



The Commonwealth

## **INTERNATIONAL TRADE WORKING PAPER**

### **Advancing the Work Programme on Small Economies in the Post-Nairobi Context**

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#### **Abstract**

The paper seeks to identify key issues and priorities for small states in the WTO in relation to advancing the Work Programme on Small Economies (WPSE), of which affirmation was made at the Nairobi Ministerial Conference. The paper provides guidance and policy options for a work programme for small states and explores new approaches to advancing the work to be undertaken.

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## Abbreviations and acronyms

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AAAA	Addis Ababa Action Agenda
AoA	Agreement on Agriculture
COP21	21st yearly session of the Conference of the Parties
CTD	Committee on Trade and Development
DDA	Doha Development Agenda
DFQF	duty-free quota-free
EGA	Environmental Goods Agreement
EU	European Union
GVCs	global value chains
INDCs	Intended Nationally Determined Contributions
ITA-II	Information Technology Agreement
LDCs	least-developed countries
MC10	10th Ministerial Conference
MDGs	Millennium Development Goals
NAMA	Non-Agricultural Market Access
NDCs	nationally determined contributions
SDGs	Sustainable Development Goals
SDT	special and differential treatment
SPS	Agreement on Sanitary and Phytosanitary Measures
SSM	Special Safeguard Mechanism
SVEs	Small Vulnerable Economies
TBT	Agreement on Technical Barriers to Trade
TFA	Trade Facilitation Agreement
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
UNFCCC	United Nations Framework Convention on Climate Change
WPSE	Work Programme on Small Economies
WTO	World Trade Organization

# 1. Introduction

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The Nairobi Ministerial Conference, under the auspices of the World Trade Organization (WTO), resulted in decisions which, to a great extent, sought to support the further integration of least-developed countries (LDCs) into the global trade arena. Although insufficient progress appears to have been made towards fulfilling a development-oriented round of negotiations as espoused through the Doha Development Agenda (DDA), the 10th Ministerial Conference (MC10) made important advancements for LDCs and also kept the hopes of the DDA alive. In the Nairobi Ministerial Declaration Part I, paragraph 2, ministers reiterated the crucial importance of the multilateral rules-based trading system and reaffirmed the principles and objectives set out in the Marrakesh Agreement Establishing the World Trade Organization.<sup>1</sup>

Progress was also made, albeit contained, on matters of importance to developing countries, including the Special Safeguard Mechanism (SSM) for developing countries,<sup>2</sup> public stockholding for food security purposes,<sup>3</sup> elimination of agricultural export subsidies by developed and developing countries,<sup>4</sup> duty-free quota-free (DFQF) market access for cotton for LDCs,<sup>5</sup> and affirmation of the Work Programme on Small Economies (WPSE).<sup>6</sup>

The work of the Commonwealth Secretariat and its support of small states' inclusion in the global trade arena are not limited to or vested in the outcomes of MC10, notwithstanding the importance of the advancements made at that conference. The context within which the Commonwealth Secretariat operates extends beyond the Nairobi outcomes and encompasses the wider and trade-support development needs of small states within the international trading system, including through the WTO's WPSE. The Commonwealth Secretariat's support is also set within the context of activities that support the pursuit of greater resilience of small states and, fundamentally, that aim to achieve sustainable development goals (SDGs),<sup>7</sup> building on gains made towards the Millennium Development Goals (MDGs). The importance of climate change is also fundamental, given, inter alia, the link

between climatic conditions and trade and the inherently vulnerability of small states to climate change. As such, the link between the 21st yearly session of the Conference of the Parties (COP21) to the 1992 United Nations Framework Convention on Climate Change (UNFCCC) outcomes and trade regimes is equally important.

The ongoing evolution of the trading environment, at the multilateral and regional levels, changes in production processes and emerging trade issues are additional factors which aid in defining a work programme for states.

## *Purpose*

The basis of this paper is the Terms of Reference issued by the Commonwealth Secretariat. The paper seeks to identify key issues and priorities for small states in the WTO in relation to advancing the work programme. The paper provides guidance and policy options for a work programme for small states and explores new approaches to advancing the work to be undertaken. It is recommended that a topic-specific approach be taken in analysing the issues of significance to small states, not only at the collective but also at the national level. This will enable the Commonwealth Secretariat to more accurately and deliberately define a work programme that provides targeted interventions to small states.

## *Methodology*

Analytical and policy literature has been reviewed in preparing this concise paper. Central to the identification of issues is the ongoing negotiating agenda within the WTO, including the outcomes of the MC10 held in Nairobi. The identification of interests at the national level was limited owing to time and resource constraints; however, further work should explore an approach that facilitates country- and issue-specific analyses. This will enable the identification of significant offensive and defensive interests and areas of support.

Various policy agendas therefore impact a WPSE within a post-Nairobi context, which

include, but are not limited to, trade, development and environmental policies. As such, issues impacting climate change and develop-

ment agendas are assessed to identify the possible interests of small states.

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## 2. Small states defined

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The paper has adopted a definition of small states consistent with that used by the Commonwealth Secretariat. The definition holds that small states are countries with a population of 1.5 million people or fewer. In addition to the population indicator, the following characteristics are used in defining small states:

- dependence on a narrow range of exports
- high transportation costs as a result of insularity and remoteness
- dependence on strategic imports such as food and fuel
- susceptibility to natural disasters and environmental change
- decline in global trade and investment
- lack of readily available information for investors and trading partners
- limited capacity to harness growth opportunities.

As such, some countries with a population of greater than 1.5 million people are also classified as small states, as they share similar characteristics. These are Botswana, Jamaica, Lesotho, Namibia and Papua New Guinea. Within the scope of a WPSE for the Commonwealth Secretariat, a total of 31 countries are therefore covered by the definition of small states.

