

Small Vulnerable Economy Issues and the WTO

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1 Introduction

Since the second Ministerial Conference of the WTO¹ held in Geneva in 1998 there has been an attempt by small vulnerable economies² to achieve some measure of recognition of the particular problems that confront them in the process of globalisation. At the failed Seattle Ministerial Conference the establishment of a work programme for small economies was agreed to by members,³ but as the draft text was not accepted it was left until the fourth session in Doha before a small economies work programme was agreed.⁴

This paper addresses several issues pertaining to the apparent contradiction in the wording of the work programme agreed to at Doha, which on the one hand mandates Members to frame responses to trade concerns of small, vulnerable economies, but on the other prohibits the creation of a sub-category of states. The relevant paragraph of the Ministerial Declaration was a political compromise between the small economy proponents of the WTO work programme and developed countries, which insisted on the definitional caveat. It has created a conundrum of sorts for negotiators, as it seems impossible to target responses to the concerns of a group that is yet to be defined or recognised because WTO Members have consistently refused to recognise SVEs as a distinct category. While the creation of a WTO sub-category of members is explicitly prohibited in the work programme, this does not nullify the right of any WTO member or group of members to make a proposal during negotiations that includes such a group of countries.

The paper seeks to review the concerns and specificities of small states, thereby highlighting the peculiarities and natural disadvantages that inhibit the ability of SVEs to thrive, and at times survive, in the multilateral trading context. It then considers the implicit definitions and other sub-categorisations relating to smallness already existing in various WTO Agreements, as well as in its administrative practice. The paper argues that small states have many characteristics that are similar to, but sufficiently distinct from, that of least developed countries (the only formally recognised sub-group in the WTO) which warrants special treatment of them in the WTO.⁵

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However, the paper argues that such special treatment can begin only with a definition, which it goes some way to advance. Lastly, the authors briefly examine the discussions currently taking place in WTO sessions pursuant to the work programme, which underscores the intense discomfort that some WTO members may feel with the creation of new categories. Irrespective of this stated uneasiness, the paper argues that they have already created such categories during the Uruguay Round and must do so implicitly or explicitly if they are to address the legitimate trade concerns of small vulnerable states.

2 Small States, Globalisation and the WTO

Prior to any discussion of the definitional issue, the first question that must be answered is why SVEs require particular attention in the WTO. SVEs comprise small states and small island states which in particular suffer from a combination of inherited and inherent characteristics that impede their ability to integrate into the global economy. These characteristics include smallness, physical isolation from markets, dispersion of small pockets of populations and a small and high specialised human and physical resource base. These together raise the operating cost structure of small economies and render market adjustment more difficult. The high-cost structure that has traditionally been associated with these economies has meant that many have predicated their export trade upon products or services where the export price includes either market or institutionalised quasi-rents, as few other activities have proven viable for these very small producers. These market-based quasi-rents have been based either on short temporary booms which have facilitated resource extractive activities and created transitory rents, or on short-term niche markets. The institutional sources of quasi-rent have stemmed from trade preferences, tax concessions or sovereignty-based activities.

Historically, SVEs have become dependent upon these forms of export-oriented activities primarily because few other exports ever developed. Merchandise exports in particular have been based on high rates of trade preference resulting from high MFN tariffs, or preference donors have created quota based systems such as the Sugar and Banana Protocols. It is these particularly distorting trade measures that are most beneficial to SVEs because they offer guaranteed access under quota for what are often small volumes that would otherwise not be traded. In so doing these measures have addressed the marketing constraints faced by SVEs.

Over the seven years since the creation of the WTO, these high rates of trade preference along with the tariff quotas have been diminished by a series of disputes and ongoing negotiations that have shaken the foundation of small vulnerable economies. These include:

- i) The Banana Dispute which has not only caused a major restructuring in the

Caribbean and parts of Africa but is forcing a complete realignment of trade regimes throughout the ACP regions and necessitating reciprocity in the ACP-EU trade relationship;

- ii) The Sugar Dispute between Brazil/Australia/Thailand and the EU over subsidies in the EU sugar regime will force similar adjustment in at least 12 small ACP states that have been substantial beneficiaries of the Sugar Protocol of the Cotonou Agreement;
- iii) The Thailand-Philippines/EU mediation over margins of preference for canned tuna has further eroded the competitive position of a number of small states including Mauritius, Papua New Guinea, Fiji and Seychelles;
- iv) The Fisheries Subsidies negotiations threaten to undermine the revenue of small coastal developing states which are highly dependent upon fisheries access arrangements;
- v) The full implementation of the provisions of the Agreement on Subsidies and Countervailing Measures (ASCM) will by 2008 undermine the ability of many small developing countries to use their current range of export incentives in the Export Processing Zones.

Nonetheless, the economic adjustments and loss of quasi-rents in export-oriented activities brought by these changes in the WTO are not the only cause for concern. In addition, the OECD's Harmful Tax Initiative has served to undermine the development of offshore finance centres located predominantly in small states which have used this sector to diversify away from the high trade preference dependent activities. Thus the international trade policy shift that has occurred in recent years has served to thoroughly undermine the export sector of small states.

In fact, no other group of developing countries, including LDCs, has been obliged to undertake such wide-ranging adjustments necessitated by the last decade of globalisation. This is the reason for the particular problems of small states which, in the WTO context, include:

- i) Loss of trade preferences stemming from MFN liberalisation and WTO disputes.
- ii) Application of rules, including those of the ASCM, in a manner that does not recognise the inherent economic characteristics of small states.
- iii) Implementation of complex and burdensome WTO obligations which are beyond the scope of small states with very small administrations.

3 WTO Precedents on Sub-categorisation of Members, including Small Economies

WTO provisions have created a number of sub-categories of Members and in the process have set precedents that may be useful for present purposes. These usually constitute provisions on special and differential treatment for small Members or small suppliers, although it is noteworthy that preferential treatment is not true in all cases. For instance, small Members pay proportionately higher contributions to the WTO budget than larger Members. This has been justified from the earliest days of the GATT 1947 by the cost to the organisation of providing services to Members.

