WORLD TRADE ORGANIZATION

EIF Enhanced Integrated Framework
Trade for LDC development

Trade impacts of LDC graduation

SENEGAL

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Introduction

Senegal has made considerable socio-economic progress over the past two decades since its inclusion into the least developed country (LDC) category in 2000. At the 2021 Triennial Review of the United Nations Committee for Development Policy (CDP), Senegal met the graduation criteria for the first time, by exceeding the graduation thresholds for Gross National Income (GNI) per capita and the Human Assets Index (HAI) (Table 1).[1] If Senegal meets the graduation criteria for the second time at the next CDP Triennial Review in 2024, the CDP may recommend its graduation. After endorsement by the UN Economic and Social Council (ECOSOC) and General Assembly, graduation takes effect following a transition period determined by the latter.[2] Depending on the transition period to be considered by CDP members, Senegal may graduate from the LDC category in 2027 at the earliest.[3]

As an LDC, Senegal benefits from LDC-specific flexibilities available in the World Trade Organization (WTO). Following graduation, LDC-specific flexibilities may not be available. This note provides an overview of possible trade-related impacts of LDC graduation for Senegal. It reviews potential impacts on market access, compliance with WTO rules and development assistance. It has been prepared with the aim of supporting policy makers in Senegal and international organizations working on matters related to LDC graduation.

Table 1: Progress towards LDC graduation

	GRADUATION THRESHOLD	2021
Gross National Income (GNI) per capita	US$ 1,274	US$ 1,370
Human Assets Index (HAI)	66 or above	66.4
Economic Vulnerability Index (EVI)	32 or below	43.0

Source: UN CDP (2022)

1. Impact on market access

Senegal's merchandise exports grew 6 per cent between 2011 and 2020, reaching US$ 3.9 billion in 2020, while its exports of services contracted by 3 per cent over the same time period, to US$ 758 million.[4]

In 2020, merchandise exports accounted for 83 per cent of Senegal's total exports. Gold, petroleum oils and frozen fish accounted for over 40 per cent of its total merchandise exports. Mali is Senegal's top trading partner and is the main destination for 21 per cent of its exports. Switzerland and the European Union follow in second and third place, respectively.

In 2020, services exports accounted for 17 per cent of Senegal's total exports. Other commercial services accounted for 40.6 per cent of its total services exports, followed by travel (42.8%) and transport (15%). Given limited reported data, mirror statistics help to determine the main destination markets of Senegal's services exports. Available bilateral data by importing countries show that the European Union was the top importer of services from Senegal.

Senegal is currently party to two regional trade agreements (RTAs) notified to the WTO: the Economic Community of West African States (ECOWAS) and the West African Economic and Monetary Union (WAEMU).

Senegal also ratified the African Continental Free Trade Area (AfCFTA) agreement in 2019. AfCFTA provides additional flexibilities for LDCs. For example, LDCs have a ten-year transition period in which to to cut tariffs, compared with a five-year transition period for other countries. With respect to sensitive products, comprising up to 7 per cent of tariff lines, LDCs have a 13-year transition period within which to cut tariffs, while others have to cut them within ten years. Also, 3 per cent of tariff lines are excluded from tariff commitments and will not be subject to mandatory tariff cuts. Senegal has already validated its AfCFTA implementation strategy. Given the length of the LDC graduation process, by the time Senegal graduates from LDC status most of the transition periods in AfCFTA will already have expired.

When looking at Senegal's main trading partners, the impact of graduation is likely to be limited. Mali is Senegal's main trading partner and does not provide any trade preferences. Trade between Senegal and Mali takes place presumably under the regional trade agreement. Therefore, there will be no impact following LDC graduation.