Any WPSE must be directed by a firm understanding of the characteristics of the small state in question. Small states are characterised by, *inter alia*, physical isolation and geographical distance to main markets, a lack of adequate market access opportunities for their exports, a high degree of vulnerability and, in some cases, narrow production and export bases, insufficient supply and low levels of competitiveness. It might not be possible or advantageous to have a unitary definition of small states, as this has proven problematic in the past. The trajectory in advocating for attention to the needs of small states has shown that, owing to myriad factors (endogenous and exogenous), small states are

able to define their needs in a manner that is supported by the pertinent challenges that they face. For example, in the context of Non-Agricultural Market Access (NAMA) and agriculture, small states are defined using appropriate indicators. For other disciplines, for example in the context of climate mitigation, trade facilitation or trade financing incentives, different definitions and indicators may be more appropriate in defining a small state. This flexibility needs to be preserved and utilised, and supported by the necessary analytical work.

The various rounds of negotiations in the WTO have been significant for small states, including the Uruguay Round, where small states did not benefit from special and differential treatment (SDT) and undertook the same type of commitments as other developing countries. Small states have, therefore, from the establishment of the WTO, been positioned at a disadvantage relative to other developing countries, including those that have recently been considered major trading economies (included here is a group such as the BRICS: Brazil, Russia, India, China and South Africa). The issue of differentiation of countries within the WTO continues to be an agenda item for particular groups, including Small Vulnerable Economies (SVEs). Despite steady recognition of the special needs of small states in the various rounds of WTO negotiations, the mandate to reflect these needs without creating new or separate sub-categories of WTO members has been maintained. Currently, the formal classification of groups within the WTO divides members into developed countries, developing countries and LDCs. Although there continues to be a distinction between the treatment of LDCs and SVEs within the WTO, challenges to integrating into the global trading system are common to both groups and, as such, although the WPSE will concentrate on matters of significance to this group of countries, the trajectory of the treatment for LDCs is also important.

### 3. Supporting the work programme

#### 3.1 The World Trade Organization's Work Programme on Small Economies

The Nairobi package contains a series of six ministerial decisions, relating to agriculture, cotton and issues of relevance to LDCs. The Nairobi package speaks in specific terms to LDCs and in more general terms to the wider WTO membership, including states that are considered small states and/or SVEs. In relation to the latter, the Ministerial Declaration reaffirmed the commitment of the work under the General Council, through the WPSE, to:

*...continue its work on the challenges and opportunities experienced by small economies when linking into global value chains in trade in goods and services. We request the Secretariat to also conduct work on the challenges small economies experience in their efforts to reduce trade costs, particularly in the area of trade facilitation. Please see paragraphs 1 and 2 of the declaration.*

Importantly, the Ministerial Declaration also reinforces the need to continue monitoring the progress of small economy proposals with the aim of providing responses to trade-related issues.

#### Key issues of the Nairobi Ministerial Conference

1. SSM for developing countries (*without permanent solution*)
2. Public stockholding for food security purposes (*without permanent solution*)
3. Elimination of agricultural export subsidies by developed countries
4. DFQF market access for cotton for LDCs; elimination of export subsidies (*as per schedules*)
5. Reaffirmed WPSE
6. Expansion of Information Technology Agreement (ITA-II)

Various elements of the Nairobi package stand to positively impact small states, by virtue of them being developing countries. These include, inter alia: (i) recourse to an SSM as envisaged under paragraph 7 of the Hong Kong Ministerial Declaration; (ii) the immediate elimination of remaining scheduled export subsidies by developed countries; (iii) the elimination of export subsidy entitlements by developing countries by the end of 2018; and (iv) the continued benefit of the Agreement on Agriculture (AoA) Article 9.4 for developing countries until 2023 (LDCs and net food importing countries until 2030)).

The substantive gains for cotton-producing developing countries is reflected in the Ministerial Declaration on Cotton (WT/MIN(15)/46 WT/L/981), with the granting of DFQF market access for cotton produced and exported by LDCs. Specific consideration in favour of services and service suppliers of LDCs is reflected in Decision WT/MIN(15)/48 WT/L/982. Unfortunately, however, small states may not avail themselves of such preferential treatment.

The main decisions and proposals impacting small states in the WTO have had a consistent trajectory, with the first recognition of marginalisation of 'certain small states' made by ministers in 1998. Substantively, in 2001, through paragraph 35 of the Doha Declaration, ministers agreed to establish a work programme, under the auspices of the General Council, to examine issues relating to the trade of small states. They stated that the objective of the work programme would be 'to frame responses to the trade related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system, and not to create a subcategory of WTO members'. Additional decisions and proposals are outlined in Table 1.

Notwithstanding the continued acknowledgement of the special needs of small states, it can be argued that more concrete steps need to be taken to define how such needs can tangibly be addressed through the WTO. The outcome of the Nairobi Ministerial Conference arguably reflects the need to provide some hope for the

