



Committee on Trade and Development

**DUTY-FREE AND QUOTA-FREE (DFQF) MARKET ACCESS
FOR LEAST DEVELOPED COUNTRIES**

REPORT BY THE SECRETARIAT¹

1 INTRODUCTION

1.1. The Sixth Ministerial Conference (MC6) held in Hong Kong, China in December 2005 adopted a decision on Duty-Free and Quota-Free (DFQF) market access for least developed countries (LDCs) (Annex F, WT/MIN(05)/DEC). Among others, the decision stipulated that the Committee on Trade and Development (CTD) shall annually review the steps taken to provide DFQF market access to the LDCs, and report to the General Council for appropriate action.

1.2. In the context of further implementation of the decision taken at MC6, the Ninth Ministerial Conference (MC9) held in Bali in December 2013 adopted a decision (WT/L/919) on DFQF market access for LDCs (hereafter, the Bali DFQF Decision), which reiterates that the CTD shall continue to annually review the steps taken to provide DFQF market access to the LDCs, and report to the General Council for appropriate action. To aid in the CTD's annual review, the Bali DFQF Decision also mandates the WTO Secretariat to prepare, in close coordination with Members, a report on Members' DFQF market access for LDCs, at the tariff line level, based on their notifications.

1.3. As was the case in previous years, the present report has been prepared to facilitate the CTD's annual review of steps taken to provide DFQF market access to the LDCs. It updates the report issued in November 2015 and circulated in document WT/COMTD/W/214.

2 METHODOLOGY

2.1. This report is prepared based on Members' notifications to the WTO, pursuant to the Transparency Mechanism for Preferential Trade Arrangements (hereafter, PTA Transparency Mechanism). For the purposes of this report, duty-free coverage of tariff lines is derived on the basis of data furnished by Members to the WTO's Integrated Database (IDB). The duty-free coverage denotes the percentage of tariff lines that are duty free for LDCs in relation to each preference-granting country's total national tariff lines. The duty-free lines for LDCs also include MFN duty-free tariff lines.

3 BACKGROUND ON NOTIFICATION PROCEDURES

3.1. It may be noted that non-reciprocal DFQF or preferential market access schemes of Members in favour of LDCs are dealt with by different legal instruments in the WTO. Developed Members implement DFQF market access to LDC products mainly through their autonomous GSP programmes – which secures legal cover through the Enabling Clause adopted in 1979 (Decision L/4903 on "Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries"). The Enabling Clause notifications are vested in the CTD.

3.2. Developing Members' DFQF/preferential schemes for LDCs are authorized through a Waiver Decision initially adopted by Members in 1999 (WT/L/304), and extended until 30 June 2019 (WT/L/759). The initial notification body for developing Members' preferential schemes is the Council for Trade in Goods (CTG).

¹ This document has been prepared under the Secretariat's own responsibility and is without prejudice to the positions of Members or to their rights and obligations under the WTO.

3.3. In addition to the above, as per the procedure set out in the PTA Transparency Mechanism, a dedicated session of the CTD is envisaged to take up each PTA notified in the CTD, with a view to enhancing its transparency.²

4 DFQF COVERAGE FOR LDCS, AT THE TARIFF LINE LEVEL

4.1 Developed Members

4.1. Since the last report, a few developed Members have submitted notifications or provided updated information on their preference schemes with relevance to the LDCs. In February 2016, the United States (US) submitted a notification regarding its GSP scheme, containing, *inter alia*, changes to country and product eligibility resulting from GSP annual reviews (WT/COMTD/N/1/Add.9). As a result of a recent review, the US has designated five additional cotton products as eligible for duty-free treatment for LDCs only. At the CTD meeting on 8 July 2016, the US informed Members that, as of 1 July 2016, duty-free status has been added for a range of travel goods – including luggage, backpacks, handbags and wallets – for LDC beneficiaries of the US GSP scheme as well as for beneficiaries of the African Growth and Opportunity Act (AGOA) (WT/COMTD/M/99).

