on 14 November, 2001, para 35.

‘We agree to a work program, 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 program and make recommendations for action to the Fifth Session of the Ministerial Conference.’

5. The category of least-developed country is defined by the UN’s Economic and Social Commission and is external to the WTO. The category of developing country is determined in the WTO by self-election, which has meant that until very recently high-income countries such as South Korea, Israel and Singapore have chosen to define themselves as developing countries.
6. Procedures for extensions under Article 27.4 for certain developing country members G/SCM/39, 20 November, 2001. The provisions state:

Programs eligible for extension pursuant to these procedures, and for which members shall therefore grant extensions for calendar year 2003 as referred to in 1(c), are export subsidy programs (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.

7. It should be noted that the UN has not classified Iceland on the vulnerability index, and if it were included, given its dependence on a very narrow range of exports, it may also have an EVI classification above 31.
8. See the Framework and Procedures of the Work Program given to the CTD on 1 March by the General Council, at WT/L/447. This requires the CTD to, among other things, conduct these discussions in scheduled Dedicated Sessions; to report regularly to the General Council, which has overall responsibility for ensuring that responses to the trade related concerns identified in these Dedicated Sessions are arrived at; and where necessary to work with the other relevant subsidiary bodies of the WTO. The WTO Secretariat is also instructed to provide relevant information and factual analysis to inform discussions taking place in these Dedicated Sessions.
9. These include Barbados, Belize, Bolivia, Cuba, Dominican Republic, El Salvador, Fiji Islands, Guatemala, Haiti, Honduras, Jamaica, Mauritius, Nicaragua, Papua New Guinea, Paraguay, Saint Lucia, Solomon Islands, Sri Lanka, and Trinidad and Tobago.
10. The proponents of this submission were Barbados, Belize, Bolivia, Dominican Republic, Guatemala, Honduras, Mauritius and Sri Lanka. See WT/COMTD/SE/W/3 for entire exposition of these proposals, and the backgrounds informing them.
11. The general response to these proposals has been encouraging and supportive, with a few pointed questions being asked, in particular by the developing countries in dedicated sessions. Notably, the US has tendered a written questionnaire to the proposal's proponents, in which they have sought clarification and further information on the proposals. The full version of the questions posed by the United States, and the responses received from the proponents of the proposal, are available at WT/COMTD/SE/W/7.

References

- Tulloch, Peter (2001) 'Small Economies in the WTO' in David Peretz, Rumman Faruqi and Eliawony J. Kisanga (eds) *Small States in the Global Economy*. Commonwealth Secretariat and World Bank, London and Washington.

Annex I

Table of Other Negotiating Proposals Made or to be Made in Favour of Small Developing States in the WTO

<i>Subject area/relevant WTO agreement</i>	<i>Background</i>	<i>Content of proposal</i>
Fisheries Subsidies (ASCM, including Article XVI GATT GATT 1994: GATT Agreement on Subsidies and Countervailing Measures Article 1, Article 3.1, Article 27, Article 6, Annex VII)	<p>SVEs have relatively high dependence on domestic and export fisheries.</p> <p>Large exporting countries seeking to negotiate fisheries subsidies on the basis that subsidies have a harmful effect on sustainable fish catches.</p> <p>SVEs fisheries' interests extend to the following main areas: revenue generation from access fees: domestic and foreign fishers operating for export in the Exclusive Economic Zone (EEZ) and territorial sea, artisan fisheries within their territorial sea.</p>	<p>Ensure that Article 1 of the ASCM is clarified to explicitly exclude certain types of assistance from definition of subsidy: (including access fees and development assistance, fiscal incentives to domestication and fisheries development, artisanal fisheries)</p>
TRIPs (Article 67)	<p>Due to limited capacity many SVEs are unable to implement complex rules and procedures in Trade-Related Aspects of Intellectual Property Rights (TRIPs).</p> <p>Article 67 of TRIPs makes provision for developed countries to assist with such implementation, upon request. However, SVES often have problems even identifying their needs to make such requests, and they are not able to implement this agreement.</p>	<p>Explicit recognition that SVEs may designate regional body as competent authority for implementation of the TRIPs Agreement. This should be assisted by developed countries through the provision of technical and financial assistance.</p>
Regional Trade Arrangements (RTAs) (in particular, Article XXIV and Enabling		<p>Provisions in Article XXIV to be interpreted to incorporate incomplete reciprocity for SVEs as contained in Enabling Clause.</p>