**Table 1. Main decisions and proposals impacting small states in the WTO**

Year	WTO body or reference	Decisions/Proposals
2001	Paragraph 35 of the Doha Declaration – Fourth Ministerial Conference	<ul style="list-style-type: none"> <li>- Examined issues relating to the trade of small states</li> <li>- Framed responses to the trade-related issues identified for the fuller integration of SVEs into the multilateral trading system</li> <li>- Not to create a sub-category of WTO members</li> </ul>
2001	SCM Committee	<ul style="list-style-type: none"> <li>- Adopted a special 'fast-track' mechanism for extensions to be applied to certain programmes from certain developing countries</li> </ul>
2002	General Council	<ul style="list-style-type: none"> <li>- Reaffirmed Doha</li> <li>- Noted framework and procedures for the conduct of the WPSE</li> </ul>
2004	General Council	<ul style="list-style-type: none"> <li>- Reaffirmed Doha</li> <li>- in Paragraph 11 of Annex A of the July 2004 decision, members recognised that 'developing countries that allocate almost all de minimis support for subsistence and resource poor farmers will be exempt'.</li> <li>- Framework and procedures for the WPSE</li> </ul>
	Dedicated sessions	<ul style="list-style-type: none"> <li>- Inclusion of landlocked developing countries</li> <li>- Grandfathering of existing trade preferences into WTO (proposal to use subsidies to increase export performance)</li> <li>- Identify characteristics, challenges and solutions without naming any group of countries</li> <li>- List of 17 specific characteristics of and problems faced by small states</li> </ul> <p>Three-pronged approach<sup>8</sup></p> <ul style="list-style-type: none"> <li>- 12 'elements of responses'<sup>9</sup></li> <li>- Continuation of the 'two-track' approach in which the progress of Agreement-specific proposals tabled in the relevant negotiating and other bodies be monitored by the Committee on Trade and Development (CTD)</li> <li>- New rules for accession procedures; small acceding economies should have to take on only those obligations that are commensurate with their level of development</li> </ul>
2006	CTD dedicated session	<ul style="list-style-type: none"> <li>- Regional bodies to help small states meet their obligations under the Agreements on Sanitary and Phytosanitary Measures (SPS), Technical Barriers to Trade (TBT) and Trade-Related Aspects of Intellectual Property Rights (TRIPS)</li> <li>- Members and the WTO, within its competence, when providing technical and financial assistance to support SVEs in fulfilling their rights and obligations under the agreements concerned, shall consider the advantages of providing that assistance to the regional body where such exists</li> </ul>
2007	Subsidies and Countervailing Measures Committee; adopted by General Council	<ul style="list-style-type: none"> <li>- Beneficiary countries would be given an extension until 2015; strengthened provisions on technical assistance to the beneficiaries; the obligation to inform companies of this decision by the end of 2009 and enhanced notification procedures, including a mid-period road map due in 2010 which would illustrate how the export subsidy component would be phased out</li> </ul>
2011	Geneva Ministerial Conferences	<ul style="list-style-type: none"> <li>- Identification and effects of non-tariff measures on small states</li> </ul>
2015	Nairobi Package – MC10	<ul style="list-style-type: none"> <li>- Reaffirmed the Work Programme</li> <li>- Sixth Ministerial Decision on agriculture, cotton and issues related to LDCs</li> <li>- Elimination of export subsidies and other export competition measures</li> <li>- Expansion of the list of information and technology products for tariff reduction;</li> <li>- Reiterated decision on public stocktaking</li> <li>- Information Technology Agreement (ITA-II)</li> </ul>



DDA by extending concessions to LDCs. Unfortunately, however, no specific and tangible outcome was directed towards small states.

Fundamentally, there is a need for small states to successfully utilise the preferences/SDT agreed by the membership for further integration into the trade arena. Increasing the capacity of small states is therefore a central component of any work programme. Although all proposals advanced are highly valid, an assessment of some proposals points to the need to substantiate the elements being proposed with concrete facts relating to the current impact of measures and expected benefits, including on trade flows. Support to develop research-based proposals will enhance the interests of small states.

### 3.2 Building resilience

This paper recognises the important work that the Commonwealth has been undertaking, for example in realising the strategic outcome of development through the strengthened resilience of small states and SVEs as outlined in the Commonwealth Secretariat's Strategic Plan to 2016/17. The Commonwealth Secretariat's WPSE must, therefore, continue to reflect initiatives to achieve the intermediate outcomes of: (i) international policies, mechanisms and rules being more responsive to small states' development strategies and resilience needs; (ii) small states being enabled to effectively participate in international decision-making processes; and (iii) improved climate financing frameworks.<sup>10</sup>

The development of the Resilience Framework will continue to be crucial for small states to assess, measure, initiate change and monitor progress towards mitigating vulnerability. Economic resilience building is multifaceted and requires a holistic approach. It involves the mainstreaming of resilience-building policies in national plans and strategies as enunciated at the Commonwealth's Third Global Biennial Conference on Small States convened in 2014 which focused, *inter alia*, on building resilience goals into the Post-2015 Development Framework. To this end, it is proposed that support be directed at enabling small states to enhance their resilience by improving their economic, social, political and environmental governance.<sup>11</sup>

### 3.3 United Nations Sustainable Development Goals

The 2030 Agenda, including the SDGs, was adopted in 2015 at the UN Sustainable Development Summit in New York and replaces the MDGs, which expired at the end of 2015. A set of global indicators has been endorsed as the basis for tracking progress towards the UN's 17 SDGs.

A cursory review of the framework identifies five goals which are directly related to trade (see Table 2).

*The Commonwealth aims to be a global player in promoting awareness of these issues, devising strategies for climate change finance and acting as a champion advocating the case of small states and vulnerable states (Commonwealth Strategic Plan 2014/12 to 2016/17)*

The targets and established indicators of the SDGs should influence the identification of a WPSE by the Commonwealth Secretariat. This includes the establishment of targets consistent with SDG targets and corresponding monitoring of the progress towards the goals.

The Addis Ababa Action Agenda (AAAA) (2015) embodies the global framework for financing development post-2015, which aims to establish a 'holistic and forward-looking framework and to commit to concrete actions to deliver on the promise of that [SDG] agenda'.<sup>12</sup> Specifically, the AAAA seeks to, *inter alia*, 'further strengthen the framework to finance sustainable development and the means of implementation for the universal post-2015 development agenda.' The AAAA holds that international trade is an engine for inclusive economic growth and poverty reduction and contributes to the promotion of sustainable development. The implementation of the Bali Package, including the WPSM and ratification of the Trade Facilitation Agreement (TFA), is endorsed by the AAAA. The important role of trade finance in development is reiterated. The AAAA has committed to developing policies that incentivise the creation of new technologies and support innovation in developing countries. In so doing, it agreed to establish a