4.2. The other progress registered relating to DFQF market access for LDCs concerns the steps taken in the area of preferential rules of origin. In this regard, Japan submitted a notification in November 2015 concerning the simplification of its preferential rules of origin under its GSP scheme (WT/COMTD/N/2/Add.16). A notification was also made by Norway in September 2016 concerning the preferential rules of origin in its GSP scheme (G/RO/N/149). The delegation of the European Union (EU) reiterated at the meeting of the Sub-Committee on LDCs on 24 June 2016 that a system of self-certification of origin in the EU's GSP scheme would enter into force on 1 January 2017 (WT/COMTD/LDC/M/78). The delegations of Norway and Switzerland reported in the Committee on Rules of Origin that they will apply the same self-certification system as of January 2017 (G/RO/79). Pursuant to WTO Ministerial decisions, Members are engaged on preferential rules of origin in the Committee on Rules of Origin.

4.3. The number of dutiable lines in developed markets for LDC products is rather limited, since most developed Members already provide full or significant DFQF coverage to the LDCs. Hence, the scope for additional progress in many developed markets is rather limited.

4.4. A summary of developed Members' DFQF coverage is provided in Table 1. For all developed Members, the coverage is the same or very similar to what was reflected in last year's report.

² It is to be noted that both developed as well as developing Members' DFQF or preferential schemes are also reviewed in the Sub-Committee on LDCs.

Table 1: DFQF access in GSP schemes of developed Members, 2016 or latest available year

Members	Duty-free coverage (major exclusions)	Number of dutiable lines (national tariff lines) ^a	References on notifications
Australia	100%	0	WT/COMTD/N/18
Canada	98.6% (dairy, eggs and poultry)	105	WT/COMTD/N/15/Add.1, WT/COMTD/N/15/Add.2 and WT/COMTD/N/15/Add.3
European Union	98.7% (arms and ammunitions)	118	WT/COMTD/N/4/Add.2, WT/COMTD/N/4/Add.4, WT/COMTD/N/4/Add.5 WT/COMTD/N/4/Add.6 and WT/COMTD/N/4/Add.7
Iceland (2014)	91.8% (meat and dairy products, eggs, vegetables and plants, cereals and starch, other food preparations)	707	WT/COMTD/N/17 and WT/COMTD/N/17/Corr.1
Japan	97.9% (rice, sugar, fishery products, articles of leather)	198	WT/COMTD/N/2/Add.14, WT/COMTD/N/2/Add.15 and WT/COMTD/N/2/Add.16
New Zealand	100%	0	WT/COMTD/27
Norway	100%	0	WT/COMTD/N/6/Add.4, WT/COMTD/N/6/Add.5, WT/COMTD/N/6/Add.5/Corr.1 and WT/COMTD/N/6/Add.6
Russian Federation	37.1% (petroleum products, copper, iron ores, articles of leather, articles of apparel and clothing)	7,307	WT/COMTD/N/42
Switzerland ^b	100%	0	WT/COMTD/N/7/Add.2, WT/COMTD/N/7/Add.3, WT/COMTD/N/7/Add.4 and WT/COMTD/N/7/Add.5
United States	82.6% ^c (dairy products, sugar, cocoa, articles of leather, cotton, articles of apparel and clothing, other textiles and textile articles, footwear, watches)	1,863	WT/COMTD/N/1/Add.7, WT/COMTD/N/1/Add.8 and WT/COMTD/N/1/Add.9

a These tariff lines may vary from year to year due to change in national tariff nomenclature.

b Switzerland and Liechtenstein form a Customs Union.

c The US has reported at CTD meetings that it currently provides 97.6% DFQF access to LDC beneficiaries under AGOA.

Source: WTO Integrated Database

4.5. It may be noted that a few Members maintain multiple non-reciprocal market access schemes benefitting LDCs. For example, AGOA offers non-reciprocal market access to eligible countries in Sub-Saharan Africa, which includes a large number of LDCs. The US provides 97.6% DFQF access for LDC beneficiaries under AGOA. In addition, Haiti benefits from DFQF market access in the US through the Caribbean Basin Trade Partnership Act (CBTPA).

