

**Global Trade Preference Reform Working Group:
Issues Being Addressed¹
June 2009**

Background and motivation

Trade preference programs represent a potentially important policy tool for developing countries in their effort to attract investment, diversify their economy, increase exports, accelerate economic growth, and integrate themselves into the global economy.

Trade preference programs of developed economies have not proven to be as effective as they might be in terms of achieving these objectives and recommendations from the Global Trade Preference Reform Working Group on measures to improve and coordinate these programs globally would promote better development outcomes.

A commitment by rich countries to provide duty-free, quota-free access (DFQF) for least developed countries (LDCs) was included in the Millennium Development Goals. That commitment was reaffirmed at the Hong Kong trade ministerial in 2005 but is not part of the Doha Round single undertaking and could be implemented sooner. Moreover, the access should be 100 percent, as promised in the MDGs, rather than the 97 percent proposed by the United States in Hong Kong.

The Hong Kong ministerial declaration also encouraged developing countries “in a position to do so” to extend duty-free, quota-free access to LDCs and India, China, and Brazil have subsequently either implemented preference programs or have indicated an intention to do so. Given the increasing importance of South-South trade, these programs are potentially quite important and adoption of better practices should be encouraged.

The global economic crisis and its severe impact on developing countries adds urgency to the need for reform and provides a unique opportunity to frame trade preference reform as an issue that should be addressed cooperatively by the governments of developed and emerging economies.

The annual G-8/G-20 head of state meetings hosted by the Government of Canada in spring or summer 2010 offer a political platform for the presentation of recommendations from the Working Group and every effort should be made to insert our work in that process.

Potential scope of the work

Some have suggested providing DFQF to a somewhat larger group of countries than just LDCs. Is this feasible and, if so, how should these countries be defined?

¹ *The topics listed in this paper resulted from discussions on the scope of the Global Trade Preference Reform Working Group, during the first meeting on April 23, 2009, in Washington DC (add link to the WG webpage).*

Beyond DFQF for LDCs, broader reforms of trade preference programs that reflect the core principles of harmonization, flexibility, and simplification, especially with respect to rules of origin, are potentially important for all Generalized System of Preferences recipients.

Lessons from regional trade agreements on rules of origin, sectoral coverage (e.g., services and government procurement), and other related provisions may contribute to greater effectiveness of preference programs and should be studied.

Supply side constraints (possibly requiring capacity-building assistance) and non-traditional barriers to market access (such as food safety standards) present serious obstacles to utilizing trade preferences. But there are questions about how and whether to address them in context of, or along-side, preference programs. Are there practical recommendations that this group could develop and promote?

Trade “remedies,” such as anti-dumping and countervailing duties and safeguards, also present obstacles in utilizing trade preference programs. Can relief be provided to the poorest countries, e.g., by exempting them from some of these measures?

Other potential reforms include making preference programs—though not specific country or product eligibility under them—permanent or at least long-term. The EU’s Everything But Arms program for LDCs is permanent but most other preference programs are not. In addition, do criteria for product and country graduation need to be reformed?

Political conditions for eligibility differ widely across preference-granting countries. Is it useful for the group to promote coordination of these conditions and, if so, which ones?