



**Committee on Trade and Development**

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

**REPORT BY THE SECRETARIAT<sup>1</sup>**

**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.

**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 (The Decision 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 countries' 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 countries' preferential schemes is the Council for Trade in Goods (CTG).<sup>2</sup>

<sup>1</sup> This report has been prepared by the Secretariat on its own responsibility and is without prejudice to the positions of Members and to their rights and obligations under the WTO.

<sup>2</sup> It is to be noted that the substantive consideration of both developed as well as developing countries' DFQF or preferential schemes are undertaken at the Sub-Committee on LDCs.

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.

#### 4 DFQF COVERAGE FOR LDCS, AT THE TARIFF LINE LEVEL

##### 4.1 Developed country Members

4.1. All developed country Members of the WTO offer DFQF market access to the LDCs, and have notified specific GSP schemes for them. Most of these developed Members had notified their DFQF schemes prior to the adoption of the PTA Transparency Mechanism. Also, in most cases, they submit data to WTO's IDB.

4.2. The number of dutiable lines in developed country markets for LDC products is rather limited, since most developed Members provide full or significant DFQF coverage to the LDCs. While there are relatively few dutiable lines for Canada, the EU and Japan, the number is somewhat higher for the United States which grants DFQF access to 82.6% of its tariff lines. The Russian Federation's GSP sub-scheme for LDCs allows duty-free access to 38.1% of its tariff lines. A summary of developed country Members' DFQF coverage is provided below in Table 1.

**Table 1: DFQF access in GSP schemes of developed Members, 2014 or latest available year**

Country	Duty-free coverage (major exclusions)	Number of dutiable lines (national tariff lines) <sup>a</sup>	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	99.0% (arms and ammunitions)	91	WT/COMTD/N/4/Add.2, WT/COMTD/N/4/Add.4, WT/COMTD/N/4/Add.5 and WT/COMTD/N/4/Add.6
Iceland	91.8% (Meat and dairy products, eggs, vegetables and plants, cereals and starch, other food preparations)	707	WT/COMTD/N/17
Japan	97.9% (rice, sugar, fishery products, articles of leather)	197	WT/COMTD/N/2/Add.14 and WT/COMTD/N/2/Add.15
New Zealand	100%	0	WT/COMTD/27
Norway	100%	0	WT/COMTD/N/6/Add.4 and WT/COMTD/N/6/Add.5
Switzerland <sup>b</sup>	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
Russian Federation (2012)	38.1% (exclusions cover a wide range of tariff lines including petroleum products, copper, iron ores, articles of leather, articles of apparel and clothing, etc.)	6885	WT/COMTD/N/42
United States <sup>c</sup>	82.6% (dairy products, sugar, cocoa, articles of leather, cotton, articles of apparel and clothing, other textiles and textile articles, footwear, watches, etc.)	1864	WT/COMTD/N/1/Add.7 and WT/COMTD/N/1/Add.8

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 GSP scheme of the United States expired on 31 July 2013. The US Congress is considering legislation that would extend the authorization of GSP beyond this date.

Source: WTO Integrated Database

4.3. It may be noted that a few Members maintain multiple non-reciprocal market access schemes benefitting LDCs. For example, the US African Growth and Opportunity Act (AGOA) offers non-reciprocal market access to eligible countries in Sub-Saharan Africa, which includes a large number of LDCs. In 2013, the US provided duty-free coverage to 97.5% of its tariff lines to the eligible LDCs under AGOA. In addition, Haiti benefits from preferential market access in the US through the Caribbean Basin Trade Partnership Act (CBTPA).

4.4. 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 94 tariff lines (e.g. dairy, egg, poultry and meat products). There are some 132 tariff lines (e.g. meat, dairy products sugar, cocoa, tobacco, etc.) subject to TRQs indicated in the US tariff schedule. It may be noted that while developing country beneficiaries may face automatic limits on the quantity or value of any one product imported under US GSP scheme, the LDCs are not subject to this restriction.