**Table 2. Sustainable Development Goals and areas of synergy with a Commonwealth Secretariat WPSE**

Goal number	Commitment	Proposed synergy with WPSE (Commonwealth Secretariat)
2	To end hunger, achieve food security and improve nutrition and promote sustainable agriculture. Specifically, 2.b aims to 'correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and all export measures with equivalent effect, in accordance with the mandate of the Doha Development Round.'	Support monitoring the elimination of agricultural export subsidies by developed countries
3	Ensuring healthy lives by, inter alia, providing access to affordable essential medicines and vaccines, in accordance with the Doha Declaration on the TRIPS Agreement and Public Health, which affirms the right of developing countries to use to the full the provisions in the Agreement on Trade-Related Aspects of Intellectual Property Rights regarding flexibilities to protect public health, and, in particular, provide access to medicines for all	Support the implementation of the SDT provisions pertaining to TRIPS, including through regional mechanisms
10	Reduce inequality within and among countries by, inter alia, ensuring enhanced representation and voice for developing countries in decision-making, implementing the principle of SDT for developing countries, in particular LDCs, in accordance with WTO agreements and encouraging official development assistance and financial flows, including foreign direct investment, to states in which the need is greatest, in particular LDCs, African countries, Small Island Developing States and landlocked developing countries, in accordance with their national plans and programmes	Research and analytical and position papers to support small states in developing negotiating briefs and mandates
14	Sustainable development (oceans, seas and marine resources) will be particularly important to small states, the majority of which are island states. The goal seeks to ensure that, by 2020, certain forms of fisheries subsidies which contribute to overcapacity and overfishing are prohibited, and that there is an elimination of subsidies that contribute to illegal, unreported and unregulated fishing. Access for small-scale artisanal fishers to marine resources and markets is also a key objective	Support small states in further analysis to support the call for additional flexibilities Article III of the proposed draft Chair's text on fisheries subsidies, based on the SVEs' proposal (TN/RL/GEN/162/Revision 1). SVEs have indicated willingness to engage in discussions to address matters pertaining to overcapacity and overfishing  Support small states in connecting the discussions on fisheries and climate change
17	The global partnership for sustainable development has as its trade target the promotion of a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the WTO, including through the conclusion of negotiations under the DDA. It also aims to ensure a significant increase in the exports of developing countries, in particular with a view to doubling LDCs' share of global exports by 2020	Provide support for monitoring the implementation of commitments.  Conduct further analysis to support small states in advocating for specific treatment in the DDA as informed by data

Technology Facilitation Mechanism to support SDGs, which will include an online platform,<sup>13</sup> a multistakeholder forum which will provide input for the high-level political forum in the context of further action, review and implementation of the post-2015 development agenda.

The voices of small states within these fora, with the view to participate in framing the agenda, will be important and warrants inclusion of the requisite activities in a work programme to ensure small states' participation.

### 3.4 The 21st Conference of the Parties Climate Agreement

Climate change is significantly impacting the economic, social and environmental landscapes of the international community. Small states are particularly vulnerable given that their export profiles are concentrated in goods and services that are climate sensitive, for example agriculture, fisheries or tourism services. The connection between trade and investment and climate change is clear and requires no justification. The importance of this relationship therefore means that the outcomes of the COP21 need to be taken into account when crafting a work programme for small states to ensure implementation. For developing countries, and small states in particular, the agreement to a bottom-up approach through 'common but differentiated responsibilities and respective capabilities' means that the responsibility of attaining the set targets no longer resides only with developed countries.

The Paris Agreement provides that every country put forward a national contribution every 5 years to reduce greenhouse gas emissions (or update it for countries whose contributions cover a longer period). This contribution should grow over time. Small states will have also defined nationally determined contributions (NDCs) which will be composed of mitigation goals (emissions reduction) and/or adaptation goals. It is worth noting that there is no established process for differentiation in commitments between developing and developed countries. Contributions will be guided by the specific national circumstances of each country. There is an acknowledgement, however, that LDCs and Small

Island States, having limited capabilities, will exercise flexibility in drafting their NDCs.

The 2016 Consultative Meeting of the Commonwealth Expert Group on Trade recognised the likely implications of the outcome of COP21 on trade and trade policies. In light of the importance of climate change and adaptation to small states, it is imperative that consideration is given to supporting the attainment of targets on national and global levels. Small states' involvement in the development of requisite processes to operationalise the Paris Agreement and create an effective climate regime will require additional resources and technical support as yet another layer of critical international co-operation deepens. Increased interaction between the trade and climate regimes will also require small states' participation in crafting trade rules and development support within the WTO.

On 22 April 2016, 171 countries were represented at the UN Headquarters in New York and indicated their intention to sign the Paris Agreement. A limited number signalled their intent to sign and deposit their instrument of ratification on 22 April 2016.<sup>14</sup> Although the signatories became definitive only after 22 April, the high level of commitment demonstrated through the signalled intent points to clear steps towards implementation.

Small states will undoubtedly require assistance with the implementation of the commitments taken. Constant participation in the discussion, particularly where norm-setting takes place, will also be of importance to small states. The Commonwealth Secretariat may benefit from undertaking an assessment of the extent of support from which small states could, individually and collectively, benefit and determining if such support can be extended by the organisation. What is clear, however, is that there is significant interest in small states harnessing resources at a collective level to meet obligations undertaken.

### 3.5 Changing global realities

In addition to the abovementioned global developments, it can be argued that the continued proliferation of RTAs<sup>15,16</sup> will diminish the level of engagement within the multilateral construct. The widening and deepening of mega-regional pacts, such as the Trans-Pacific

Partnership, European Union (EU)–USA Transatlantic Trade and Investment Partnership and, of course, the Economic Partnership Agreements between the EU and African, Caribbean and Pacific Group of States blocs, will undoubtedly produce the trade benefits that were anticipated under the WTO for parties. Furthermore, and while not implying that developed countries will disengage from the multilateral process, their negotiating capital may become diluted as focus is given to bilateral and regional processes. In addition, RTAs consistently include areas that, traditionally, are not included in trade agreements, arguably creating greater value for the parties involved, especially given the slow pace of expansion of disciplines (e.g. the Singapore Issues) within the WTO. The trend within the WTO itself has been one of plurilateral engagement, which may continue to persist in lieu of full disengagement. Therefore, further consideration needs to be given to how small states may identify and be prepared to advance their interests in key issues, including on a plurilateral basis.

