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