Switzerland is Senegal's second most important trading partner. Switzerland's Generalized System of Preferences (GSP) was enacted in 1981 and subsequently reviewed and extended in 2007. During its revision in 2007, Switzerland introduced duty-free quota-free (DFQF) market access for LDCs. Countries in the process of the international debt relief can also benefit from the DFQF scheme on a temporary basis, subject to regular monitoring. In 2020, Switzerland provided DFQF market access to LDCs for 100 per cent of tariff lines.[5] Following graduation from LDC status, Senegal will be included in the standard GSP scheme. It may be noted that the scheme uses the Agreement on Subsidies and Countervailing Measures for determining international competitiveness: 3.25 per cent market share in world trade of a particular product for two consecutive calendar years.[6] Since most of Senegal's exports to Switzerland are gold – which Switzerland imports nearly duty-free from its most favoured nation (MFN) trading partners – graduation is unlikely to have an impact on Senegal's current exports.

The European Union is another important trading partner for Senegal. The European Union's GSP consists of the standard GSP scheme, a special incentive arrangement for sustainable development and good governance (GSP Plus), and the Everything but Arms (EBA) scheme for LDCs. Senegal is currently a beneficiary of duty-free market access under the EBA scheme. Most of Senegal's exports to the European Union are fish products.

The European Union grants a three-year transition period under the EBA scheme after graduation from LDC status. At the end of this period, admission to the standard GSP is automatic. Certain fish items, including fish fillets, will face a higher duty of 7 per cent under the standard GSP. Senegal may apply for GSP Plus provided it meets two criteria related to vulnerability[7] and sustainable development[8]. If Senegal meets these criteria, it should be able to export most of its items to the European Union duty-free. However, rules of origin requirements will also become more stringent, requiring minimum local value added to represent at least 50 per cent. This represents a 20 per cent increase from under the EBA.[9]

Another option for helping mitigate any potential increase in tariffs is to ratify the Economic Partnership Agreement (EPA) with the European Union, under which non-reciprocal preferences would be replaced by reciprocal preferences. Under the EPA, the transition period within which tariff cuts must be implemented ranges from five to 20 years for ECOWAS members. For example, Senegal would have up to five years to remove tariffs on essential goods, including commodities; up to 15 years to liberalize tariffs on intermediate goods; and up to 20 years for final consumption goods. Under this EPA, sensitive products, which account for up to 25 per cent tariff lines, will not be subject to tariff liberalization.

With respect to services, Senegal, as an LDC, also benefits from preferential market access measures under the LDC Services Waiver.[10] To date, 25 developed and developing country members, covering 86 per cent of global services trade, have notified their preferences under the LDC Services Waiver. However, it remains difficult to evaluate utilization of these preferences due to limited availability of data. An overview of market preferences suggests that the overall impact of LDC graduation on market access will probably be limited. During the latest review of the operation of preferences notified under the LDC Services Waiver, both LDCs and their trading partners acknowledged that in addition to preferential market access, tackling supply-side constraints to services trade remains an important development priority.

2. Matters related to WTO Agreements

Senegal has been a member of the WTO since 1995.[11] Senegal has bound 100 per cent of its tariffs. While the average bound tariffs exceed 30 per cent, the average applied tariffs are 12 per cent. In services, Senegal has made specific commitments in 29 out of 160 services sub-sectors, which is slightly below the LDC average of 33. Service sectors where Senegal has made commitments include business, communications, distribution, financial, tourism, recreational, and transport. Senegal's concessions and commitments in goods and services will not be affected by graduation from LDC status.

Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement

Under the TRIPS Agreement, Senegal benefits from policy flexibilities accorded to LDCs, including longer transition periods. Originally, LDCs benefitted from an 11-year transition period that expired in 2006. This transition period has been extended three times, with the latest extension lasting until 1 July 2034 or until the date of graduation from LDC status, whichever comes first. In addition to the general transition period, Senegal also benefits from the transition period for pharmaceutical products. This transition period has been extended twice, with the latest extension lasting until 1 January 2033 or until the date of graduation from LDC status, whichever comes first. As an LDC, Senegal has also been exempted from mailbox and exclusive marketing rights requirements. Following graduation, TRIPS transition periods will not be available. Table 1 in the Annex provides an overview of IP protection foreseen by the TRIPS Agreement. Senegal would also be required to comply with notification obligations under the TRIPS Agreement and to notify IP-related laws and regulations as well as the contact points for the exchange of information on trade in infringing goods. Such notifications are subject to review by the TRIPS Council.