MFN treatment and non-discrimination among its Members are among the most basic principles of the WTO. However, there is an increasing amount of trade being carried out on the basis of exceptions to these basic rules and which allow for differentiation among Members. For instance, there are provisions permitting free-trade areas and customs unions or preferences for developing countries and LDCs. Tulloch has also drawn attention to the fact that special characteristics, interests and concerns of various groups of countries, other than developing countries or least developed countries, are recognised and accommodated in some of the WTO Agreements.⁶

LDCs constitute the only sub-category of WTO Members that is clearly agreed and defined. The WTO has agreed that the LDCs are those countries designated as such by the United Nations and which are Members of the WTO. As this grouping is clearly defined, LDCs are specifically referred to and granted special and differential treatment in many WTO Agreements, including the Decision on Measures in Favour of Least Developed Countries appended to the Final Act of the Uruguay Round.

Apart from these references to LDCs, the WTO also recognises other sub-groupings within the broader category of developing countries. This has often been done either explicitly or implicitly through the creation of *de minimis* thresholds that in effect distinguish small states and often entitles them to special and or preferential treatment. This is reflected in the following WTO Agreements and practices:

- (a) The Agreement on Agriculture and its related Decision contain special provisions for net food-importing developing countries.⁷ Article 6:2 also contains special provisions for low-income or resource-poor producers in developing countries, which are aimed at encouraging diversification from growing illicit narcotic crops.⁸
- (b) The ASCM also grants developing countries with a per capita GNP below US\$1,000 the same treatment as least developed countries in respect of export subsidies.⁹ Other developing countries are granted a transitional period to phase out their export subsidies on non-agricultural products, unless they have reached export competitiveness in particular products. Furthermore, the Agreement

defines export competitiveness to exist if a developing country Member's exports of the product in question have reached a share of at least 3.25 per cent in world trade in the relevant period.¹⁰ The agreement also provides for the termination of any countervailing duty investigations as soon as the authorities determine that the volume of subsidised imports represents less than 4 per cent of the total imports of the like product in the importing Member concerned.¹¹ Significantly, at the Doha Ministerial Conference, while explicitly rejecting the creation of new category of small states, another *de minimis* threshold was established for defining the conditions under which developing country members may obtain an extension of the rights to use prohibited export subsidies.¹²

- (c) The Agreement on Implementation of Article VI of GATT 1994 provides that the volume of dumped imports shall normally be regarded as negligible if the volume of dumped imports from a particular country is found to account for less than 3 per cent of imports of the like product in the importing Member, unless the countries which individually account for less than 3 per cent of the imports of the like product in the importing Member collectively account for more than 7 per cent of imports of the like product in the importing Member.¹³ The Agreement also provides that due account shall be taken of any difficulties experienced by interested parties, in particular small companies, in supplying information.¹⁴
- (d) The Agreement on Safeguards lays down that safeguard measures shall not be applied against a product originating in a developing country Member as long as its share of imports of the product concerned in the importing Member does not exceed 3 per cent, provided that the developing country Members with less than 3 per cent import share collectively account for no more than 9 per cent of the total imports of the product concerned.¹⁵
- (e) The Agreement on Textiles and Clothing lays down that meaningful improvement in access for exports of Members are subject to restriction and must account for 1.2 per cent or less of the total volume of restrictions applied by the importing Member concerned.¹⁶ Special and differential treatment provisions under the agreement provide for Members whose total volume of textile and clothing exports is small in comparison with the total volume of exports of other Members and who account for a small percentage of total imports of that product into the importing Members.¹⁷ Furthermore, special consideration is to be given to wool products from wool-producing country Members whose economy and textiles and clothing trade are dependent on the wool sector, whose total textile and clothing exports consist almost exclusively of wool products, and whose volume of textile and clothing trade is comparatively small in the markets of the importing Member.¹⁸

- (f) In the Doha Declaration dealing with Technical Co-operation and Capacity-Building, Ministers agreed that priority shall be accorded to small, vulnerable, and transitional economies, as well as Members and observers without representation in Geneva.¹⁹ Members with a relatively small share of world trade are subject to less frequent review of their trade regime under the Trade Policy Review Mechanism.²⁰
- (g) The rules setting contributions to the WTO budget, drawn up under Article VII of the Agreement establishing the organisation, provide that each Member's contribution is a function of its share of world trade. However, these rules provide that Members with less than 0.015 per cent of world trade should pay a minimum contribution of 0.015 per cent of the budget (this figure has been modified on a number of occasions in the past and was reduced from 0.03 per cent from the budget year 2000).

4 A Small Matter of Definition

While WTO members have been emphatic in their opposition to the creation of a separate category of SVEs and have frequently restated their support for the principles of non-discrimination, they have nonetheless systematically created at least seven *de minimis* thresholds in various agreements and administrative arrangements, which reveals a preference for rules dependent upon the size of the particular member. As mentioned above, the difficulty arises because the mandate undertaken by WTO members is to '... frame responses to the trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system ...' Clearly such responses, if they are to involve any derogation from or alteration of existing WTO rules, will by definition require WTO Members to differentiate between those members to which the derogation or alteration of obligations applies and those outside that group. However, because WTO members went on to say that they would not create a new sub-category of WTO Members, the Doha mandate creates an impossible conundrum for policy makers and negotiators

In fact, should WTO Members desire it, the task of defining SVEs is far from impossible. Quite inadvertently, WTO Members may have in fact, created a defined, albeit imperfect, category of 'vulnerable' states. The ECOSOC definition of an LDC, the only category of WTO members officially recognised, is defined by resort to three criteria, one of which is the UN Economic Vulnerability Index (EVI). If a country's rating on the EVI is greater than 31 then it is deemed to be vulnerable. If it is greater than 36, then a country is deemed to be highly vulnerable. In order to be an LDC, a country must rank above 36. Unfortunately only 128 UN Members have been classified on the EVI. The first 96 countries on the list in Annex 2 of this paper would qualify as 'vulnerable' using this criterion. However, one limitation of the list is that,

while EVIs have been calculated for 128 countries, the list does not include all WTO Members and acceding countries, notably transition economies.

