

Impacts of graduation of Solomon Island from the LDC category: Trade

Matthias Bruckner
Secretariat of the Committee for
Development Policy (CDP)

Joint UN Workshop on Preparing for a
Smooth Graduation from the LDC category
Honiara, Solomon Islands
17-18 October 2019



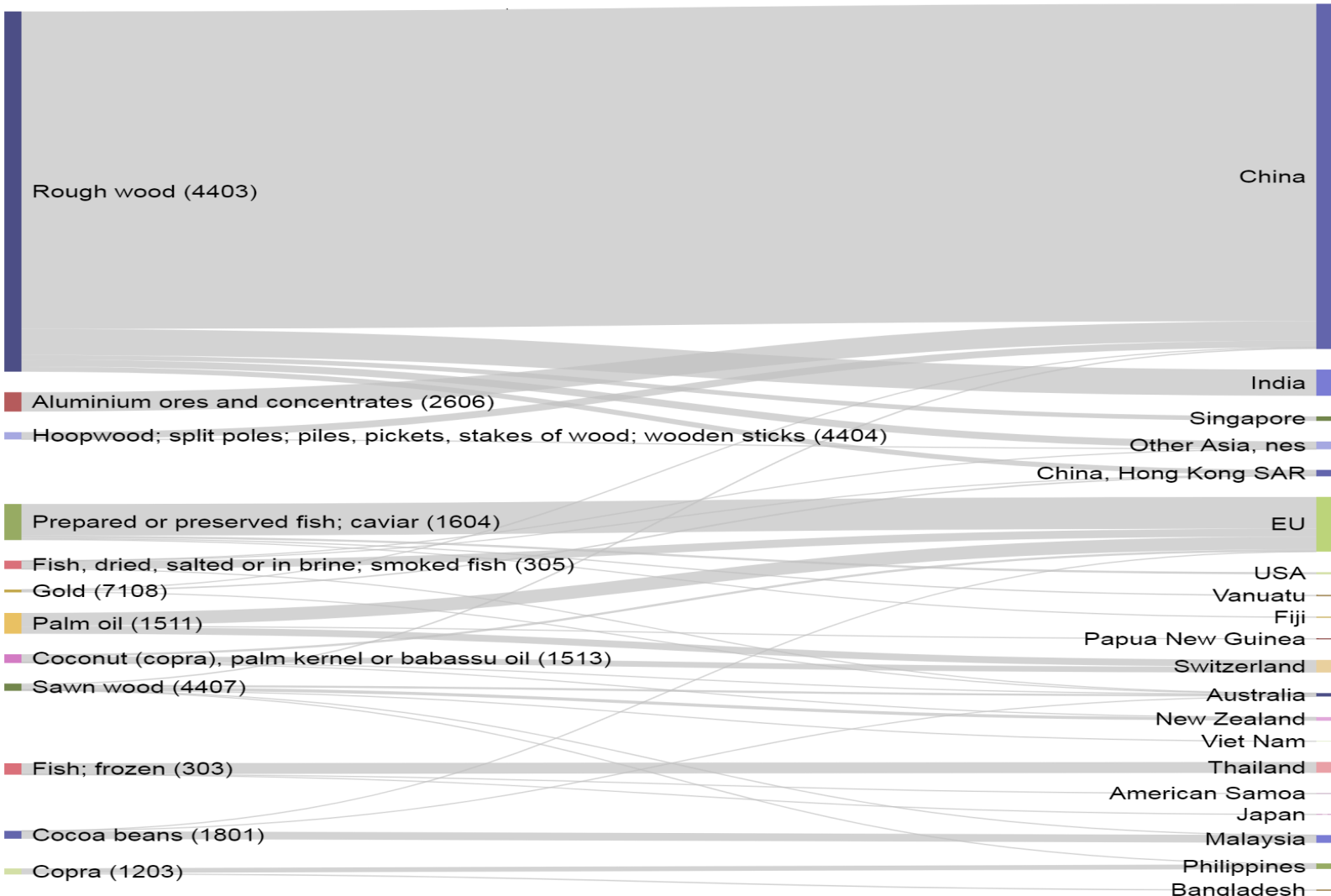
Trade-related support for LDCs

1. Preferential market access for goods
2. Preferential market access for services
3. Special treatment in the World Trade Organization (WTO)