The manner in which trade is conducted is another crucial facet of the changing landscape.

Global value chains (GVCs) have altered the production processes with higher levels of interconnectedness. Developing countries stand to increasingly enjoy a ‘piece of the pie’ through specialisation without possessing the spectrum of vertical capabilities, thereby reducing the negative impact of geographic separation. This is of particular importance given the inherent nature of most small states, which suffer from geographic isolation and remoteness. The attending supporting interest, however, is the need to ensure that small states have the human, technological and infrastructure capabilities to facilitate integration into GVCs.

The Commonwealth Trade Review highlights five core priorities: (1) building productive capacity; (2) effectively managing trade policy and negotiations; (3) addressing implementation gaps; (4) promoting private-sector development; and (5) securing a trade-supporting global architecture.<sup>17</sup> Small states, and the support to be extended to them, need to target these priorities in a coherent manner. Interventions need to be streamlined while being sufficiently flexible to respond to evolving interests.

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## 4. Key issues, strategic guidance and policy options

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A conscious decision has been taken to avoid providing a ‘shopping list’ of issues to be pursued by the Commonwealth Secretariat in support of its small state member countries, notwithstanding the fact that there are myriad issues negatively impacting small states’ ability to integrate into the global economy. Issues are divided in two components: (1) enhancing the WPSE; and (2) strengthening the capacity of small states.

### 4.1 Enhancing the Work Programme on Small Economies

The recognition that there are states requiring specific treatment emerged at the 1998 Geneva Ministerial Conference, with ministers expressing concern over ‘certain small economies’ in tandem with concern over the marginalisation of LDCs. Since then, the WTO membership has

steadily expanded on the definition and recognition of the needs of small states, as evidenced by the WPSE, albeit without the creation of a new category.

The WPSE enables this group of developing countries to pursue SDT in the WTO. One challenge faced by small states in the pursuit of SDT is the fact that small states do not constitute a separate sub-category of developing countries in the WTO. Notwithstanding this, within various negotiating groups, differential treatment for small states has been advanced through specific definitions of what constitutes a small state under each of the modalities and negotiating texts. This approach lends itself to a *de facto* subgroup for small states within the WTO architecture and has established precedence in the recognition that states with particular characteristics and problems warrant special consideration and extension of SDT.

SVEs have utilised the provisions of the work programme established by Paragraph 35 of the Doha Ministerial Declaration and reinforced and reiterated in subsequent declarations to continuously define and advocate for SDT commensurate with their levels of development and cognisant of the peculiar challenges faced by these economies. WT/COMTD/SE/W/22/Revision 6, and the further revised document, WT/COMTD/SE/W/22/Revision 7 reflect the various proposals advanced by SVEs. Although the DDA has made very little substantive progress for small states, the round has not precluded motivation of new areas of interest to members, particularly through plurilateral negotiations. It may not be feasible for small states to anticipate including additional interests as the core interests have been repeatedly tabled to the WTO membership. Consideration needs to be given, however, to furthering the advocacy of current issues.

In addition to preserving the differentiated (*de facto*) classification, small states need to ensure that as new work programmes emerge and are defined, appropriate consideration is given to the special treatment for small states as per an appropriate definition.

## 4.2 Pursuit of formal differentiation for small states

The continued pursuit of recognition of the special needs of small states will remain crucial in securing the development aspirations of the DDA. Advocacy for the differentiation of members, beyond the established developed countries, developing countries and LDCs, should remain central to the agenda of small states. This ambition should continue to be mainstreamed in the WPSE and other negotiating groups. Furthermore, small states should maintain consistency in advocating for special recognition in non-WTO fora.

The gains made in the AoA and the NAMA negotiations in relation to defining small states should be preserved and expanded to other negotiating disciplines in an applicable manner. To be eligible as a small state and to qualify for SDT in both NAMA and agriculture, 'the country's average world share between 1999-2004 should not have exceeded 0.16% of global merchandise trade; 0.1% of NAMA trade; and 0.4% of Agriculture trade.'

Notwithstanding the above, one challenge faced by small states in carving a distinct category for the group of countries is the myriad characteristics associated with small states. In addition, the traditional category of 'developed' economy, it can be argued, is essentially defined as countries with relatively high levels of economic growth and security. This has created a 'ring fence' around developed economies, thereby excluding countries such as Brazil, Russia, India, China and South Africa from developed country status, even though China, for example, has become the world's largest exporter and the remaining nations play a significant part in merchandise trade. Essentially, small states are therefore lumped with these much more advanced economies, even though the level of participation of small states in international trade prevents them from being able to distort trade. Proposals have sought to establish this reality by advocating for concessions that will not negatively impact the system.<sup>18</sup> It is proposed that small states should seek to ensure that, instead of focusing on defining a category for these more advanced developing states, they should continue to emphasise the need to craft definitions for small states.

It is highly unlikely that small states will successfully motivate a departure from the DDA and, as such, it is not recommended that negotiating capital be invested in any such agenda. It is important, however, that small states motivate proposals on how the architecture, in its current form, can yield benefits from small states. Therefore, it is recommended that the primary focus be placed on the continuous advocacy for defining small states' needs in negotiating groups, with a secondary emphasis placed on supporting the holistic review of the DDA architecture.

## 4.3 Support for implementation of the Trade Facilitation Agreement

Negotiations for the TFA were concluded in 2013 and will enter into force once two-thirds of the membership (108 members) have notified the WTO of its acceptance. As of April 2016, more than 70 members had notified the WTO of ratification, edging the agreement closer to entry into force. To date, the following small states have submitted ratification notification to the WTO: Mauritius, Botswana,



Jamaica, Trinidad and Tobago, Belize, Togo, Guyana, Grenada, St Lucia, Lesotho and Seychelles. As per the WTO, attaining the full potential benefits of the TFA will require political will over a long-term process of reforms.