For expository purposes, one could use a trade criterion of 0.05 per cent of world trade for measuring 'smallness'. This threshold would categorise some 86 WTO Members as small. In total these 86 states account for 1.5 per cent of world trade and if the trade of least developed countries is subtracted then the total amount of world trade potentially affected by the WTO recognising small economies, as a group, is a mere 1.1 per cent. (See Annex 2.)

Unfortunately, if individual thresholds are chosen some anomalies would be created. This is because at least five countries, namely Cyprus, Malta, Iceland, Singapore and Lichtenstein are either small or vulnerable economies. This could be resolved, however, if EU members are excluded on the basis that any criteria would be restricted to developing countries. In this way, Cyprus, Malta and Lichtenstein would be excluded. In addition, if one uses both filters, i.e. 'small' and 'vulnerable', Iceland and Singapore would also be excluded.²¹ Notably, the Doha Ministerial mandate uses both these terms in its language.

This raises the question of the choice of thresholds for the definition of small. There is little doubt that the threshold chosen for expository purposes is *ad hoc* in nature. There is and can be no legitimate theoretical explanation for the choice of 0.05 per cent as a threshold except for the purely practical consideration that it excludes the most egregious anomalies, something that that would be necessary in order to satisfy WTO Members that a trade advantage was not being offered to high-income developed countries. In defence of such an *ad hoc* approach to the definition of small, one need look no further than WTO practice itself, as WTO Members in the past have never provided a justification for the particular choice of *de minimis* thresholds in any of the WTO Agreements

For the moment, this definitional debate could be largely academic because, as will be seen below, the demands currently being made by SVEs in WTO negotiations may not as yet require a formal definition *per se*. However, the emerging situation and debate suggests that it may soon be necessary for proponents of a definition to develop at least the contours of a working definition in order to address more specifically the economic and trade concerns of Members. Significantly, given the above precedents, there are a host of possible definitions and approaches to the issue that can be employed depending upon the circumstances.

5 Small Economy Issues in the Dedicated Sessions of the WTO

Discussions concerning small economies in the WTO have taken place in four dedicated sessions of the Committee on Trade and Development (CTD). This Committee was entrusted with the task of ensuring compliance with and completion of the Doha mandate regarding small economies.²²

The dedicated sessions have shown the small economies representatives to be the agenda-setters, as they have taken the lead in initiating and steering discussions thus far. In particular, a grouping of SVEs²³ has submitted papers and tabled various proposals specific to their circumstances. In their first paper, the SVEs underscore the characteristics that make them vulnerable, and the implications that these characteristics have on their trade and development.²⁴ In sessions of the CTD, SVE representatives have also recounted their day-to-day hardships in trying to operate in a multilateral trading context. Although the developed countries have been generally supportive of these papers and have encouraged the sharing of individual experiences, they have at times raised the definitional issue, with the wearying precaution that the mandate clearly restricts sub-categorisation of the kind that SVEs appear interested.²⁵

The actual proposals tabled by SVEs thus far address concerns of smaller economies generally and are relatively modest in scope.²⁶ They are expressly intended to complement others submitted in specific negotiating groups (see Annex 1). Their coverage is both procedural and substantive in nature, and they are generally aimed at improving administrative procedures for SVEs, as well as attempting to refashion current rules to better suit and accommodate their needs. Developed countries have in general been amenable to the former, but as regards the rule-based proposals, they have indicated discomfort with the idea of changing rules to address the need of a sub-category of WTO Members.²⁷ Many SVEs have however indicated their intention to present, and have proposals accepted, as a packaged and all-inclusive deal.

Not surprisingly, one of the proposals seeks to retain the margins of preferences for small economy exports. However, this has led to some contention within the small economies camp, and in particular to concern from some Latin American countries, who self-define as small economies, and who would want existing preferences extended to all small economies. A number of the proponents of the proposal, however, feel that such a blanket application to all self-professed small economies would have the effect of diluting any advantage or benefit to SVEs. This would be an area where a definition could be helpful.

Less contentious were proposals on Article XXIV and Regional Trading Arrangements, which seek to ensure non-reciprocity in regional trade agreements between developed and small economies. Small economies have proposed that sufficient space for policy development specific to their needs should be retained in the WTO, and that developed countries do not require concessions in negotiations that are inconsistent with the developmental, financial and trade needs of smaller economies.

Most proposals are aimed at improving the way in which the rules of various WTO Agreements work and affect small economies. One such proposal regarding the ASCM seeks to ensure that small economies are not made subject to the provisions of paragraph 1(a) of Article 3 of the ASCM requiring phasing out of fiscal incentives. The proposal further provides that the rules and procedures of the Agreement be

modified for small economies. However, developed countries have generally not seen the need for such special treatment of smaller economies, arguing that current procedures are working well, and that any special consideration would encourage sub-categorisation of the kind prohibited under the mandate. Other more administrative proposals which call for the explicit recognition of the right of small economies to designate regional bodies as their 'competent authorities' for the purposes of that Agreement, have been more generally supported by developed countries, with some instances of voluntary pledges for the provision of technical assistance. A similar proposal in the context of the SPS and TBT Agreements, has likewise been welcomed, and developed countries have been generally supportive of any requests for technical assistance in the establishment of joint and shared missions for current non-resident Members.

Proposals for the revision of some rules in the Safeguard Agreement for small economies, including those relating to the definition of domestic industry, serious injury, investigations, reporting requirements, the causation and non-attribution principle, and the right of compensation and/or retaliation were not embraced by developed countries who drew attention to the fact that Article XIX of the Agreement already catered for developing countries. The proponents have, however, responded that the rules of the Safeguards Agreement entail cumbersome administrative procedures, which would need to be simplified for smaller economies.