The TRIPS amendment, which entered into force in 2017, contributes to ensuring greater access to medicines. It allows the use of compulsory licensing for export to countries with limited manufacturing capacity. Senegal ratified the TRIPS amendment in 2011. As an LDC, Senegal benefits from greater flexibilities related to regional export opportunities and notification requirements. Under the TRIPS amendment, a developing country or LDC that produces or imports pharmaceuticals under compulsory licences, and which is party to a regional trade agreement with half of the members being LDCs, can export the pharmaceuticals to other members of the RTA that have the same health problem without a further notification.[12]

The use of the compulsory licences system is subject to a notification, indicating the intent of using the system and a confirmation that a country has limited manufacturing capacity. Senegal, as an LDC, is deemed to have limited manufacturing capacity. If Senegal opts for using the system, it will only be required to notify its intention. In view of the above, the impact of graduation on the use of compulsory licences will be limited. Following graduation, Senegal will remain eligible for using compulsory licences. However, it would have to provide a more detailed notification: i) the intent of using the system; and ii) existence of limited manufacturing capacity.

In addition, Senegal has been eligible to benefit from a technology transfer provision (Art. 66.2) which requires developed country members to provide incentives to enterprises in order to promote technology transfer. Developed country members summarize their efforts here in their annual reports on technology transfer. Since 1999, Senegal has been mentioned in over 150 reports from Australia, Canada, the European Union, Japan, New Zealand, Norway, Switzerland, the United Kingdom and the United States.

Over the years, these reports have increased transparency on the types of incentives provided to support technology transfer to LDCs. As part of its transition strategy, Senegal could identify the most useful LDC-specific incentives and engage with its trading partners bilaterally to identify whether the application of some of the LDC-specific programmes can be extended to help ensure a smooth transition.

Agriculture

As an LDC, Senegal benefits from LDC-specific flexibilities under the WTO Agreement on Agriculture. For example, Senegal receives greater flexibility in the frequency of submission of its domestic support notifications. As an LDC, Senegal is required to submit such notifications every two years, compared with annually for other WTO members. As of 2021, its compliance rate with the notifications requirement of domestic support was 88 per cent.[13]

Senegal is yet to submit its domestic support notifications for 2016 and 2018. Following Senegal's graduation from LDC status, the frequency with which it has to submit domestic support notifications will increase to once a year.

The 2015 Nairobi Decision on export competition set out the timeline for eliminating agricultural export subsidies. It also contains specific flexibilities for LDCs and Net-Food Importing Developing Countries (NFIDCs) listed in G/AG/5/Rev.10. These flexibilities allow LDCs and NFIDCs to phase out certain agricultural export subsidies by 2030; to benefit from longer repayment term for acquisition of basic foodstuffs (36–54 months); and to monetize international food aid to redress food deficit requirements or to address insufficient agricultural production that gives rise to malnutrition. Senegal is included in the NFIDC list and therefore it will continue to benefit from these flexibilities following graduation from LDC status. At the same time, Senegal has been annually notifying the WTO Secretariat that it does not provide agricultural export subsidies.[14]

Subsidies and countervailing measures

Senegal is also eligible to benefit from LDC-specific flexibilities under the Agreement on Subsidies and Countervailing Measures (SCM). While the SCM Agreement prohibits the use of export subsidies for non-agricultural products, Senegal as an LDC is exempt from this prohibition (Article 27.2 and Annex VII (a)). In addition, Senegal has also been included in the list of members under Annex VII (b) of the SCM Agreement that are also eligible to be exempt from this prohibition until their GNI per capita reaches US$ 1,000 in constant 1990 dollars for three consecutive years (Table 2).[15] Since Senegal has been listed in the Agreement's Annex VII (b), following graduation, it will remain eligible to provide non-agricultural export subsidies until its GNI per capita reaches US$ 1,000 in constant 1990 dollars for three consecutive years. In 1997, Senegal notified that it did not provide export subsidies. The last notification from Senegal under the SCM Agreement was made in 2014, indicating that for the year 2013 Senegal did not provide any subsidies under the SCM Agreement.[16]

Table 2: Senegal's GNI per capita at constant 1990 dollars, 2017-2019

	2017	2018	2019
Senegal	986	1,043	1,076

Source: WTO Documents: G/SCM/110/Add.17 and G/SCM/110/Add.18.