<i>Subject area/relevant WTO agreement</i>	<i>Background</i>	<i>Content of proposal</i>
Clause, para.3 Understanding on the Interpretation of Article XXIV GATT 1994)		In particular, to incorporate notion of flexibility in 'substantially all trade' in Article XXIV:8 to accommodate asymmetric liberalisation between developing countries with less than average of 0.05% of world merchandise export (in last five years) and developed countries, suitable to the circumstances of SVEs. Flexibility to entail: 1) Asymmetry in timetabling of tariff reduction and elimination during transitional periods. 2) Any FTAs involving SVEs and developed countries (as referred to above) should be 'exceptional' cases and 'reasonable length of time' to be 25 years.
Trade Preferences	SVEs are particularly trade-preference dependent.	
- Part IV of GA TT 1994 and Enabling Clause	The erosion of trade preferences jeopardises the future of small vulnerable economies in critical areas such as agriculture and manufacturing. Current WTO negotiations and rules threaten these arrangements.	'Grand fathering' of existing margins of trade preferences for products and small economies accounting for less than 3.25% of world trade.
Agreement on Subsidies and Countervailing Measures (ASCM):	SVEs suffer from the combined effect of diseconomies of scale caused by their small size and physical isolation, which together necessitate	SVEs shall be granted a permanent exemption from the provisions of paragraph 1 (a) of Article 3, (ASCM).
Article XVI GATT 1994, ASCM Article 27, Annex VII,	compensatory measure to offset these inherent cost disadvantages. Moreover without these	SVEs should be allowed subsidies to reduce the cost of marketing exports of non-agricultural

<i>Subject area/relevant WTO agreement</i>	<i>Background</i>	<i>Content of proposal</i>
Doha Ministerial Declaration (c)	<p>compensatory measures SVEs will be unable to attract investment.</p> <p>WTO provisions 'recognise that subsidies may play an important role in economic development programmes of developing country members' and provide flexibility for certain developing countries in the application of subsidies. The agreement does not grant the necessary flexibility to small vulnerable economies. Moreover, existing fiscal incentives are required to be phased out under current WTO rules.</p>	<p>products (including export promotion and advisory services) including handling, upgrading and other processing costs of international transport and freight.</p> <p>SVEs should be allowed to provide internal transport and freight charges on export shipment, provided or mandated by governments on terms more favourable than for domestic shipments for non-agricultural products.</p>
Agreement on Agriculture (Article 9)	<p>SVEs suffer from the combined effect of diseconomies of scale caused by their small size and physical isolation, which together necessitate compensatory measures to offset these inherent cost disadvantages. Moreover without these compensatory measures SVEs will be unable to attract investment.</p> <p>WTO provisions 'recognise that subsidies may play an important role in economic development programmes of developing country members' and flexibility for certain developing countries in the application of subsidies. The agreement does not grant the necessary flexibility to small vulnerable economies. Existing fiscal incentives are required to be phased out under current WTO rules.</p>	