There have also been proposals for developed countries to assist small economies in complying with their obligations under the SPS and TBT Agreements through: (1) the use of the former's technology and technical facilities on preferential and non-commercial terms, preferably free of costs; and (2) appropriate flexibility for small economies in dealing with time-frames and notifications requirements. Again, developed countries have reacted to these proposals negatively by suggesting that technical regulation was also a problem for them, and smaller economies could focus instead on the notification requirements of these Agreements. Some developed countries have even suggested the increased use of electronic technology, for example, in accessing such notifications. According to smaller economies, however, the plight of the developed countries was not comparable to that of smaller developing ones, and flexibility needed to be incorporated into the time-frame and notification requirements.

Proposals on the dispute settlement body were met with comments from developed countries that many of the issues raised were already being discussed in the context of special and differential treatment in DSU negotiations. The proponents expressed their awareness and intention to participate concurrently in these discussions as well. On issues of graduation and accession of small economies from LDC status, there is general agreement that these issues would have to be considered to develop acceptable guidelines and procedure for small economies.

The proponents of all of these proposals have attempted to make them the basis of

recommendations to the General Council,²⁸ as required under the mandate. However, lack of consensus, particularly by developed countries, on the suitability and workability of some proposals and on the issue of how to prevent the creation of a two-tier system of rights and obligations within the WTO, has prevented the forwarding of the proposals.

Conclusion

The present discussions in the WTO underscore the discomfort among developed countries with the idea of explicitly recognising a sub-category of smaller economies and further SVEs. However, it is hard to surmise how execution of the mandate in paragraph 35, requiring the framing of trade-related responses to the problems of smaller vulnerable economies, can occur without the logical first step of defining and clarifying what a small vulnerable economy is. The existence of clear precedents in the text and practice of the WTO exposes the possibility, and indeed desirability, of doing so once the requisite political will exists. In order for small states within the WTO to gain any measure of success in current trade negotiations, they must first and foremost achieve recognition as a separate sub-grouping within the Membership of the WTO.

Annex 1

Table of Other Negotiating Proposals Made or to be Made in Favour of Small Developing States in the WTO

Subject Area/ Relevant WTO Agreement	Background	Content of Proposal
Fisheries Subsidies (ASCM, including Article XVI GATT GATT 1994: GATT Agreement on Subsidies and Countervailing Measures Article 1, Article 3.1, Article 27, Article 6, Annex VII)	<p>SVEs have relatively high dependence on domestic and export fisheries. Large exporting countries seeking negotiations of fisheries subsidies on basis that subsidies have harmful effect on sustainable fish catches.</p> <p>SVEs fisheries' interests extend to the following main areas: revenue generation from access fees: domestic and foreign fishers operating for export in the EEZ and territorial sea, artisan fisheries within their territorial sea</p>	Ensure that Article 1 of the ASCM is clarified to explicitly exclude certain types of assistance from definition of subsidy: (including, access fees and development assistance, fiscal incentives to domestication and fisheries development, artisanal fisheries)
TRIPs (Article 67)	<p>Due to limited capacity many SVEs are unable to implement complex rules and procedures in TRIPs.</p> <p>Article 67 of TRIPs makes provision for developed countries to assist with such implementation, upon request. However, SVEs often have problems even identifying their needs to make such requests, nor do they have the ability to implement this agreement.</p>	Explicit recognition that SVEs may designate regional body as competent authority for implementation of the TRIPs Agreement. This should be assisted by developed countries through the provision of technical and financial assistance
Regional Trade Arrangements (RTAs) (in particular, Article XXIV and Enabling Clause, para.3 Understanding on the Interpretation of Article XXIV GATT 1994)		Provisions in Article XXIV to be interpreted to incorporate incomplete reciprocity for SVEs as contained in Enabling Clause. In particular, to incorporate notion of flexibility in 'substantially all trade' in Article XXIV:8 – to accommodate asymmetric liberalisation between developing countries with less than average of 0.05% of world merchandise export (in last five years) and developed countries, suitable to the circumstances of SVEs.

Subject Area/ Relevant WTO Agreement	Background	Content of Proposal
Regional Trade Arrangements (contin.)		<p>Flexibility to entail:</p> <p>1) Asymmetry in timetabling of tariff reduction and elimination during transitional periods.</p> <p>2) Any FTAs involving SVEs and Developed countries (as referred to above) should be 'exceptional' case and 'reasonable length of time' to be 25 years.</p>
Trade Preferences – Part IV of GA TT 1994 and Enabling Clause	<p>SVEs are particularly trade preference dependent. The erosion of trade preferences jeopardises the future of small vulnerable economies in critical areas such as agriculture and manufacturing. Current WTO negotiations and rules threaten these arrangements.</p>	<p>'Grand fathering' of existing margins of trade preferences for products and small economies accounting for less than 3.25% of world trade.</p>
<p>Agreement on Subsidies and Countervailing Measures (ASCM):</p> <p>Article XVI GATT 1994, ASCM Article 27, Annex VII, Doha Ministerial Declaration (c)</p>	<p>SVEs suffer from the combined effect of diseconomies of scale caused by their small size and physical isolation which together necessitate compensatory measure to offset these inherent cost disadvantages. Moreover without these compensatory measures SVEs will be unable to attract investment.</p> <p>WTO provisions 'recognize that subsidies may play an important role in economic development programmes of developing country members' and provide flexibility for certain developing countries in the application of subsidies. The agreement does not grant the necessary flexibility to small vulnerable economies. Moreover, existing fiscal incentives are required to be phased out under current WTO rules.</p>	<p>SVEs shall be granted a permanent exemption from the provisions of paragraph 1 (a) of Article 3, (ASCM)</p> <p>SVEs should be allowed the provision of subsidies to reduce the cost of marketing exports of non-agricultural products, (including export promotion and advisory services) including handling, upgrading and other processing costs of international transport and freight.</p> <p>SVEs should be allowed to provide internal transport and freight charges on export shipment, provided or mandated by governments on terms more favourable than for domestic shipments for non-agricultural products.</p>