Trade facilitation

Senegal ratified the WTO Trade Facilitation Agreement in 2016 and submitted all relevant notifications that were due to date. Submission of the notification of the definitive dates for category C provision is due on 22 August 2022. As of 17 February 2022, the implementation rate exceeded 70 per cent. The TFA commitments implemented by Senegal include category A commitments (52.5 per cent), followed by category C commitments (9.2 per cent) and category B commitments (8.8 per cent). Close to 30 per cent of the total commitments of Senegal were identified for future implementation, of which 1.7 per cent required additional time (category B future implementation) and 27.7 per cent required technical assistance (category C future implementation).

Graduation from LDC status will have limited impact on the TFA implementation of Senegal. The LDC time-frame for submitting the definitive dates for category C notifications will end on 22 August 2022. Senegal will continue benefitting from flexibilities available under the TFA, including the Early Warning Mechanism as well as shifting between categories B and C. However, flexibility in terms of notification and time-frame for automatic extension will be reduced.

Dispute settlement

Senegal has been benefitting from flexibilities available to LDCs under the Understanding on Rules and Procedures Governing the Settlement of Disputes, also known as Dispute Settlement Understanding (DSU), which requires WTO members to exercise due restraint in bringing up cases involving LDCs (Art. 24.1). It also allows LDCs to request the use of good offices and conciliation or mediation of the WTO Director-General or the Chair of the Dispute Settlement Body before the establishment of a panel. Following graduation, flexibilities available to LDCs under the DSU will not be available.

Senegal's use of the WTO Dispute Settlement has been limited. To date, Senegal has participated as a third party in two dispute settlement cases: United States – Import Prohibition of Certain Shrimp and Shrimp Products (DS58); and European Communities – Regime for the Importation, Sale and Distribution of Bananas (DS27).

Selected institutional aspects

Senegal's annual contribution to the WTO budget will not change following graduation from LDC status, as the WTO budget is based on members' share of world trade and not LDC status. However, following graduation, Senegal will not be able to benefit from the support available to LDCs to participate in the WTO Ministerial Conference. This support includes travel, accommodation and per diem allowances for the trade minister and two high-level government officials from each eligible LDC.

Technical assistance

As an LDC, Senegal is prioritized for receipt of the WTO's trade-related technical assistance (TRTA). Three main areas of this include thematic courses for LDCs, increased access to national activities and participation in internship programmes. In addition, Senegal is also benefitting from other courses available to developing countries, including regional trade policy courses. In preparing for graduation from LDC status, it would be important for Senegal to make the best use of LDC-focused TRTA. For example, it should prioritize receiving the support necessary to comply with outstanding notification requirements and to ensure compliance with WTO Agreements. Graduation from LDC status has very limited impact on ability to access the wide-ranging technical assistance offered by the WTO Secretariat. Special consideration will always be accorded to the WTO's graduating LDC members to ensure their smooth transition.