4.6. The review of developed Members' tariff schedules schemes indicate a relatively small number of tariff lines subject to Tariff-rate Quotas (TRQs) for imports from LDCs. TRQs indicated in the Canadian tariff schedule spread over some 84 tariff lines (e.g. dairy, poultry and egg products). There are some 131 tariff lines (e.g. meat, dairy products sugar, cocoa, tobacco) subject to TRQs indicated in the US tariff schedule. It may be noted that while beneficiaries of the US GSP scheme other than LDCs may face automatic limits on the quantity or value of any one product imported under the scheme, the LDCs are not subject to this restriction.

4.2 Developing Members

4.7. Since the last report, two developing Members – namely China and India – submitted notifications containing updated information on their DFQF schemes for LDCs. India's notification,

with information on the product coverage and the rules of origin of its Duty-Free Tariff Preference (DFTP) Scheme for LDCs was circulated in November 2015 (WT/COMTD/N/38/Add.1). The updated information on China's DFQF Programme for LDCs was circulated in November 2016 (WT/COMTD/N/39/Add.2). In addition, Kazakhstan notified its preferential rules of origin for LDCs in October 2016 (G/RO/N/148/Rev.1), and the Secretariat also received preferential tariff data which enabled it to include data on Kazakhstan's duty-free coverage for LDCs in this report.

4.8. So far, six developing Members (Chile, China, India, Korea, Chinese Taipei and Thailand) have notified their DFQF schemes put in place in favour of LDCs. Developing Members are permitted to phase-in their DFQF commitments for LDCs. They have also been accorded flexibility in the coverage of such commitments. The scope and coverage of preferences granted by these developing Members vary from one scheme to another.

4.9. Most of these developing Members grant a significant degree of DFQF access to the LDCs; a number of them have reached or are in the process of attaining comprehensive DFQF coverage for LDCs. For instance, Chile provides nearly full DFQF coverage to the LDCs, with 99.5% DFQF access to the LDCs. At the CTD meeting of 8 July 2016, China reiterated that it presently grants LDCs DFQF market access on 97% of its tariff lines. At the same meeting, India recalled that the DFQF coverage in its DFTP Scheme for LDCs presently stands at 96% of its tariff lines (at the aggregated 6-digit level), with preferential access granted on an additional 2.2% of tariff lines (WT/COMTD/M/99).

4.10. Four developing Members, namely Kazakhstan, the Kyrgyz Republic, Tajikistan and Turkey, have provided preferential tariff data to the IDB, though they are yet to make a notification pursuant to the PTA Transparency Mechanism. Kazakhstan's scheme for LDCs allows duty-free access for 37.4% of its tariff lines. In 2013, the Kyrgyz Republic provided nearly complete duty-free market access to products originating from LDCs. Data provided by Tajikistan indicates some duty-free tariff lines for LDCs in 2014, along with preferential treatment on a large number of tariff lines. The duty-free coverage of Turkey for LDCs stood at 81.7% in 2015.

4.11. A summary of developing Members' DFQF coverage is provided in Table 2. The DFQF coverage indicated in the Table is based on data provided to the IDB.

Table 2: DFQF access under selected developing Members' LDC preference schemes, 2016 or latest available year