Subject Area/ Relevant WTO Agreement	Background	Content of Proposal
Agreement on Agriculture (Article 9)	<p>SVEs suffer from the combined effect of diseconomies of scale caused by their small size and physical isolation which together necessitate compensatory measures to offset these inherent cost disadvantages. Moreover without these compensatory measures SVEs will be unable to attract investment.</p> <p>WTO provisions 'recognise that subsidies may play an important role in economic development programmes of developing country members' and flexibility for certain developing countries in the application of subsidies. The agreement does not grant the necessary flexibility to small vulnerable economies. Existing fiscal incentives are required to be phased out under current WTO rules.</p>	Permanent exemption from the reduction commitments in Article 9 in the Agreement

Annex 2

Total Trade in Goods and Services Sorted by average percentage share, 1998–2000

Country	1998 (US\$ m)	1999 (US\$ m)	2000 (US\$ m)	Average	Average share 1998–2000 (%)
1 United States	1,995,459	2,140,380	2,472,460	2,202,766.33	15.42
2 Germany	1,218,840	1,234,558	1,254,113	1,235,837.33	8.65
3 Japan	798,199	858,549	986,299	881,015.50	6.17
4 United Kingdom	768,695	785,237	825,536	793,155.93	5.55
5 France	731,704	727,349	732,608	730,553.77	5.11
6 Italy	579,021	562,534	582,028	574,527.63	4.02
7 Canada	495,867	542,234	611,711	549,937.23	3.85
8 Netherlands	470,123	478,530	498,210	482,287.47	3.38
9 Hong Kong, China	421,225	414,030	480,701	438,651.93	3.07
10 China	370,790	410,582	529,792	437,054.73	3.06
11 Belgium	348,938	350,891	369,704	356,511.06	2.50
12 Spain	320,745	338,836	351,379	336,986.63	2.36
13 Korea, Rep. of	271,556	314,496	397,768	327,940.23	2.30
14 Mexico	266,941	304,037	371,196	314,058.00	2.20
15 Taipei, Chinese	249,946	267,659	326,699	281,434.67	1.97
16 Singapore	242,905	262,601	314,723	273,409.57	1.91
17 Switzerland	227,374	224,514	227,770	226,552.40	1.59
18 Sweden	192,021	201,625	203,029	198,891.60	1.39
19 Austria	186,779	192,644	192,737	190,719.97	1.34
20 Malaysia	150,633	171,972	206,268	176,291.13	1.23
21 Ireland	177,698	154,761	166,780	166,412.80	1.16
22 Russian Fed.	161,701	137,624	178,007	159,110.67	1.11
23 Australia	149,809	156,840	168,397	158,348.67	1.11
24 Denmark	122,920	132,072	141,222	132,071.20	0.92
25 Thailand	114,216	127,543	153,201	131,653.27	0.92
26 Brazil	131,701	117,513	135,585	128,266.33	0.90
27 India	104,162	113,484	135,728	117,791.47	0.82
28 Norway	107,252	109,576	124,058	113,628.80	0.80
29 Indonesia	98,397	97,629	125,587	107,204.33	0.75
30 Turkey	109,261	93,734	112,557	105,184.00	0.74
31 Saudi Arabia	79,745	91,292	121,052	97,363.37	0.68
32 Poland	95,059	90,360	103,368	96,262.33	0.67
33 Finland	88,571	86,083	92,189	88,947.67	0.62
34 Portugal	78,805	79,802	79,092	79,233.00	0.55
35 Israel	67,768	76,919	91,433	78,706.37	0.55
36 Philippines	76,572	75,732	77,673	76,658.87	0.54
37 United Arab Emirates	67,950	70,100	79,701	72,583.77	0.51
38 Czech Rep.	67,449	66,978	73,113	69,179.83	0.48
39 South Africa	66,972	63,614	69,247	66,610.93	0.47
40 Argentina	69,339	60,067	63,246	64,217.40	0.45
41 Hungary	53,811	55,677	63,849	57,778.93	0.40

Country	1998 (US\$ m)	1999 (US\$ m)	2000 (US\$ m)	Average	Average share 1998–2000 (%)
42 Greece	41,026	60,336	70,741	57,367.60	0.40
43 Luxembourg	43,203	48,099	52,062	47,787.95	0.33
44 Venezuela	38,898	38,720	53,649	43,755.67	0.31
45 Chile	40,285	37,228	43,059	40,190.67	0.28
46 Egypt	32,738	35,636	39,291	35,888.33	0.25
47 Ukraine	36,449	32,295	37,055	35,266.33	0.25
48 New Zealand	31,701	34,354	35,050	33,702.00	0.24
49 Colombia	30,648	27,180	29,941	29,256.17	0.20
50 Viet Nam	25,473	27,641	34,475	29,196.33	0.20
51 Nigeria	23,120	25,754	37,125	28,666.10	0.20
52 Slovak Rep.	28,338	25,210	28,685	27,410.77	0.19
53 Algeria	22,114	24,781	34,119	27,004.43	0.19
54 Kuwait	23,071	24,148	31,619	26,279.33	0.18
55 Romania	22,259	21,197	26,132	23,196.00	0.16
56 Slovenia	22,516	21,906	22,071	22,164.27	0.16
57 Morocco	20,646	21,806	22,438	21,629.77	0.15
58 Pakistan	21,031	20,351	22,030	21,137.33	0.15
59 Croatia	19,210	17,909	18,262	18,460.07	0.13
60 Dominican Republic	16,298	17,169	19,697	17,721.50	0.12
61 Tunisia	17,327	17,763	17,624	17,571.50	0.12
62 Peru	17,949	16,477	18,048	17,491.33	0.12
63 Kazakhstan	14,601	13,670	19,259	15,843.43	0.11
64 Panama	16,947	14,785	15,767	15,832.93	0.11
65 Bangladesh	13,273	14,578	16,259	14,703.23	0.10
66 Costa Rica	13,903	15,342	14,732	14,659.10	0.10
67 Belarus	15,203	13,039	15,721	14,654.10	0.10
68 Oman	12,645	13,273	17,696	14,538.07	0.10
69 Sri Lanka	12,341	12,290	14,430	13,020.10	0.09
70 Bulgaria	11,932	12,321	14,614	12,955.50	0.00
71 Libyan Arab Jamahiriya	13,137	11,624	13,607	12,789.10	0.09
72 Qatar	8,823	10,360	13,687	10,956.77	0.08
73 Angola	8,141	10,614	13,652	10,802.10	0.08
74 Ecuador	11,624	9,441	10,885	10,649.97	0.07
75 Lithuania	11,354	9,528	10,912	10,598.03	0.07
76 Syrian Arab Republic	9,183	10,227	11,818	10,409.33	0.07
77 Cuba	8,982	9,589	10,495	9,688.67	0.07
78 Bahrain	7,946	9,005	11,587	9,512.27	0.07
79 Estonia	8,786	8,098	9,735	8,872.87	0.06
80 Côte d'Ivoire	9,434	9,293	7,649	8,791.87	0.06
81 Guatemala	8,442	8,419	9,361	8,740.87	0.06
82 Jordan	8,605	8,298	9,037	8,646.33	0.06
83 Macau, China	7,995	8,158	9,453	8,535.37	0.06
84 Lebanon	8,946	8,119	8,369	8,478.00	0.06
85 Cyprus	8,323	8,333	8,575	8,410.37	0.06