3. Aid for Trade

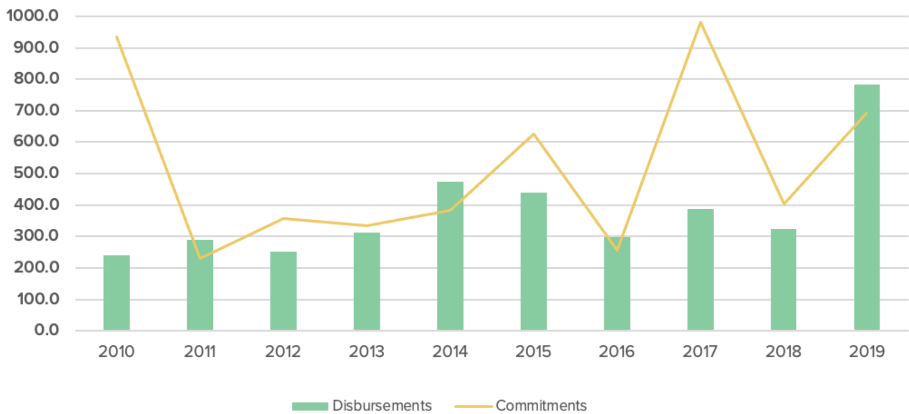
Aid for Trade to Senegal has been fluctuating, with a steep increase in disbursement to US$ 784 million in 2019 (Figure 1). Aid for Trade to Senegal remains concentrated in terms of development partners and sectors. In 2019, Senegal's top three development partners – the World Bank, France and Germany – accounted for over 80 per cent of aid-for-trade disbursements to the country. Transport and storage, agriculture and energy accounted for over 85 per cent of Aid for Trade to Senegal.

As part of the Aid for Trade initiative, Senegal is a beneficiary of the Enhanced Integrated Framework (EIF), a multi-donor programme that supports LDCs in their efforts to resolve supply capacity constraints. Since 2011, over US$ 6.7 million have been allocated to support Senegal with building strong trade institutions and key sectors with high export potential. This support has enabled Senegal to develop an e-commerce strategy, to strengthen the competitiveness of its mango sector and to strengthen its national metrology system. The EIF graduation policy provides a five-year transition period to access EIF benefits.

Senegal also benefits from the Standards and Trade Development Facility (STDF). As an LDC, Senegal has a lower co-financing threshold, i.e. 10 per cent for LDCs versus 20 per cent for lower-middle-income countries. Since 2008, Senegal has been supported with the preparation of five project preparation grants and implemented four regional and two national project grants.[17] The national project grants focused on increasing the competitiveness and safety of cabbage production and strengthening sanitary and phytosanitary capacity in the shellfish sector. In 2022, the STDF established a transition mechanism for graduated countries which allows these countries to continue benefitting from the "10 per cent co-financing requirement" for a period of three years after graduation from LDC status.

An overview of Aid for Trade support to Senegal indicates that graduation from LDC status will not change the overall trend, as most of its development partners rely on different criteria for Aid for Trade allocation that are not necessarily linked to LDC status.[18] Following graduation from LDC status, Senegal will be able to make use of transition periods that the EIF and STDF allow for graduated countries, for a period of five and three years, respectively.

Figure 1: Aid for Trade disbursements to Senegal, US$ million, constant prices



Source: OECD-CRS (2021)

4. Concluding observations

The overall impact of LDC graduation for Senegal is likely to be limited. There will be no change to the concessions and commitments made by Senegal when it joined the WTO, which will continue to provide policy flexibility to the country. Senegal's contribution to the WTO budget will also not change as it is based on Senegal's share of world trade.

Senegal's graduation from LDC status will also not have a significant impact in the area of market access. Senegal's trade with Mali, its main trading partner, takes place under regional trade arrangements. Most of the LDC-specific time-frames for tariff liberalization under AfCFTA are likely to expire by the time Senegal leaves the LDC category. Following graduation, Senegal will be eligible to benefit from the standard GSP scheme of Switzerland. At the same time, Switzerland maintains nearly zero MFN tariffs on gold, one of Senegal's main export items to Switzerland. Meanwhile, Senegal's DFQF market access to the European Union will continue for three years following graduation from LDC status. Thereafter, Senegal may consider applying GSP Plus or ratifying the EPA in order to maintain DFQF market access, including on one of its top export items, fish products.

Regarding the implementation of WTO rules, there are two areas requiring careful monitoring: TRIPS and agriculture. Following graduation, Senegal will not be able to benefit from the TRIPS transition periods and will be required to implement the TRIPS Agreement, including relevant notification requirements. In the area of agriculture, the frequency with which Senegal is required to submit domestic support notifications will increase to once a year.

