

Global System of Trade Preferences among Developing Countries (GSTP)

Briefing for Paraguay

20 April 2023

1. Background, Principles and Structure



Background

Origin

- Conceived by G77 as a **platform for South-South trade cooperation**.
- Negotiated within UNCTAD and established in 1989.

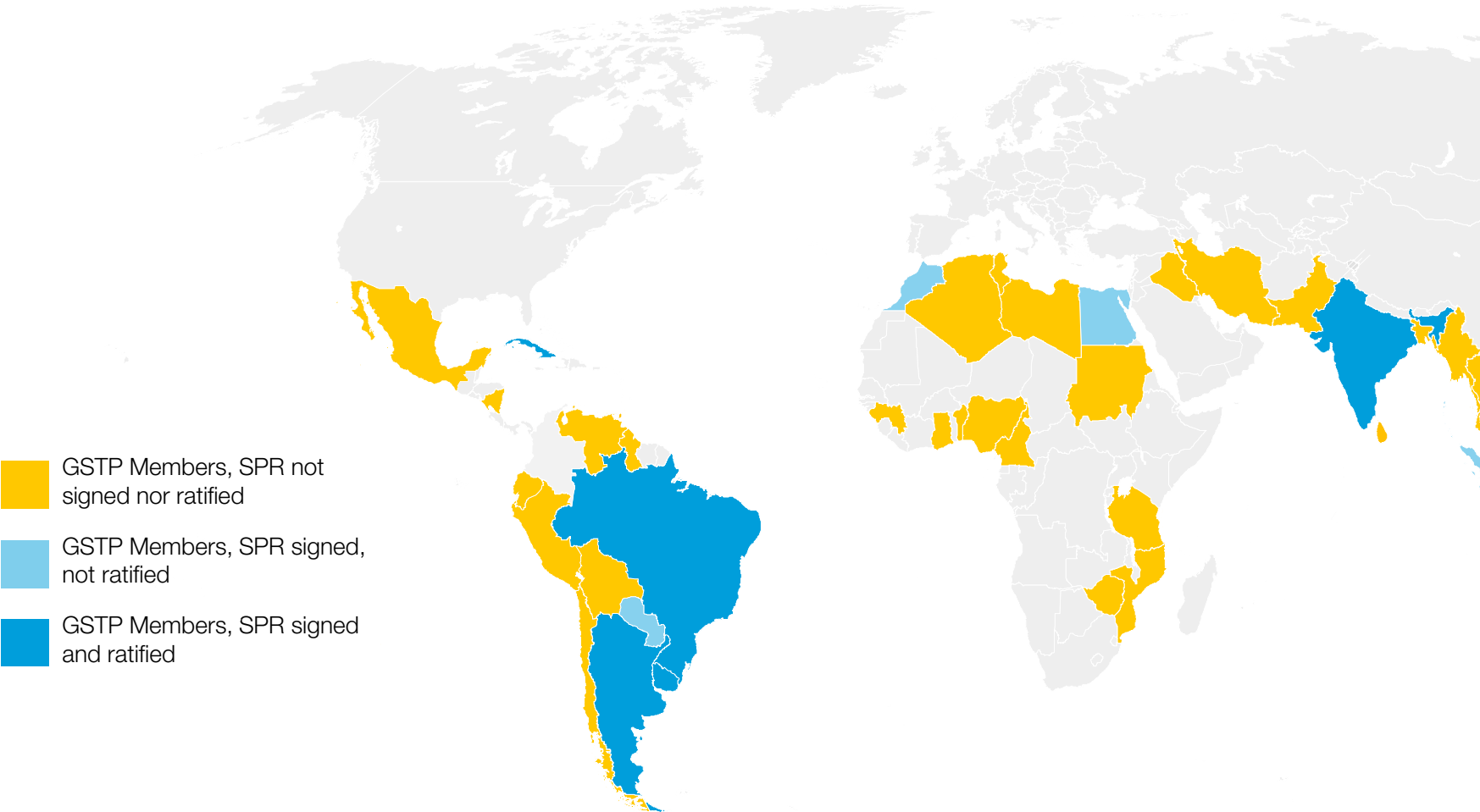
Main Objective

- To promote structural changes contributing to a balanced and equitable process of global economic development.

Implementation

- Economic co-operation among developing countries and a framework for preferential tariff reduction (\neq FTA).