Members ^a	Duty-free coverage (major exclusions)	Number of dutiable lines (national tariff lines) ^b	References on Notifications
Chile	99.5% (wheat, wheat flour and sugar)	41	WT/COMTD/N/44 and WT/COMTD/N/44/Add.1/Rev.1
China ^c	-	-	WT/COMTD/N/39, WT/COMTD/N/39/Add.1/Rev.1 and WT/COMTD/N/39/Add.2
India	94.0% (meat and dairy products, vegetables, coffee, tobacco, iron and steel products, copper products)	676	WT/COMTD/N/38 and WT/COMTD/N/38/Add.1
Kazakhstan	37.4% (meat, sugar, industrial products)	7,277	IDB
Korea, Republic of	90.3% (meat, fish, vegetables, food products)	1,184	WT/COMTD/N/12/Rev.1 and WT/COMTD/N/12/Rev.1/Add.1
Kyrgyz Republic (2013)	99.9% (meat, fruits, chemicals, wood and paper, machinery, watches)	15	IDB
Chinese Taipei	31.0%. Some 136 products enjoy exclusive duty-free access, including selected plastic items, raw hides and skins, textile and clothing articles, parts of vehicles, precious stones, etc.	6,159	WT/COMTD/N/40 and WT/COMTD/N/40/Corr.1
Tajikistan (2014)	3.7%. Duty-free access includes live animals, petroleum products, machinery products.	10,553	IDB
Thailand (2015)	74.7% (fish and dairy products, industrial products)	2,421	WT/COMTD/N/46
Turkey (2015)	81.7% (meat, fish, food, steel products, etc.)	3,020	IDB

a This Table has no implications for any matter relating to the level of development of WTO Members.

b These tariff lines may vary from year to year due to change in national tariff nomenclature.

c China has reported at CTD meetings that it has expanded DFQF coverage for LDCs to 97% of its tariff lines, as of 1 January 2015. A notification in this regard was circulated in November 2016 (WT/COMTD/N/39/Add.2). Further, the delegation of China has indicated to the Secretariat that its authorities have been working to submit updated data on preferential duties for recent years.

Source: WTO Integrated Database

4.12. It may be noted that, like some developed Members, a number of developing Members also accord preferences to LDCs through regional or bilateral channels.³

4.13. On the basis of the data available to the Secretariat, a review of developing Members' tariff schedules indicates that there are presently no tariff lines subject to TRQs for imports from LDCs.

5 CONCLUSION

5.1. Efforts continue to be made to advance DFQF market access for LDC products. DFQF market access remains a standing item on the CTD's agenda, and Members have continued discussions on DFQF implementation in the Committee. At the CTD meeting of 8 July 2016, the LDC Group tabled a proposal for a Secretariat study concerning the implementation of DFQF market access for LDC products (WT/COMTD/W/218). A revised proposal (WT/COMTD/W/218/Rev.1) was subsequently circulated for consideration at the CTD meeting of 24 November 2016.

³ For example, unilateral preferences are granted to a number of LDCs under the China-ASEAN FTA framework (WT/TPR/S/300/Rev.1). Similarly, preferential rates are granted by India to South Asian Free Trade Agreement (SAFTA) LDC parties (WT/TPR/S/249/Rev.1; WT/TPR/S/313/Rev.1).

5.2. The above review shows that nearly all developed Members provide either full or significant DFQF market access to LDC products. The exceptions to duty-free treatment relate to a few sectors, and to a limited number of developed Members. The Bali DFQF Decision stipulates that: "Developed-country Members that do not yet provide duty-free and quota-free market access for at least 97% of products originating from LDCs, defined at the tariff line level, shall seek to improve their existing duty-free and quota-free coverage for such products, so as to provide increasingly greater market access to LDCs, prior to the next Ministerial Conference".

5.3. Developing Members, namely: Chile, China, India, Korea, Chinese Taipei and Thailand have notified their individual DFQF schemes to the WTO. Some of these Members provide comprehensive DFQF access to LDCs. In addition, four developing Members (Kazakhstan, the Kyrgyz Republic, Tajikistan and Turkey) offer DFQF market access to LDCs. The Bali DFQF Decision stipulates that: "Developing-country Members, declaring themselves in a position to do so, shall seek to provide duty-free and quota-free market access for products originating from LDCs, or shall seek to improve their existing duty-free and quota-free coverage for such products, so as to provide increasingly greater market access to LDCs, prior to the next Ministerial Conference".

5.4. It is recommended that Members introducing or improving DFQF market access for LDCs provide detailed information to the WTO, pursuant to the PTA Transparency Mechanism. This would enhance transparency on preferences being accorded by Members to the LDCs and would allow this to be included in any future reports by the Secretariat.