Annex 2

Total Trade in Goods and Services Sorted by average percentage share 1998–2000

	1998	1999	2000	average 1998–2000 share (%)	average 1998–2000 share (%)	2000
1 United States	1,995,459	2,140,380	2,472,460	2,202,766.33	15.42	15.9397
2 Germany	1,218,840	1,234,558	1,254,113	1,235,837.33	8.65	8.0851
3 Japan	798,199	858,549	986,299	881,015.50	6.17	6.3586
4 United Kingdom	768,695	785,237	825,536	793,155.93	5.55	5.3221
5 France	731,704	727,349	732,608	730,553.77	5.11	4.7230
6 Italy	579,021	562,534	582,028	574,527.63	4.02	3.7523
7 Canada	495,867	542,234	611,711	549,937.23	3.85	3.9436
8 Netherlands	470,123	478,530	498,210	482,287.47	3.38	3.2119
9 Hong Kong, China	421,225	414,030	480,701	438,651.93	3.07	3.0990
10 China	370,790	410,582	529,792	437,054.73	3.06	3.4155
11 Belgium	348,938	350,891	369,704	356,511.06	2.50	2.3834
12 Spain	320,745	338,836	351,379	336,986.63	2.36	2.2653
13 Korea, Republic of	271,556	314,496	397,768	327,940.23	2.30	2.5644
14 Mexico	266,941	304,037	371,196	314,058.00	2.20	2.3931
15 Taipei, Chinese	249,946	267,659	326,699	281,434.67	1.97	2.1062
16 Singapore	242,905	262,601	314,723	273,409.57	1.91	2.0290
17 Switzerland	227,374	224,514	227,770	226,552.40	1.59	1.4684
18 Sweden	192,021	201,625	203,029	198,891.60	1.39	1.3089
19 Austria	186,779	192,644	192,737	190,719.97	1.34	1.2426

	Total trade in goods and services (million US\$)	1998	1999	2000	average 1998-2000 share (%)	average 1998-2000 share (%)	2000
20	Malaysia	150,633	171,972	206,268	176,291.13	1.23	1.3298
21	Ireland	177,698	154,761	166,780	166,412.80	1.16	1.0752
22	Russian Federation	161,701	137,624	178,007	159,110.67	1.11	1.1476
23	Australia	149,809	156,840	168,397	158,348.67	1.11	1.0856
24	Denmark	122,920	132,072	141,222	132,071.20	0.92	0.9104
25	Thailand	114,216	127,543	153,201	131,653.27	0.92	0.9877
26	Brazil	131,701	117,513	135,585	128,266.33	0.90	0.8741
27	India	104,162	113,484	135,728	117,791.47	0.82	0.8750
28	Norway	107,252	109,576	124,058	113,628.80	0.80	0.7998
29	Indonesia	98,397	97,629	125,587	107,204.33	0.75	0.8096
30	Turkey	109,261	93,734	112,557	105,184.00	0.74	0.7256
31	Saudi Arabia	79,745	91,292	121,052	97,363.37	0.68	0.7804
32	Poland	95,059	90,360	103,368	96,262.33	0.67	0.6664
33	Finland	88,571	86,083	92,189	88,947.67	0.62	0.5943
34	Portugal	78,805	79,802	79,092	79,233.00	0.55	0.5099
35	Israel	67,768	76,919	91,433	78,706.37	0.55	0.5895
36	Philippines	76,572	75,732	77,673	76,658.87	0.54	0.5007
37	United Arab Emirates	67,950	70,100	79,701	72,583.77	0.51	0.5138
38	Czech Republic	67,449	66,978	73,113	69,179.83	0.48	0.4714
39	South Africa	66,972	63,614	69,247	66,610.93	0.47	0.4464
40	Argentina	69,339	60,067	63,246	64,217.40	0.45	0.4077
41	Hungary	53,811	55,677	63,849	57,778.93	0.40	0.4116