The TFA embraces the need for SDT, including through the provision for commitments which are subject to capacity being built. WTO members are required to provide Category A notifications, which they will implement upon entry into force of the TFA (1 year later for LDCs); Category B covers TFA commitments that a developing country or LDC member will implement after a transitional period following the entry into force of the agreement; and Category C covers commitments that a developing country or LDC member will implement after a transitional period following the entry into force of the agreement and which require technical assistance and capacity-building support to implement.

The SDT within the TFA therefore permits developing countries to determine the pace of implementation and to define the implementation of provisions for which technical assistance and capacity building are required. As of 23 March 2016, only 11 small states<sup>19</sup> notified Category 'A' commitments, with only one country, Solomon Islands, having notified all three categories. There remain a number of small states which have yet to define Category A and more which need to determine Categories B and C commitments.

A seminar on the assistance available to support the implementation of the TFA was convened on 4 March 2016 between WTO members, donor members, Annex D+ international organisations and representatives of the private sector, to, inter alia, outline the assistance available to governments to implement required trade facilitation reforms. Emphasis was also placed on new initiatives, such as the Global Alliance for Trade Facilitation, the importance of national focal points and the crucial role of the WTO's TFA Facility.

Developing countries may also avail themselves of additional flexibilities, including the Early Warning Mechanism, the establishment of a group of experts to examine the issue and make a recommendation where a requested extension has not been granted, shifting between categories and grace periods for

Category A provisions under the DSM. In a similar vein, attention needs to be paid, including through a collective approach (such as by the Commonwealth Secretariat), to the transparency provisions of the TFA. Essentially, donors are required to furnish information on their assistance to the WTO Trade Facilitation Committee. Information on the process and mechanisms for requesting assistance, as well as contact points for agencies responsible for providing assistance, should be provided. In addition to directly engaging national governments, the Commonwealth Secretariat also has the opportunity to lend support on a regional basis to assist in the implementation of the obligations arising from the TFA.

The Commonwealth Secretariat's WPSE needs to clearly reflect support for implementation of the TFA. Such assistance can include working the national focal points of governments to access funds which are available through governments, Annex D+ organisations<sup>20</sup> and other funding envelopes. As indicated by Sweden's WTO ambassador, Daniel Blockert, in the 4 March 2016 seminar, 'the challenge for potential recipients is to track down the programmes.'<sup>21</sup> According to the WTO, TFA implementation efforts may need to include evaluations of both implementation costs and economic impacts, including through the development of relevant indicators, collection of data and use of analytical tools.

It is therefore proposed that support by the Commonwealth Secretariat be directed towards assisting small states to define all categories of commitments in the immediate term. This includes clearly identifying the type of assistance needed for Category C commitments, and, fundamentally, ensuring that the capacity-building agenda linked to Category C commitments is realised. The work programme should also include support to small states in accessing funds to support implementation, including evaluations of both implementation costs and economic impacts.

#### 4.4 Continued support for a regional approach for the implementation of obligations

In 2006, the General Council endorsed the proposal for regional bodies to assist small

states to meet their obligations under the SPS, TBT and Trade-Related Aspects of Intellectual Property Rights Agreements. This significant undertaking endorsed the importance of regional groupings and the collaborative approach needed by small states to implement obligations and benefit from commitments undertaken. This endorsement provided further validation of the importance of strengthening the capacity of regional entities to assist individual states, thereby benefiting from collective action and common interests. For Commonwealth small states across Africa (6), Asia (2), the Caribbean and Americas (13), Europe (2) and the Pacific (9), the presence of Regional Economic Communities provides an established institutional framework which can be utilised to provide region- and country-specific support, given that not all small states are at the same level of industrial development and that the need for technical assistance can vary accordingly. The continued evaluation of specific needs will be an important contribution which can be made by the Commonwealth Secretariat in assisting small states as well as in building regional capacity.

#### 4.5 Trade in services

The importance of the services sector to small states need not be reiterated, with the exception of highlighting the growing importance of this sector and the impact of rules that facilitate effective market entry for service suppliers from small states into other markets. The removal of restrictions impacting services trade remains a fundamental offensive interest for small states. Unlike LDCs, small states have not been able to successfully secure special consideration for the treatment of services and service providers in member countries beyond commitments already taken. Special priority for LDCs is embedded within the WTO architecture, including in respect of the liberalisation of market access in sectors and modes of supply of export interest to them. The 2011 decision to grant preferential treatment to services and service suppliers of LDCs<sup>22</sup> was reinforced by the 2013 Bali Decision on the Operationalization of the Waiver.<sup>23</sup> Notwithstanding the design of the architecture to facilitate the provision of preferential treatment, the LDCs' collective

request<sup>24</sup> provided an impetus through decisive requests for the operationalisation of the preferences, pursuant to the Bali Decision. The collective request was informed by 'country studies, research, interviews, experiences, and analysis so far, conducted by the LDC Group in order to identify the sectors and modes of supply of key interest to the LDC Group',<sup>25</sup> emphasising the crucial importance of empirical data and factual analysis in advocating for the extension of preferences.

The starting point for LDCs has been the universally accepted definition of an LDC, which extends beyond the scope of the WTO, thereby providing a greater level of credence to the classification. Notwithstanding this, and although small states have yet to secure a designated category/sub-group within the WTO, small states may need to define themselves more clearly within the context of services, as is similarly done for NAMA and agriculture.<sup>26</sup>

#### 4.6 Environmental Goods Agreement

The Environmental Goods Agreement (EGA) talks were launched in July 2014, and a recent focus of the working group has been the narrowing of the list of products to be covered by the deal. Various proposals have been tabled by the 17 EGA participants.<sup>27</sup> It is anticipated that the EGA will result in the liberalisation of products that impact environmental protection and climate change mitigation. Although the current participants are high- and middle-income countries and include the majority of countries that trade in environmental goods, given the likely impact on matters such as renewable energy, air pollution, energy efficiency and waste management, it is important that small states remain abreast of the discussions relating to an EGA. It is unlikely that small states will benefit significantly from tariff cuts to facilitate market access for environmental goods,<sup>28</sup> however, benefits are more likely to occur when small states seek to gain cheaper technologies by reducing their own tariffs in an effort to support initiatives geared towards addressing environmental challenges. This will become increasingly important as small states seek to mitigate the negative effects of climate change and adopt adaptation measures. Harnessing

and ensuring synergies between policies and mandates impacting environmental goods and services, climate change (e.g. progress emanating from the UNFCCC-COP21) and the transfer of technology (e.g. the WTO Working Group on Transfer of Technology), to name a few, will add significant value to the voices of small states that are affected by the issues. The Commonwealth Secretariat can have a role in this respect and can further support any discussions with small states, including where negotiations may expand to include the setting of standards. In the current context of trade priorities, significant attention to the EGA is not seen as a top priority for a work programme for small states. However, awareness of the trajectory of the process should remain important to small states.