	1998 (US\$ m)	1999 (US\$ m)	2000 (US\$ m)	Average	Average share 1998–2000 (%)
86 El Salvador	7,524	7,822	9,242	8,195.80	0.06
87 Uruguay	8,571	7,472	7,877	7,973.07	0.06
88 Jamaica	7,358	7,420	7,851	7,543.13	0.05
89 Paraguay	8,645	6,732	6,241	7,205.97	0.05
90 Uzbekistan	6,817	6,347	7,594	6,919.10	0.05
91 Latvia	6,973	6,454	7,077	6,834.67	0.05
92 Malta	6,165	6,611	7,507	6,760.77	0.05
93 Trinidad and Tobago	6,066	6,414	7,506	6,661.73	0.05
94 Iceland	5,993	6,174	6,368	6,178.40	0.04
95 Zimbabwe	5,679	5,896	6,644	6,073.07	0.04
96 Kenya	6,309	5,706	6,184	6,066.20	0.04
97 Ghana	5,963	6,264	5,657	5,961.17	0.04
98 Yemen	4,574	5,411	7,510	5,831.80	0.04
99 Honduras	5,187	5,227	5,714	5,376.13	0.04
100 Mauritius	5,219	5,446	5,312	5,325.63	0.04
101 Brunei Darussalam	4,748	5,383	5,740	5,290.57	0.04
102 Bosnia & Herzegovina	4,979	5,467	5,412	5,285.87	0.04
103 Botswana	4,801	5,525	5,435	5,253.37	0.04
104 Bahamas	4,556	4,881	5,613	5,016.50	0.04
105 Gabon	4,245	4,511	5,066	4,607.20	0.03
106 Cameroon	4,154	4,727	4,889	4,589.97	0.03
107 Myanmar	4,477	4,206	4,762	4,481.87	0.03
108 Papua New Guinea	3,963	3,975	4,669	4,202.50	0.03
109 Namibia	3,493	3,625	4,087	3,735.00	0.03
110 Azerbaijan	3,414	3,171	4,107	3,564.03	0.02
111 Congo	2,656	3,384	4,576	3,538.60	0.02
112 TFYR Macedonia	3,433	3,337	3,824	3,531.33	0.02
113 Bolivia	3,522	3,269	3,498	3,429.53	0.02
114 Tanzania, United Rep.	3,373	3,298	3,290	3,320.53	0.02
115 Senegal	3,047	3,171	2,982	3,066.60	0.02
116 Sudan	2,542	2,387	3,829	2,919.47	0.02
117 Nicaragua	2,447	2,819	2,888	2,718.13	0.02
118 Barbados	2,595	2,695	2,832	2,707.17	0.02
119 Nepal	2,343	2,763	2,967	2,690.87	0.02
120 Cambodia	2,243	2,511	3,248	2,667.20	0.02
121 Uganda	2,581	2,524	2,574	2,559.67	0.02
122 Congo, Dem. Rep. of	2,609	2,176	2,053	2,279.33	0.02
123 Swaziland	2,387	2,197	1,973	2,185.93	0.02
124 Zambia	2,173	2,046	2,177	2,132.03	0.01
125 Fiji Islands	1,846	2,060	2,405	2,103.83	0.01
126 Madagascar	1,821	1,953	2,530	2,101.40	0.01
127 Mozambique	1,663	2,061	2,174	1,965.73	0.01
128 Georgia	1,983	1,634	1,852	1,823.13	0.01
129 Albania	1,222	1,618	2,168	1,669.20	0.01
130 Moldova, Rep. of	2,013	1,383	1,602	1,666.10	0.01
131 Haiti	1,488	1,650	1,692	1,609.93	0.01