	1998	1999	2000	average 1998-2000 share (%)	average 1998-2000 share (%)	2000
<i>Total trade in goods and services (million US\$)</i>						
42 Greece	41,026	60,336	70,741	57,367.60	0.40	0.4561
43 Luxembourg	43,203	48,099	52,062	47,787.95	0.33	0.3356
44 Venezuela	38,898	38,720	53,649	43,755.67	0.31	0.3459
45 Chile	40,285	37,228	43,059	40,190.67	0.28	0.2776
46 Egypt	32,738	35,636	39,291	35,888.33	0.25	0.2533
47 Ukraine	36,449	32,295	37,055	35,266.33	0.25	0.2389
48 New Zealand	31,701	34,354	35,050	33,702.00	0.24	0.2260
49 Colombia	30,648	27,180	29,941	29,256.17	0.20	0.1930
50 Vietnam	25,473	27,641	34,475	29,196.33	0.20	0.2223
51 Nigeria	23,120	25,754	37,125	28,666.10	0.20	0.2393
52 Slovak Republic	28,338	25,210	28,685	27,410.77	0.19	0.1849
53 Algeria	22,114	24,781	34,119	27,004.43	0.19	0.2200
54 Kuwait	23,071	24,148	31,619	26,279.33	0.18	0.2038
55 Romania	22,259	21,197	26,132	23,196.00	0.16	0.1685
56 Slovenia	22,516	21,906	22,071	22,164.27	0.16	0.1423
57 Morocco	20,646	21,806	22,438	21,629.77	0.15	0.1447
58 Pakistan	21,031	20,351	22,030	21,137.33	0.15	0.1420
59 Croatia	19,210	17,909	18,262	18,460.07	0.13	0.1177
60 Dominican Republic	16,298	17,169	19,697	17,721.50	0.12	0.1270
61 Tunisia	17,327	17,763	17,624	17,571.50	0.12	0.1136
62 Peru	17,949	16,477	18,048	17,491.33	0.12	0.1164
63 Kazakhstan	14,601	13,670	19,259	15,843.43	0.11	0.1242

	1998	1999	2000	average 1998-2000 share (%)	average 1998-2000 share (%)	2000
<i>Total trade in goods and services (million US\$)</i>						
64 Panama	16,947	14,785	15,767	15,832.93	0.11	0.1016
65 Bangladesh	13,273	14,578	16,259	14,703.23	0.10	0.1048
66 Costa Rica	13,903	15,342	14,732	14,659.10	0.10	0.0950
67 Belarus	15,203	13,039	15,721	14,654.10	0.10	0.1013
68 Oman	12,645	13,273	17,696	14,538.07	0.10	0.1141
69 Sri Lanka	12,341	12,290	14,430	13,020.10	0.09	0.0930
70 Bulgaria	11,932	12,321	14,614	12,955.50	0.09	0.0942
71 <i>Libyan Arab Jamahiriya</i>	13,137	11,624	13,607	12,789.10	0.09	0.0877
72 Qatar	8,823	10,360	13,687	10,956.77	0.08	0.0882
73 Angola	8,141	10,614	13,652	10,802.10	0.08	0.0880
74 Ecuador	11,624	9,441	10,885	10,649.97	0.07	0.0702
75 Lithuania	11,354	9,528	10,912	10,598.03	0.07	0.0703
76 <i>Syrian Arab Republic</i>	9,183	10,227	11,818	10,409.33	0.07	0.0762
77 Cuba	8,982	9,589	10,495	9,688.67	0.07	0.0677
78 Bahrain	7,946	9,005	11,587	9,512.27	0.07	0.0747
79 Estonia	8,786	8,098	9,735	8,872.87	0.06	0.0628
80 Côte d'Ivoire	9,434	9,293	7,649	8,791.87	0.06	0.0493
81 Guatemala	8,442	8,419	9,361	8,740.87	0.06	0.0603
82 Jordan	8,605	8,298	9,037	8,646.33	0.06	0.0583
83 Macau, China	7,995	8,158	9,453	8,535.37	0.06	0.0609
84 Lebanon	8,946	8,119	8,369	8,478.00	0.06	0.0540
85 Cyprus	8,323	8,333	8,575	8,410.37	0.06	0.0553
86 El Salvador	7,524	7,822	9,242	8,195.80	0.06	0.0596