#### 4.7 Climate adaptation and mitigation efforts

The importance of COP21 and the envisaged implementation activities to small states is unequivocal. However, rarely do the resources (particularly human resources) within small states expand at a rate commensurate with the global commitments being undertaken. The result is that trade officials within small states are burdened to remain abreast of developments and, crucially, to map and monitor commitments and the implementation of NDCs. The Commonwealth Secretariat is appropriately positioned to offer support in strategy, advocacy, and the implementation and monitoring of commitments, thereby creating a climate change focal resource to monitor and track the activities surrounding COP21 and wider climate change adaptation and mitigation efforts. It can be anticipated that myriad activities targeted towards implementing COP21 commitments will emerge on the global landscape in the near future. The focal resource can support small states in meaningful participation, for example, in conferences and working group sessions which will define interests and priority areas for implementation.<sup>29</sup>

Small states will also require support for the development and implementation of Intended Nationally Determined Contributions (INDCs).<sup>30</sup> The analysis of issues such as sectoral energy

efficiency measures and regulatory frameworks to increase the resilience of private investments and investments in research and innovation, for example to provide agro-climatic information to agricultural producers, is constantly needed by small states. The Commonwealth Secretariat should seek to include support for COP21 initiatives within its work programme for small states.

#### 4.8 Coherence across development priorities

It is undeniable that there are various global initiatives being pursued which are simultaneously driven by the need to reduce poverty and to achieve sustainable development. The initiatives by international development partners, unilateral government support, philanthropists and civil society, to name a few, continue to be expanded, commensurate with the shared global challenges and also, therefore, demanding more of states in defining their interests, making them known and advocating for solutions that fit their specific challenges. Small states, their capitals and negotiating capacities continue to be stretched, warranting, more than ever, a coherent approach across development priorities.

COP21, the agreed SDGs and commitments on financing for development, and, of course, the ongoing work within the DDA will continue to impact the ability of small states to participate in setting and benefiting from the global rules and implementation efforts. As a priority, the Commonwealth Secretariat may consider extending support to small states to define a comprehensive framework which accomplishes the following:

- i. maps the interface between the obligations of the WTO (DDA), COP21, SDGs and AAA as main global initiatives;
- ii. identifies areas of synergy to support the attainment of the goals set, thereby maximising on resources;
- iii. identifies mainstream goals, objectives and actions within national and regional policies and implementation plans; and
- iv. tracks achievements and measures the impact of the broader goals within the various regimes.



## 5. Recommendations

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The effective design of a work programme for small states needs to take into account the short-, medium- and long-term needs of the countries, both at the national level and collectively as a group of countries. It is imperative that the work programme builds on existing progress being made on key mandates and synergies around similar interests. Due consideration needs to be given to the Commonwealth Secretariat's Strategic Plan 2016/17, ongoing negotiations within the WTO context, deepening and expanding mega-trade agreements and global market and environmental changes.

1. **Issue identification:** although small states share similar challenges which are articulated individually and collectively in various fora, it is essential that specific needs, interests and possible solutions be articulated by countries. An expedient process of identifying and/or endorsing country-specific issues is crucial. It is proposed that the following framework is adopted:
  - 1.1. Commissioning of technical reviews of specific issues and agreed targets. This will facilitate a targeted review of the progress made and the impact on each small state.
  - 1.2. Convening of an annual conference with dedicated sessions on specific issues, thereby enabling the review of progress and identification and definition of an annual road map for technical support.
  - 1.3. Issuing specific ad hoc technical support retained by the Commonwealth Secretariat to lend support to members on an agreed basis.
2. **SDT for small states:** Small states and vulnerable groups have made incremental progress in advocating for SDT. The trajectory of small carve-outs from small states in the various negotiating groups (e.g. NAMA and agriculture) should be replicated in negotiating groups for ongoing and new disciplines as they emerge. This will require support for the following:
  - 2.1. Ongoing development of proposals on the approach and modalities to retain and increase SDT for small states
  - 2.2. Development of concrete proposals on how SDT/flexibilities can be defined as issues develop within the WTO.
3. **Trade facilitation:** There is a significant opportunity for the Commonwealth Secretariat to support small states in:
  - 3.1. Fulfilling the ratification requirements of the TFA, especially in defining Categories 'A', 'B' and 'C'
  - 3.2. Providing technical assistance in monitoring the implementation of the TFA once it takes effect.
4. **Implementation of COP21:** Provide support to small states to:
  - 4.1. Define their INDCs and to develop implementation strategies (such as the development of a model/framework to implement green growth plans and strategies).
  - 4.2. Assist in building national and regional capacities.
  - 4.3. Support the implementation of plans and strategies to achieve INDCs.
  - 4.4. Support the development of climate change and development financing strategies and investment models.
  - 4.5. Support continued engagement of small states in COP21 initiatives, including further work on monitoring the trajectory of the discussions, particularly where standards and norms may become institutionalised.
5. **Mainstreaming SDG targets:** Supporting the development of a coherent agenda for small states at global for a such the UN's conference on Financing for Development can include activities such as:
  - 5.1. Providing support for participation in bodies/working groups/fora which establish the priorities and direct the support for implementation of activities.
  - 5.2. Specifically, the Commonwealth Secretariat should seek to explore how best to support small states in participating in the multistakeholder forum and high-level political forum.
  - 5.3. Supporting the development of a Coherence Framework which assists small states in mapping and aligning targets/commitments (WTO, COP21, SDGs, AAAA).