## 4.2 Developing country Members

4.5. Five developing country Members (namely: Chile, China, India, Korea and Chinese Taipei), so far, have notified their DFQF schemes put in place in favour of LDCs. Developing countries are permitted to phase-in their DFQF commitments for LDCs. They have also been accorded flexibility in the coverage of such commitments. Hence, the scope and coverage of preferences granted by these developing countries vary from one scheme to another. Some of these Members are yet to provide the full listing of preferential duties applicable for the LDCs.

4.6. Most of these developing country Members grant a significant degree of DFQF access to the LDCs. Chile provides comprehensive DFQF coverage to the LDCs, and grants DFQF access on 99.5% of its tariff lines. China, India and Korea also provide significant coverage. As per latest data available to the Secretariat China's DFQF coverage for LDCs was 61.5%, though it has reported in WTO formal meetings that DFQF coverage for LDCs has been extended to 95% of its tariff lines in 2013. Similarly, India has confirmed in WTO formal meetings that it has now (since October 2012) fully phased-in 85% DFQF commitments that it had notified. In addition, recent data provided to the WTO IDB indicates that India's present DFQF coverage for LDCs stands at 94.1% of its tariff lines. Korea offers DFQF access to 90.4% of its tariff lines.

4.7. While Turkey is yet to make a notification pursuant to the PTA Transparency Mechanism, preferential tariff data was available in the IDB for the year 2011. As a result, it has been possible to approximately calculate the duty-free coverage of Turkey for LDCs, which stood at 79.7% in 2011. As has been reported in previous Secretariat notes, Turkey has eliminated duties on imports from LDCs in line with EU's "Everything but Arms" (EBA) initiative. A summary of developing country Members' DFQF coverage is provided below in Table 2.

**Table 2: DFQF access under selected developing countries' LDC preference schemes, 2014 or latest available year**

Country	Duty-free coverage (major exclusions)	Number of dutiable lines (national tariff lines) <sup>a</sup>	References on Notifications
Chile	99.5% (wheat, wheat flour and sugar)	41	WT/COMTD/N/44
China (2013)	61.5% <sup>b</sup> (chemicals, machinery, paper and wood products, cotton, textiles, steel products, etc.)	3170	WT/COMTD/N/39 and WT/COMTD/N/39/Add.1/Rev.1
India	94.1% (Meat and dairy products, vegetables, coffee, tobacco, iron and steel products, copper products, etc.)	674	WT/COMTD/N/38
Korea, Republic of	90.4% (meat, fish, vegetables, food products, etc.)	1180	WT/COMTD/N/12/Rev.1 and WT/COMTD/N/12/Rev.1/Add.1
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. The exclusions cover a wide range of products.	6159	WT/COMTD/N/40
Turkey (2011)	79.7% (meat, fish, food, steel products, etc.)	2384	-

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

b China has extended DFQF coverage for LDCs to 95% of its tariff lines in 2013. It has reported in WTO meetings that an updated notification in this regard would be submitted soon.

Source: WTO Integrated Database

4.8. In addition to the above developing countries, Brazil had announced at the WTO Ministerial Conference in 2009 that it would grant DFQF access for products from LDCs. It may be noted that,

like some developed Members, a number of developing country Members also accord preferences to LDCs through regional or bilateral channels.<sup>3</sup>

4.9. The review of developing country Members' tariff schedules also indicate a low number of tariff lines subject to TRQs for imports from LDCs. In the case of China, LDCs enjoy preferential market access for some 47 tariff lines within the quota limits. TRQs are also identified in Korea's tariff schedule for some 20 tariff lines, though these are not specific for LDC beneficiaries.

## 5 CONCLUSION

5.1. 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 current DFQF coverage for LDCs under the US' GSP scheme is 82.6%. The DFQF coverage in Russian Federation's GSP sub-scheme for LDCs was 38.1% in 2012. This may be viewed in the context of the Bali DFQF Decision which 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".

5.2. As noted earlier, five developing countries (namely Chile, China, India, Korea and Chinese Taipei) have notified their individual DFQF schemes to the WTO. The degree of DFQF market access provided by these schemes is, in most cases, significant. This may be viewed in the context of the Bali DFQF Decision which 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".

5.3. 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.

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<sup>3</sup> For example, unilateral preferences are granted to a number of LDCs under 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 members (WT/TPR/S/249/Rev.1).