	Total trade in goods and services (million US\$)	1998	1999	2000	average 1998-2000 share (%)	average 1998-2000 share (%)	2000
87	Uruguay	8,571	7,472	7,877	7,973.07	0.06	0.0508
88	Jamaica	7,358	7,420	7,851	7,543.13	0.05	0.0506
89	Paraguay	8,645	6,732	6,241	7,205.97	0.05	0.0402
90	Uzbekistan	6,817	6,347	7,594	6,919.10	0.05	0.0490
91	Latvia	6,973	6,454	7,077	6,834.67	0.05	0.0456
92	Malta	6,165	6,611	7,507	6,760.77	0.05	0.0484
93	Trinidad and Tobago	6,066	6,414	7,506	6,661.73	0.05	0.0484
94	Iceland	5,993	6,174	6,368	6,178.40	0.04	0.0411
95	Zimbabwe	5,679	5,896	6,644	6,073.07	0.04	0.0428
96	Kenya	6,309	5,706	6,184	6,066.20	0.04	0.0399
97	Ghana	5,963	6,264	5,657	5,961.17	0.04	0.0365
98	Yemen	4,574	5,411	7,510	5,831.80	0.04	0.0484
99	Honduras	5,187	5,227	5,714	5,376.13	0.04	0.0368
100	Mauritius	5,219	5,446	5,312	5,325.63	0.04	0.0342
101	Brunei Darussalam	4,748	5,383	5,740	5,290.57	0.04	0.0370
102	Bosnia and Herzegovina	4,979	5,467	5,412	5,285.87	0.04	0.0349
103	Botswana	4,801	5,525	5,435	5,253.37	0.04	0.0350
104	Bahamas	4,556	4,881	5,613	5,016.50	0.04	0.0362
105	Gabon	4,245	4,511	5,066	4,607.20	0.03	0.0327
106	Cameroon	4,154	4,727	4,889	4,589.97	0.03	0.0315
107	Myanmar	4,477	4,206	4,762	4,481.87	0.03	0.0307
108	Papua New Guinea	3,963	3,975	4,669	4,202.50	0.03	0.0301
109	Namibia	3,493	3,625	4,087	3,735.00	0.03	0.0263

<i>Total trade in goods and services (million US\$)</i>	1998	1999	2000	average 1998–2000 share (%)	average 1998–2000 share (%)	2000
110 Azerbaijan	3,414	3,171	4,107	3,564.03	0.02	0.0265
111 Congo	2,656	3,384	4,576	3,538.60	0.02	0.0295
112 TFYR Macedonia	3,433	3,337	3,824	3,531.33	0.02	0.0247
113 Bolivia	3,522	3,269	3,498	3,429.53	0.02	0.0226
114 Tanzania, United Republic of	3,373	3,298	3,290	3,320.53	0.02	0.0212
115 Senegal	3,047	3,171	2,982	3,066.60	0.02	0.0192
116 Sudan	2,542	2,387	3,829	2,919.47	0.02	0.0247
117 Nicaragua	2,447	2,819	2,888	2,718.13	0.02	0.0186
118 Barbados	2,595	2,695	2,832	2,707.17	0.02	0.0183
119 Nepal	2,343	2,763	2,967	2,690.87	0.02	0.0191
120 Cambodia	2,243	2,511	3,248	2,667.20	0.02	0.0209
121 Uganda	2,581	2,524	2,574	2,559.67	0.02	0.0166
122 Congo, Democratic Republic of	2,609	2,176	2,053	2,279.33	0.02	0.0132
123 Swaziland	2,387	2,197	1,973	2,185.93	0.02	0.0127
124 Zambia	2,173	2,046	2,177	2,132.03	0.01	0.0140
125 Fiji	1,846	2,060	2,405	2,103.83	0.01	0.0155
126 Madagascar	1,821	1,953	2,530	2,101.40	0.01	0.0163
127 Mozambique	1,663	2,061	2,174	1,965.73	0.01	0.0140
128 Georgia	1,983	1,634	1,852	1,823.13	0.01	0.0119
129 Albania	1,222	1,618	2,168	1,669.20	0.01	0.0140
130 Moldova, Republic of	2,013	1,383	1,602	1,666.10	0.01	0.0103
131 Haiti	1,488	1,650	1,692	1,609.93	0.01	0.0109
132 Guinea	1,605	1,533	1,568	1,568.80	0.01	0.0101