## Endnotes

- 1 Nairobi Ministerial Declaration, WTO T/MIN (15) December.
- 2 Special Safeguard Mechanism for Developing Country Members – Ministerial Decision of 19 December 2015 – WT/MIN (15)/43 – WT/L/978.
- 3 Public Stockholding for Food Security Purposes – Ministerial Decision of 19 December 2015 – WT/MIN (15)/44 – WT/L/979.
- 4 Export Competition – Ministerial Decision of 19 December 2015 – WT/MIN (15)/45 – WT/L/980.
- 5 Cotton – Ministerial Decision of 19 December 2015 – WT/MIN (15)/46 – WT/L/981.
- 6 Work Programme on Small Economies – Ministerial Decision – WT/MIN (15)/40 – WT/L/975, 19 December 2015.
- 7 See the Nairobi Ministerial Declaration, Part I, paragraph 8.
- 8 In discussing the problems and characteristics of small states, Ambassador Gomi Senadhira (Sri Lanka), proposed using a three-pronged approach to try to classify the characteristics into the following areas: (1) where a WTO solution could be found; (2) areas where WTO solutions may be available but would need to be combined with assistance from other agencies; and (3) areas where a solution would be elsewhere (outside the WTO).
- 9 ‘An Approach to Framing Responses to the Trade-Related Problems of Small Economies’, WT/COMTD/SE/W/13/Revision 1.
- 10 Commonwealth Strategic Plan 2014/12 to 2016/17.
- 11 See Briguglio, L (2014), ‘A Vulnerability and Resilience Framework for Small States’, in Lewis-Bynoe D, *et al.*, *Building the Resilience of Small States: A Revised Framework*, London: Commonwealth Secretariat, 10–76.
- 12 Addis Ababa Action Agenda of the Third International Conference on Financing for Development, 13–16 July 2015, Addis Ababa, Ethiopia.
- 13 As per paragraph 123 of the AAAA, ‘the online platform will facilitate access to information, knowledge and experience, as well as best practices and lessons learned, on science, technology and innovation facilitation initiatives and policies. The online platform will also facilitate the dissemination of relevant open access scientific publications generated worldwide. The online platform will be developed on the basis of an independent technical assessment which will take into account best practices and lessons learned from other initiatives, within and beyond the UN, in order to ensure that it will complement, facilitate access to and provide adequate information on existing science, technology and innovation platforms, avoiding duplications and enhancing synergies.’
- 14 See <http://www.un.org/sustainabledevelopment/blog/2016/04/parisagreementsignatures/>.
- 15 See <http://www4.unfccc.int/submissions/indc/Submission%20Pages/submissions.aspx>.
- 16 As of 2015, over 600 RTAs were notified to the WTO.
- 17 See <http://thecommonwealth.org/commonwealth-unfolding-global-trade-landscape>.
- 18 See, for example, WT/COMTD/SE/W/13/Revision 1.
- 19 These are Antigua and Barbuda WT/PCTF/N/ATG/1, Barbados WT/PCTF/N/BRB/1, Botswana WT/PCTF/N/BWA/1, Dominica WT/PCTF/N/DMA/1, Grenada WT/PCTF/N/GRD/1, Jamaica WT/PCTF/N/JAM/1, Mauritius WT/PCTF/N/MUS/1, Solomon Islands WT/PCTF/SLB/1, WT/PCTF/SLB/1, St Kitts and Nevis WT/PCTF/N/KNA/1, St Vincent and the Grenadines WT/PCTF/N/VCT/1, and Trinidad and Tobago WT/PCTF/N/TTO/1
- 20 World Bank, International Monetary Fund, Organisation for Economic Co-ordination and Development, UN Conference on Trade and Development, World Customs Organization.
- 21 See [https://www.wto.org/english/news\\_e/news16\\_e/fac\\_04mar16\\_e.htm](https://www.wto.org/english/news_e/news16_e/fac_04mar16_e.htm).
- 22 Decision on Preferential Treatment to Services and Service Suppliers of Least-Developed Countries WT/L/847.
- 23 Operationalization of the Waiver Concerning Preferential Treatment to Services and Service Suppliers of Least-Developed Countries WT/MIN (13)/43; WT/L/918.
- 24 Collective Request Pursuant to the Bali Decision on the Operationalization of the Waiver Concerning Preferential Treatment to Services and Service Suppliers of Least-Developed Countries S/C/W/356.
- 25 See Collective Request paragraph 2.2.
- 26 Annex I of the Work Programme On Small Economies Compilation Paper Prepared by The Secretariat WT/COMTD/SE/W/22/Revision 7 defines a small, vulnerable economy as ‘one whose average share for the period 1999-2004 (a) of world merchandise trade does not exceed 0.16% and (b) of world NAMA traded does not exceed 0.10% and (c) of world agricultural trade does not exceed 0.40%.’ There is a noted exclusion of services trade in defining an SVE.
- 27 The current 17 EGA participants are Australia, Canada, China, Costa Rica, the European Union (representing 28 members), Hong Kong Special Administrative Region of the People’s Republic of China, Iceland, Israel, Japan, Korea, New Zealand, Norway, Singapore, Switzerland, Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, Turkey, and the United States of America.
- 28 Further research is needed to measure the current capacity of any small state to export environmental goods.
- 29 See, for example, scheduled meeting: [http://unfccc.int/files/meetings/bonn\\_may\\_2016/session/application/pdf/updated\\_overview\\_schedule\\_with\\_unfccc\\_and\\_special\\_events.pdf](http://unfccc.int/files/meetings/bonn_may_2016/session/application/pdf/updated_overview_schedule_with_unfccc_and_special_events.pdf).
- 30 See INDCs as communicated by parties <http://www4.unfccc.int/submissions/indc/Submission%20Pages/submissions.aspx>.