	1998 (US\$ m)	1999 (US\$ m)	2000 (US\$ m)	Average	Average share 1998–2000 (%)
132 Guinea	1,605	1,533	1,568	1,568.80	0.01
133 Tajikistan	1,392	1,429	1,879	1,566.90	0.01
134 Mali	1,512	1,630	1,546	1,562.93	0.01
135 Guyana	1,485	1,414	1,471	1,456.80	0.01
136 Armenia	1,344	1,281	1,484	1,369.67	0.01
137 Kyrgyz Rep.	1,521	1,222	1,215	1,319.33	0.01
138 Benin	1,305	1,425	1,215	1,314.90	0.01
139 Mongolia	1,204	1,178	1,410	1,264.13	0.01
140 Togo	1,188	1,065	1,361	1,204.77	0.01
141 Malawi	1,238	1,267	1,083	1,195.87	0.01
142 Lao People's Dem. Rep.	1,057	1,016	1,217	1,096.63	0.01
143 Lesotho	1,156	1,035	1,016	1,069.00	0.01
144 Burkina Faso	1,150	1,009	883	1,014.07	0.01
145 Antigua and Barbuda	952	997	947	965.47	0.01
146 Seychelles	880	977	994	950.00	0.01
147 Suriname	968	849	907	907.97	0.01
148 Maldives	833	892	904	876.40	0.01
149 St Lucia	799	821	782	800.43	0.01
150 Belize	693	791	882	788.53	0.01
151 Mauritania	831	748	781	786.77	0.01
152 Chad	800	752	765	772.17	0.01
153 Niger	768	656	639	687.80	0.00
154 Gambia	558	524	550	544.13	0.00
155 Grenada	409	478	530	471.90	0.00
156 Djibouti	434	464	495	464.10	0.00
157 Cape Verde	411	469	447	442.30	0.00
158 Rwanda	430	455	434	440.03	0.00
159 Central African Republic	443	398	411	417.23	0.00
160 St Vincent and the Grenadines	400	412	375	395.63	0.00
161 Bhutan	332	371	436	379.50	0.00
162 Solomon Islands	407	411	273	363.97	0.00
163 St Kitts and Nevis	336	358	391	361.70	0.00
164 Dominica	300	326	312	312.93	0.00
165 Vanuatu	261	255	294	270.30	0.00
166 Burundi	230	178	193	200.40	0.00
167 Samoa	204	200	187	196.83	0.00
168 Sierra Leone	166	150	238	184.70	0.00
169 Guinea-Bissau	92	135	171	132.83	0.00
170 Tonga	123	124	145	130.73	0.00
171 Federal Rep. of Yugoslavia	–	–
172 Andorra	–	–
173 Liechtenstein	–	–
Total	13,441,042	13,905,731	15,511,380	14,286,051.25	100.0000

Source: World Trade Organisation, statistics used for calculation of budget contributions.

Annex 3

United Nations Economic Vulnerability Index, sorted by vulnerability

S. No.	Country	EVI
1	Kiribati	74.32
2	Tuvalu	73.68
3	Chad	64.41
4	Liberia	63.62
5	Gambia	61.83
6	Cambodia	61.00
7	Saudi Arabia	60.01
8	Sao Tome and Principe	59.07
9	Niger	58.98
10	Benin	58.68
11	Tonga	58.63
12	Nigeria	58.41
13	Somalia	58.04
14	Seychelles	57.02
15	St Lucia	56.99
16	Cape Verde	56.98
17	Uganda	56.52
18	Dominica	56.05
19	Guinea-Bissau	55.91
20	Rwanda	55.85
21	Qatar	55.84
22	Equatorial Guinea	55.81
23	United Arab Emirates	55.55
24	Comoros	55.36
25	Angola	55.19
26	Libyan Arab Jamahiriya	54.01
27	Solomon Islands	53.93
28	Lesotho	53.11
29	Samoa	52.45
30	Dem. Rep. of the Congo	51.89
31	Zambia	51.82
32	St Vincent and the Grenadines	51.65
33	Burundi	51.55
34	Guyana	51.41
35	Brunei Darussalam	51.07
36	Syrian Arab Republic	51.04
37	St Kitts and Nevis	50.26
38	Iran (Islamic Rep. of)	50.00
39	Gabon	49.96
40	Myanmar	49.82
41	Mongolia	49.73
42	Yemen	49.54
43	Oman	49.05
44	Mali	48.41
45	Bahrain	48.15

S. No.	Country	EVI
46	Congo (Republic of)	46.90
47	Djibouti	46.60
48	Sierra Leone	46.30
49	Guinea	45.77
50	Laos	45.65
51	Haiti	45.61
52	Dominican Republic	45.54
53	Bahamas	45.37
54	Togo	45.30
55	Afghanistan	44.89
56	Burkina Faso	44.58
57	Ethiopia	44.58
58	Sudan	44.45
59	Suriname	44.28
60	Grenada	43.67
61	Nicaragua	43.16
62	Ghana	43.13
63	Paraguay	43.05
64	Central African Republic	42.43
65	Bhutan	42.27
66	Lebanon	41.90
67	Malawi	41.57
68	Cuba	41.50
69	Mauritania	41.42
70	Papua New Guinea	41.40
71	Vanuatu	41.31
72	Algeria	41.30
73	Antigua and Barbuda	41.20
74	Tunisia	41.08
75	Zimbabwe	40.94
76	Senegal	40.86
77	Belize	40.47
78	Trinidad and Tobago	39.03
79	Malta	38.98
80	Fiji Islands	37.39
81	Mozambique	37.36
82	Barbados	36.54
83	Nepal	36.37
84	Tanzania (United Republic of)	36.23
85	Honduras	35.73
86	Mauritius	35.21
87	Swaziland	35.02
88	Morocco	33.82
89	Venezuela	33.79
90	Côte d'Ivoire	32.81
91	Democratic People's Republic of Korea	32.31
92	Maldives	32.18
93	Cameroon	31.59

S. No.	Country	EVI
94	Jamaica	31.18
95	Singapore	31.02
96	Viet Nam	31.02
97	Cyprus	29.87
98	Ecuador	29.40
99	Panama	28.89
100	El Salvador	28.36
101	Kenya	27.75
102	Jordan	27.70
103	Bolivia	27.24
104	Eritrea	27.06
105	Madagascar	26.75
106	Sri Lanka	26.18
107	Peru	26.13
108	Guatemala	25.99
109	Chile	25.09
110	Philippines	25.00
111	Egypt	24.85
112	Colombia	24.28
113	Uruguay	24.09
114	Costa Rica	23.99
115	Bangladesh	23.77
116	Israel	23.35
117	South Africa	22.43
118	Pakistan	22.21
119	Turkey	19.33
120	Thailand	17.92
121	Indonesia	17.38
122	Malaysia	16.55
123	Korea (Republic of)	16.09
124	Mexico	15.47
125	Argentina	15.22
126	Brazil	15.20
127	India	12.20
128	China	4.18

Source: United Nations, Economic and Social Council

Notes

1 Ministerial Declaration, Second Session, Ministerial Conference of the World Trade Organization WT/MIN(98)/DEC/1, 25 May 1998, (98-2149), Geneva, 18 and 20 May 1998, adopted on 20 May 1998, para 6 :

'We remain deeply concerned over the marginalization of least-developed countries and certain small economies, and recognize the urgent need to address this issue which has been compounded by the chronic foreign debt problem facing many of them.