Aid for Trade to Senegal will not be affected by graduation, as Senegal's development partners use other considerations – and not LDC status – to determine their aid allocations. Access to EIF support will remain available for a period of five years following graduation from LDC status. The STDF has also extended, for three years after graduation, the flexibility accorded to LDCs around co-financing requirements. This flexibility allows them to contribute just 10 per cent of the requested STDF contribution to projects, rather than 20 per cent for lower-middle-income countries.

While the trade impacts of LDC graduation are likely to be limited for Senegal, it is important for the country, with support from international organizations, to prepare a smooth transition strategy with a view to ensure sustainable graduation.

Annex

Table 1: Overview of intellectual property protection foreseen by the TRIPS Agreement

INTELLECTUAL PROPERTY RIGHTS	SUBJECT	MINIMUM DURATION OF PROTECTION UNDER TRIPS
Copyright	Literary and artistic works (including computer programs and databases)	Life of author + 50 years
Related rights	Performers, producers of sound recordings and broadcasting organizations	50 years (performers and producers) 20 years (broadcasting)
Trademarks	Signs that are capable of distinguishing goods and services	7 years, renewable indefinitely
Geographical indications	Indications that identify the geographic origin of a good, where a given quality, reputation or other characteristic of the good is essentially attributable to its origin	Unlimited, as long as conditions are met
Patents	Inventions (products or processes) in all fields of technology	20 years from filing date
Industrial designs	Independently created industrial designs that are new or original	10 years
Layout designs of integrated circuits	Design of electronic circuits (chips)	10 years from filing date or first commercial exploitation
Undisclosed information	Trade secrets, and undisclosed data submitted to government	Unlimited, as long as conditions are met

Source: WTO (2020), Trade Impacts of LDC Graduation.

Endnotes

1 To be considered for graduation, countries need to meet the thresholds in at least two out of the three criteria or have an income of more than twice the threshold, at two successive CDP Triennial Reviews.

2 When the CDP recommends a country for graduation, it includes a transition period. The standard transition period is three years.

3 More information about the LDC graduation process: https://www.un.org/ldcportal/fr/node/909

4 WTO Document: WT/COMTD/LDC/W/69

5 WTO Document: WT/COMTD/LDC/W/69

6 WTO Document: WT/COMTD/N/7/Add.3

7 Imports from the beneficiary country should be below 7.2 per cent of GSP-covered imports and the seven top GSP-covered imports should account for 75 per cent of total imports for a period of three years.

8 The beneficiary country should have ratified and implemented 27 international conventions.

9 The European Union has product-specific rules of origin for the textiles sector under the EBA scheme, allowing LDCs a single-transformation requirement to benefit from DFQF access.

10 "Preferential Treatment to Services and Service Suppliers of Least Developed Countries", Eight WTO Ministerial Conference, Geneva, from 15 to 17 December 2011 (WT/L/847). "Operationalization of the Waiver Concerning Preferential Treatment to Services and Service Suppliers of Least Developed Countries", Ninth WTO Ministerial Conference, Bali, from 3 to 6 December 2013 (WT/L/918). "Implementation of Preferential Treatment in Favour of Services and Service Suppliers of Least Developed Countries and Increasing LDC Participation in Services Trade", Tenth WTO Ministerial Conference, Nairobi, from 15 to 18 December 2015 (WT/L/982).

11 It was a GATT contracting party from 27 September 1963.

12 WTO-EIF (2020). Trade impacts of LDC graduation.

13 WTO Document: G/L/223/Rev.28

14 WTO Document: G/L/223/Rev.28

15 WTO Document: G/SCM/110/Add.18

16 WTO Document: G/SCM/N/253/SEN

17 STDF project portfolio: https://www.standardsfacility.org/projectpreparationgrants?field_region_tid_i18n=All&field_status_value_i18n=All&field_sector_value_i18n=All&field_tr_beneficiaries_tid=senegal accessed on 23 February 2022

18 The detailed overview of the impact of graduation from LDC graduation on the overall development assistance will be undertaken by UN DESA.

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