	1998	1999	2000	average 1998-2000 share (%)	average 1998-2000 share (%)	2000
<i>Total trade in goods and services (million US\$)</i>						
133 Tajikistan	1,392	1,429	1,879	1,566.90	0.01	0.0121
134 Mali	1,512	1,630	1,546	1,562.93	0.01	0.0100
135 Guyana	1,485	1,414	1,471	1,456.80	0.01	0.0095
136 Armenia	1,344	1,281	1,484	1,369.67	0.01	0.0096
137 Kyrgyz Republic	1,521	1,222	1,215	1,319.33	0.01	0.0078
138 Benin	1,305	1,425	1,215	1,314.90	0.01	0.0078
139 Mongolia	1,204	1,178	1,410	1,264.13	0.01	0.0091
140 Togo	1,188	1,065	1,361	1,204.77	0.01	0.0088
141 Malawi	1,238	1,267	1,083	1,195.87	0.01	0.0070
142 Lao People's Democratic Republic	1,057	1,016	1,217	1,096.63	0.01	0.0078
143 Lesotho	1,156	1,035	1,016	1,069.00	0.01	0.0065
144 Burkina Faso	1,150	1,009	883	1,014.07	0.01	0.0057
145 Antigua and Barbuda	952	997	947	965.47	0.01	0.0061
146 Seychelles	880	977	994	950.00	0.01	0.0064
147 Suriname	968	849	907	907.97	0.01	0.0058
148 Maldives	833	892	904	876.40	0.01	0.0058
149 St. Lucia	799	821	782	800.43	0.01	0.0050
150 Belize	693	791	882	788.53	0.01	0.0057
151 Mauritania	831	748	781	786.77	0.01	0.0050
152 Chad	800	752	765	772.17	0.01	0.0049
153 Niger	768	656	639	687.80	0.00	0.0041
154 Gambia	558	524	550	544.13	0.00	0.0035
155 Grenada	409	478	530	471.90	0.00	0.0034

	1998	1999	2000	average 1998-2000 share (%)	average 1998-2000 share (%)	2000
<i>Total trade in goods and services (million US\$)</i>						
156 Djibouti	434	464	495	464.10	0.00	0.0032
157 Cape Verde	411	469	447	442.30	0.00	0.0029
158 Rwanda	430	455	434	440.03	0.00	0.0028
159 Central African Republic	443	398	411	417.23	0.00	0.0026
160 St. Vincent and the Grenadines	400	412	375	395.63	0.00	0.0024
161 Bhutan	332	371	436	379.50	0.00	0.0028
162 Solomon Islands	407	411	273	363.97	0.00	0.0018
163 St. Kitts and Nevis	336	358	391	361.70	0.00	0.0025
164 Dominica	300	326	312	312.93	0.00	0.0020
165 Vanuatu	261	255	294	270.30	0.00	0.0019
166 Burundi	230	178	193	200.40	0.00	0.0012
167 Samoa	204	200	187	196.83	0.00	0.0012
168 Sierra Leone	166	150	238	184.70	0.00	0.0015
169 Guinea-Bissau	92	135	171	132.83	0.00	0.0011
170 Tonga	123	124	145	130.73	0.00	0.0009
171 Federal Republic of Yugoslavia	-	-	-
172 Andorra	-	-	-
173 Liechtenstein	-	-	-
TOTAL	13,441,042	13,905,731	15,511,380	14,286,051.25	100.0000	100.0000

Source: World Trade Organization, Statistics used for calculation of budget contributions.