2 The authors are keenly aware that there is a substantial difference between small states and small economies. Small economies include the self-selected group of WTO members which includes countries as large as Sri Lanka, Cuba and Bolivia which are not necessarily small states. Small economies often do not face the constraints imposed by very small administrative capacity to implement the WTO Agreements. Employing the World Bank/Commonwealth criteria of a population of 1.5 million would have excluded these larger countries. The WTO mandates and nomenclature refer to small economies but the problems addressed in this paper refer to the problems of small states, which are usually more vulnerable and have vastly different problems, both economically and administratively, to some of the larger 'small economies' that are members of the small economies group at the WTO. For the purposes of this paper, reference to small states, as distinct from small economies, will be to small vulnerable economies.

3 The later versions of the draft text of the Seattle Ministerial Declaration contained no square brackets in the section pertaining to small economies but the draft ministerial declaration was not endorsed by WTO Members.

4 Ministerial Declaration, Fourth Session, Ministerial Conference of the World Trade Organization, WT/MIN(01)/DEC/1, 20 November 2001, (01-5859), Doha, 9 - 14 November 2001, adopted on 14 November 2001, para. 35.

'We agree to a work programme, under the auspices of the General Council, to examine issues relating to the trade of small economies. The objective of this work is 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 sub-category of WTO Members. The General Council shall review the work programme and make recommendations for action to the Fifth Session of the Ministerial Conference.'

5 The category of least developed country is defined by the UN's Economic and Social Commission and is external to the WTO. The category of developing country is determined in the WTO by self election which has meant that until very recently high income countries such as South Korea, Israel and Singapore have chosen to define themselves as developing countries.

6 Tulloch, Peter. 'Small Economies in the WTO' in David Peretz, Rumman Faruqui and Eliawony J. Kisanga, 'Small States in the Global Economy', Commonwealth Secretariat and World Bank, 2001, p. 258.

7 Agreement on Agriculture, Article 16.

8 Agreement on Agriculture, Article 6.2.

9 Agreement on Subsidies and Countervailing Measures, Article 3 and Annex VII.

10 Agreement on Subsidies and Countervailing Measures, Article 27.6.

11 Agreement on Subsidies and Countervailing Measures, Article 27.10.

12 Procedures for extensions under Article 27.4 for certain developing country members G/SCM/39, 20 November 2001. The provisions state:

Programmes eligible for extension pursuant to these procedures, and for which members shall therefore grant extensions for calendar year 2003 as referred to in 1(c), are export subsidy programmes (i) in the form of full or partial exemptions from import duties and internal taxes, (ii) which were in existence not later than 1 September 2001, and (iii) which are provided by developing country members (iv) whose share of world merchandise export trade was not greater than 0.10 per cent, (v) whose total Gross National Income ("GNI") for the year 2000 as published by the World Bank was at or below US \$20 billion, (vi) and who are otherwise eligible to request an extension pursuant to Article 27.4, and (vii) in respect of which these procedures are followed.

13 Agreement on Implementation of Article VI of GATT, Article 5:8.

14 Agreement on Implementation of Article VI of GATT, Article 6.

15 Article 9, Agreement on Safeguard.s

16 Agreement on Textiles and Clothing, Article 2.

17 Article 6:6(a).

18 Article 6:6(b).

19 Ministerial Declaration WT/MIN(01)/DEC/1, 20 November 2001, paragraph 38.

20 GATT 1994, Annex 3 Trade Policy Review Mechanism, para. C(ii).

21 It should be noted that the UN has not classified Iceland on the vulnerability index and if it were included

then given its dependence on a very narrow range of exports it may also have an EVI classification above 31.

22 See the Framework and Procedures of the Work Programme given to the CTD on 1 March by the General Council, at WT/L/447. This requires the CTD *inter alia* to conduct these discussions in scheduled Dedicated Sessions; to report regularly to the General Council, which has overall responsibility for ensuring that responses to the trade related concerns identified in these Dedicated Sessions are arrived at; and where necessary to work with the other relevant subsidiary bodies of the WTO. The WTO Secretariat is also instructed to provide relevant information and factual analysis to inform discussions taking place in these Dedicated Sessions.

23 These include Barbados, Belize, Bolivia, Cuba, Dominican Republic, El Salvador, Fiji Islands, Guatemala, Haiti, Honduras, Jamaica, Mauritius, Nicaragua, Papua New Guinea, Paraguay, St Lucia, Solomon Islands, Sri Lanka, Trinidad and Tobago.

24 See WT/COMTD/SE/Rev 1*, dated 3 May 2002.

25 See in this regard, minutes of the Dedicated Sessions, available at WT/COMTD/SE/M/1,2,3 and 4.

26 The proponents of this submission were Barbados, Belize, Bolivia, Dominican Republic, Guatemala, Honduras, Mauritius and Sri Lanka. See WT/COMTD/SE/W/3 for entire exposition of these proposals, and the backgrounds informing them.

27 The general response to these proposals has been encouraging and supportive, with a few pointed questions being asked in particular by the developing countries in dedicated sessions. Notably, the US has tendered a written questionnaire to the proposal's proponents, in which they have sought clarification and further information on the proposals. The full version of the questions posed by the United States, and the responses received from the proponents of the proposal are available at WT/COMTD/SE/W/7.

28 This request is contained in the Communication.