Preferential market access for goods - EXPORTS

Major export destinations, 2018, total US\$ 569m



Preferential market access for goods - RULES

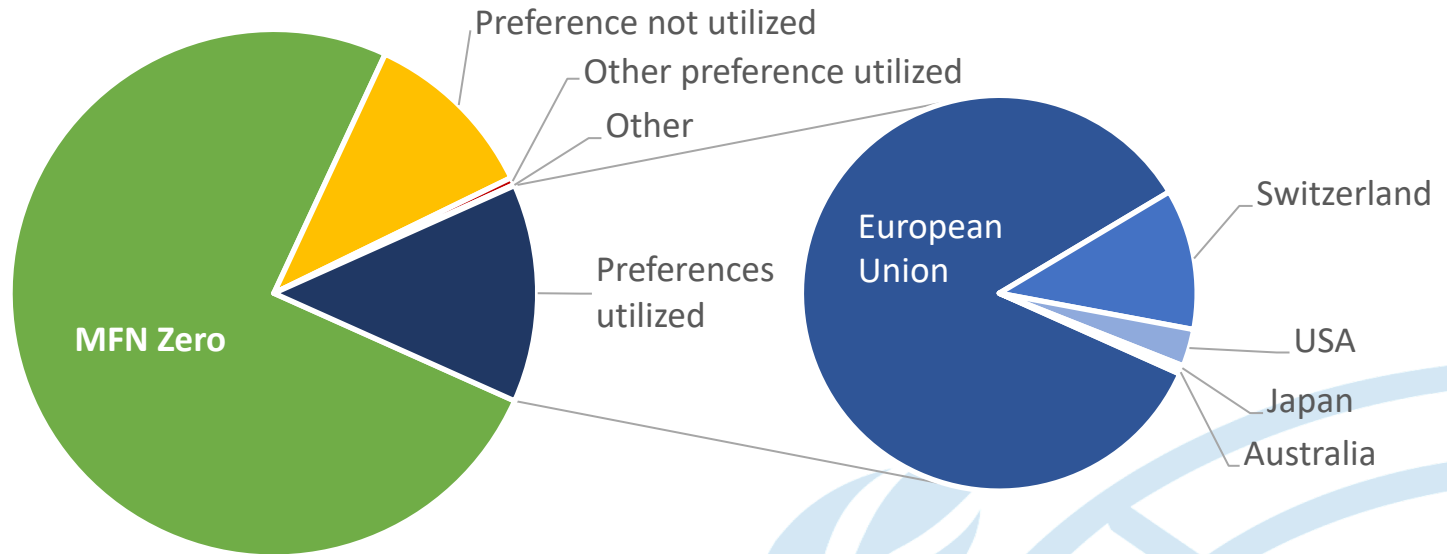
Most developed and many developing countries provide duty-free quota-free (DFQF) access for LDCs

- Often all or almost all tariff lines covered
- Tariff margins can be substantial for agriculture, fish, clothing, etc.

Possible because of specific WTO instruments

Preferential market access for goods - UTILIZATION

Utilization of preferences in 2015, 10 main importers, total US\$ 649m



Limited utilization of tariff preferences

- Exports duty-free in any case (logs)
- Covered by regional trade agreements
- No participation in DFQF schemes
- Rules of origin or other conditions not met

Main utilization: Processed fish and palm oil to EU (Everything-But-Arms initiative)

Preferential market access for goods - RESPONSES

○ Negotiate alternative duty-free access

- Accession to interim Economic Partnership Agreement (EPA) with the European Union underway
 - Note: Automatic 3-year transition of EBA until end 2027
- UK will provide similar EPA after Brexit