Note: Countries that are underlined have observer status with the WTO by 2000

Annex 3

United Nations Economic Vulnerability Index Sorted by Vulnerability

S.No.	Country name	EVI
1	Kiribati	74.32
2	Tuvalu	73.68
3	Chad	64.41
4	Liberia	63.62
5	Gambia	61.83
6	Cambodia	61.00
7	Saudi Arabia	60.01
8	Sao Tome and Principe	59.07
9	Niger	58.98
10	Benin	58.68
11	Tonga	58.63
12	Nigeria	58.41
13	Somalia	58.04
14	Seychelles	57.02
15	Saint Lucia	56.99
16	Cape Verde	56.98
17	Uganda	56.52
18	Dominica	56.05
19	Guinea-Bissau	55.91
20	Rwanda	55.85
21	Qatar	55.84
22	Equatorial Guinea	55.81
23	United Arab Emirates	55.55
24	Comoros	55.36
25	Angola	55.19
26	Libyan Arab Jamahiriya	54.01
27	Solomon Islands	53.93
28	Lesotho	53.11
29	Samoa	52.45
30	Democratic Republic of the Congo	51.89
31	Zambia	51.82
32	Saint Vincent & the Grenadines	51.65

<i>S.No.</i>	<i>Country name</i>	<i>EVI</i>
33	Burundi	51.55
34	Guyana	51.41
35	Brunei Darussalam	51.07
36	Syrian Arab Republic	51.04
37	Saint Kitts and Nevis	50.26
38	Iran (Islamic Republic of)	50.00
39	Gabon	49.96
40	Myanmar	49.82
41	Mongolia	49.73
42	Yemen	49.54
43	Oman	49.05
44	Mali	48.41
45	Bahrain	48.15
46	Congo (Republic of)	46.90
47	Djibouti	46.60
48	Sierra Leone	46.30
49	Guinea	45.77
50	Laos	45.65
51	Haiti	45.61
52	Dominican Republic	45.54
53	Bahamas	45.37
54	Togo	45.30
55	Afghanistan	44.89
56	Burkina Faso	44.58
57	Ethiopia	44.58
58	Sudan	44.45
59	Suriname	44.28
60	Grenada	43.67
61	Nicaragua	43.16
62	Ghana	43.13
63	Paraguay	43.05
64	Central African Republic	42.43
65	Bhutan	42.27
66	Lebanon	41.90
67	Malawi	41.57
68	Cuba	41.50
69	Mauritania	41.42

<i>S.No.</i>	<i>Country name</i>	<i>EVI</i>
70	Papua New Guinea	41.40
71	Vanuatu	41.31
72	Algeria	41.30
73	Antigua and Barbuda	41.20
74	Tunisia	41.08
75	Zimbabwe	40.94
76	Senegal	40.86
77	Belize	40.47
78	Trinidad and Tobago	39.03
79	Malta	38.98
80	Fiji Islands	37.39
81	Mozambique	37.36
82	Barbados	36.54
83	Nepal	36.37
84	Tanzania (United Republic of)	36.23
85	Honduras	35.73
86	Mauritius	35.21
87	Swaziland	35.02
88	Morocco	33.82
89	Venezuela	33.79
90	Côte d'Ivoire	32.81
91	Democratic People's Republic of Korea	32.31
92	Maldives	32.18
93	Cameroon	31.59
94	Jamaica	31.18
95	Singapore	31.02
96	Viet Nam	31.02
97	Cyprus	29.87
98	Ecuador	29.40
99	Panama	28.89
100	El Salvador	28.36
101	Kenya	27.75
102	Jordan	27.70
103	Bolivia	27.24
104	Eritrea	27.06
105	Madagascar	26.75
106	Sri Lanka	26.18

S.No.	Country name	EVI
107	Peru	26.13
108	Guatemala	25.99
109	Chile	25.09
110	Philippines	25.00
111	Egypt	24.85
112	Colombia	24.28
113	Uruguay	24.09
114	Costa Rica	23.99
115	Bangladesh	23.77
116	Israel	23.35
117	South Africa	22.43
118	Pakistan	22.21
119	Turkey	19.33
120	Thailand	17.92
121	Indonesia	17.38
122	Malaysia	16.55
123	Korea (Republic of)	16.09
124	Mexico	15.47
125	Argentina	15.22
126	Brazil	15.20
127	India	12.20
128	China	4.18

Source: United Nations, Economic and Social Council