

United Nations Conference on Trade and Development

MULTI-YEAR EXPERT MEETING ON COMMODITIES AND DEVELOPMENT

21-22 April 2016, Geneva

Primary commodity sector and trade policies

By

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Primary commodity sector and trade policies: what policy space under WTO rules?

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What is policy space?

- Defining policy space

the scope for domestic economic policies as framed by bilateral, regional and multilateral commitments

- need for an **appropriate balance** between national policy space and international commitments

- *De jure vs. de facto* policy space

- e.g. legal space for subsidization but budgetary constraints!

How is policy space translated in the WTO framework?

- Special and differential treatment
 - Longer transitional time periods
 - Unilateral non-preferential tariff concessions
 - Exemptions for LDCs
 - Part IV GATT on trade and development
 - Art. XVIII (b) GATT balance-of-payments
 - Art. XVIII (c) infant industry protection
- Flexibility
 - Art. XX GATT general exceptions
 - Art. XXI GATT security exceptions
 - Art. XIX GATT safeguards

What is the problem?

- Beyond-the-border effects of domestic policy space
 - In a context of South-South interdependence, policy space used to pursue legitimate policy objectives in the commodity sector in one developing country may adversely affect other developing countries
- Asymmetries in policy space across developing countries
 - WTO-plus commitments undertaken in accession protocols

An example: the case of export restrictions

- Beggar-thy-neighbour policies or developmental tools?
 - Export restrictions and price spikes: 2007-8 & 2010-11 food crises
 - Export restrictions on industrial raw materials (e.g. Chinese regime on rare earth elements)
 - Undisputed cases? (e.g. revenue-generating export taxes, price stabilization, value addition and local processing?)
- Asymmetry in the treatment of export restrictions in accession protocol provisions of newly acceded WTO Members
 - Not incorporated into GATT schedules except in the case of Russia, technically not export duty concessions!
 - Conditional applicability of GATT general exceptions (see *China – Rare Earths*)

Possible solutions

- Multilateral negotiations of export duty concessions to be incorporated into GATT Schedules
 - The Russian model
 - Specific flexibilities for LDCs and small vulnerable economies
- Incorporation of existing WTO-plus commitments into respective Members' GATT schedules
- Applicability of relevant import-specific GATT economic exceptions
- An export safeguard mechanism based on price and/or quantity triggers
 - Thresholds could be diversified based on specific criteria (development stage, size of exports,)

Key messages

- Policy space in the ‘classical’ sense is explicitly provided for in the WTO legal framework
- Yet, policy space asymmetries among developing countries remain, which may pose problems to the attainment of development goals
- Efforts should focus on those asymmetries, possibly through, *inter alia*, carefully monitoring the WTO accession regime