○ Rely on existing alternative duty-free access

- SPARTECA, PACER+ with Australia
- General GSP scheme of Switzerland

○ Ignore insignificant tariff increases

- USA preference margin for processed tuna around 0.2 per cent

○ Relevant immediate graduation impacts are already being mitigated

Preferential market access for goods – RESPONSES (cont'd)

● Encourage and monitor utilization of preferences

- Include tariff preferences in export promotion activities
- Negotiate transition periods

● Continue efforts to promote export diversification and value-added generation

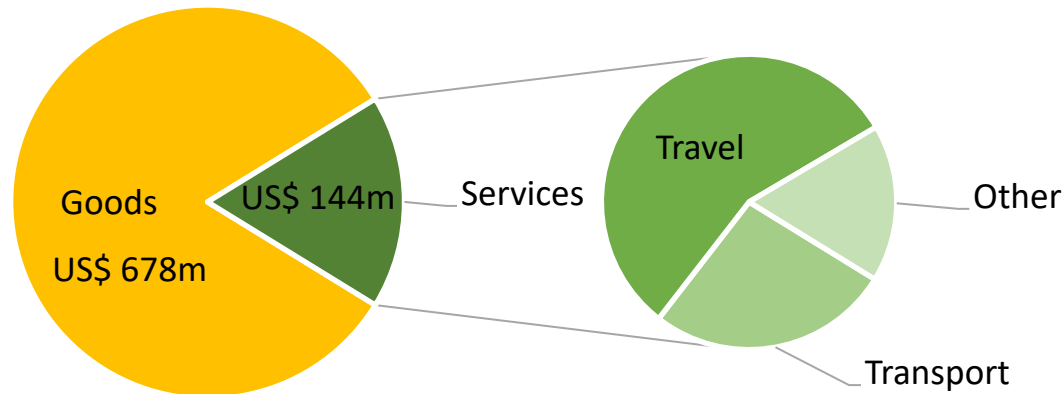
- Implement development strategy
- Mainstream graduation into development and relevant sectoral strategies

● Expand productive capacities for sustainable development

- Build development governance capabilities
- Create synergies between social outcomes and productive capacities
- Establish conducive macroeconomic and financial framework
- Adopt policies for technological upgrading and structural transformation
- Request international support

Preferential market access for services

Exports in goods versus exports in services, in 2018



Tourism most important services export for Solomon Island

- Smaller than in other SIDS
- Priority in development strategy

WTO 'services waiver' allows trading partners to provide preferential access for LDC service exports

- 24 developed and developing countries notified preferences
- Effectiveness of services waiver unclear
- Generally, no market access barriers in tourism

Graduation extremely unlikely to cause effect for Solomon Island

WTO Agreements

Flexibilities in WTO Agreements

○ LDCs are exempted from implementing TRIPS agreement

- Trade Related Intellectual Property Rights
- Currently until 2021 (general)/2033 (pharmaceuticals)
- Exception: Non-discrimination

○ Export subsidies for non-agricultural products permitted

- Not applied by Solomon Islands

○ Trade Related Investment Measures (TRIMS), e.g. local content requirements

- Allowed for LDCs until end 2020
- No LDC has notified any measure

○ Agricultural Agreement

- Certain export subsidies admissible
- Not applied by Solomon Islands

WTO - other aspects

○ No change in concessions and commitments undertaken at the WTO

- No change in tariffs

○ Trade negotiations

- LDC often exempted from tariff reductions
- In fishery negotiations, LDC proposed that LDC transition periods also apply to graduated countries

○ Technical assistance

- LDCs enjoy priority for WTO technical assistance
 - Some loss of entitlement
 - Utilize entitlement until graduation
- Enhanced Integrated Framework (EIF): Aid-for-Trade for LDCs
 - Five year transition periods

○ Addressing graduation challenges at WTO

- Request and negotiate 'waivers' and 'transition periods' if new commitments are binding and relevant

Thank you

Matthias Bruckner
brucknerm@un.org