Membership



- GSTP Members, SPR not signed nor ratified
- GSTP Members, SPR signed, not ratified
- GSTP Members, SPR signed and ratified

42 Participants
including Mercosur (as a single market)

16 Trillion \$ Market

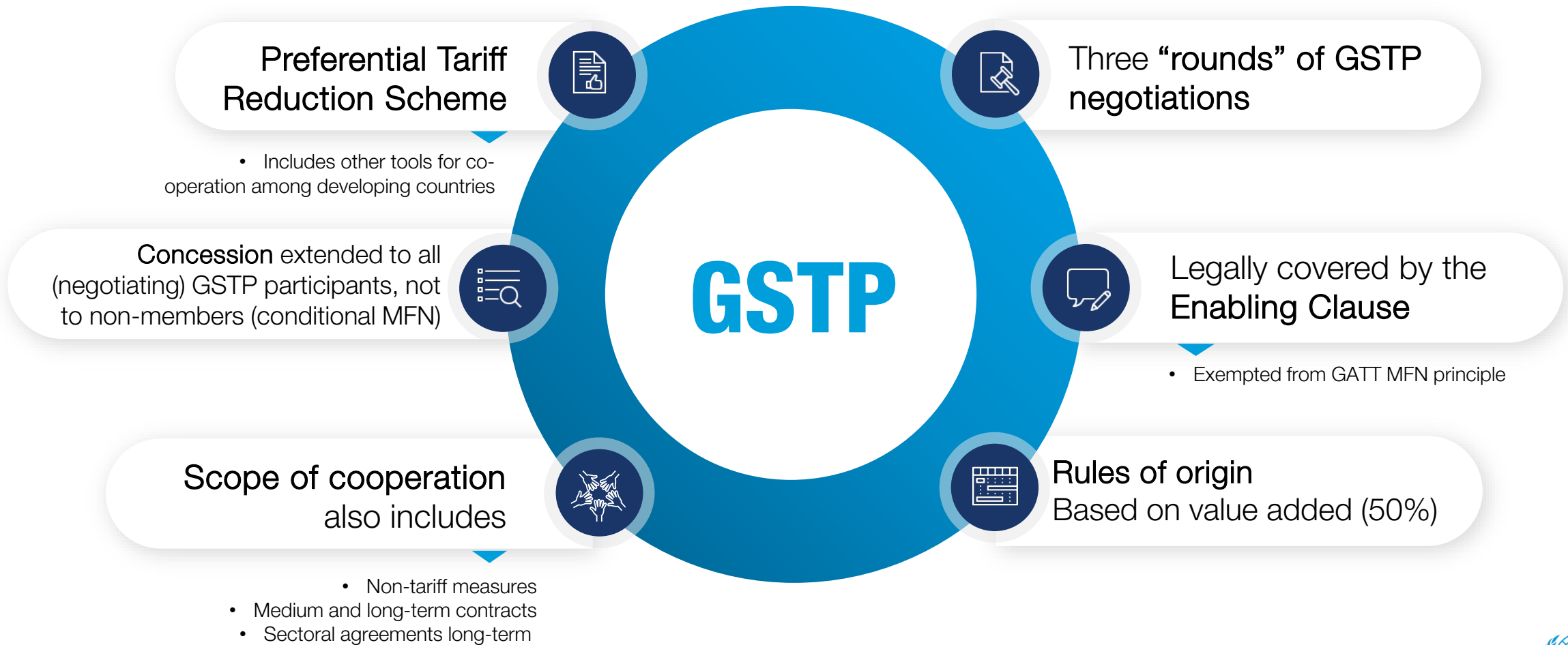
4 Billion population

20% World Merchandise Imports

The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.



Principles & Legal Effects



Unique framework for South-South partnership.

Structure

President of the Committee of Participants (COP)

- Call and chair the COP

The Committee of Participants (COP)

- Promote further negotiations
- Review disputes and make recommendations
- Establish subsidiary organs
- Adopt appropriate regulations and rules as necessary for implementation

Decisions shall be taken by two-thirds majority on matters of substance and a simple majority on matters of procedure.

UNCTAD

- Support the operation as the Secretariat since its creation

2. Rounds of Negotiations



Rounds of Negotiations

1986
1988

1st Round

- 1800 tariff lines
- Withdrawal of Yugoslavia & Romania reduced the economic value

1992
1998

2nd Round

- 24/43 participated
- 900 tariff lines
- Suspended in 2004

2004
2010

3rd “São Paulo” Round

- Not yet into force

The São Paulo Round

- Launched in 2004 at **UNCTAD XI**.
- 22/43 countries participated.
- “Modalities” agreed in 2009.
- Concluded in December 2010 in Foz do Iguaçu, Brazil.
- 8 participants (or 11 countries) signed:
 - Argentina, Brazil, Paraguay, Uruguay (Mercosur), Republic of Korea, India, Indonesia, Malaysia, Egypt, Morocco and Cuba.
 - Total imports \$1.4 trillion, 13% of which intra-group.



The São Paulo Round

- Reduced applied tariffs by 20% on 70% of tariff lines (effective & flexible).
- The margin of preference shall be applied to the MFN rate of duty applied on the date of importation (**evolving preference margin**).
- Total of **47,000 HS codes items** covered.
- Possible welfare gains of **\$14 billion** estimated.



State of Play



- **Four ratifications** are necessary for the entry into force:
 - India, Malaysia, Cuba have ratified
 - Argentina, Brazil & Uruguay among Mercosur members have ratified.
- **One more ratification needed** for the entry into force.



Sub-Committee of Signatories (SCS)



Working Group on Rules of Origin (WGRO) established in 2011.

- Possible modification of Rules of Origin (max foreign content of 50%)



Possible **review after 2 years** from the entry.

Possible impact of the São Paulo Round

1

The SPR tariff cuts would apply **20 per cent cuts to 70 per cent of dutiable tariff lines** in eight SPR signatories.

2

Existing bilateral and regional trade agreements would make SPR tariff reduction redundant for intra-regional trade partners.

3

Positive trade preferences still exist for more than 90 per cent of export values and traded products of inter-regional trade.

3. Relevance and potential of the GSTP



Way Forward



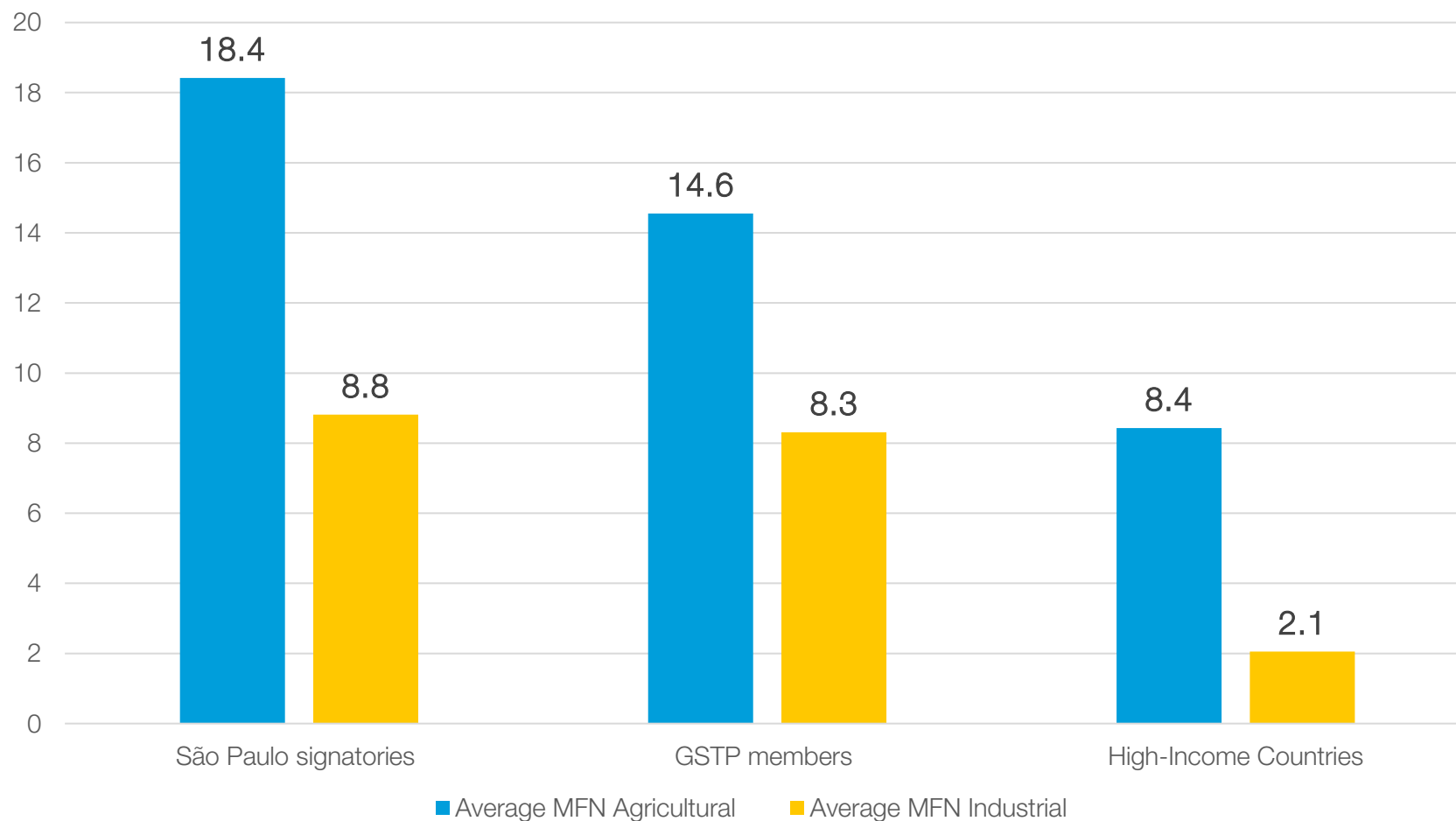
- Dynamic South-South trade
- Gains from SPR implementation
- Stalemate in the MTS
- Renewed impetus by BAPA+40 outcome on SSC (2019)
- Potential to support post-COVID South-South trade under the polycrisis
- Strategic asset of the G77 & China
- UNCTAD@60 (2024) & UNCTAD16 (2025)

South-South trade

- From \$600 billion in 1995 to \$5.3 trillion in 2021.
- Volume is now higher than that of North-South trade and it is growing faster than the world average.
- Developing countries accounted for 45% of world exports in 2021.
- South-South trade represented 24.4% of world trade in 2021.
- South-South trade accounted for 57 % of high-tech exports of developing countries in 2021.
- It fosters non-traditional exports and promotes export diversification and complementarity in developing countries.

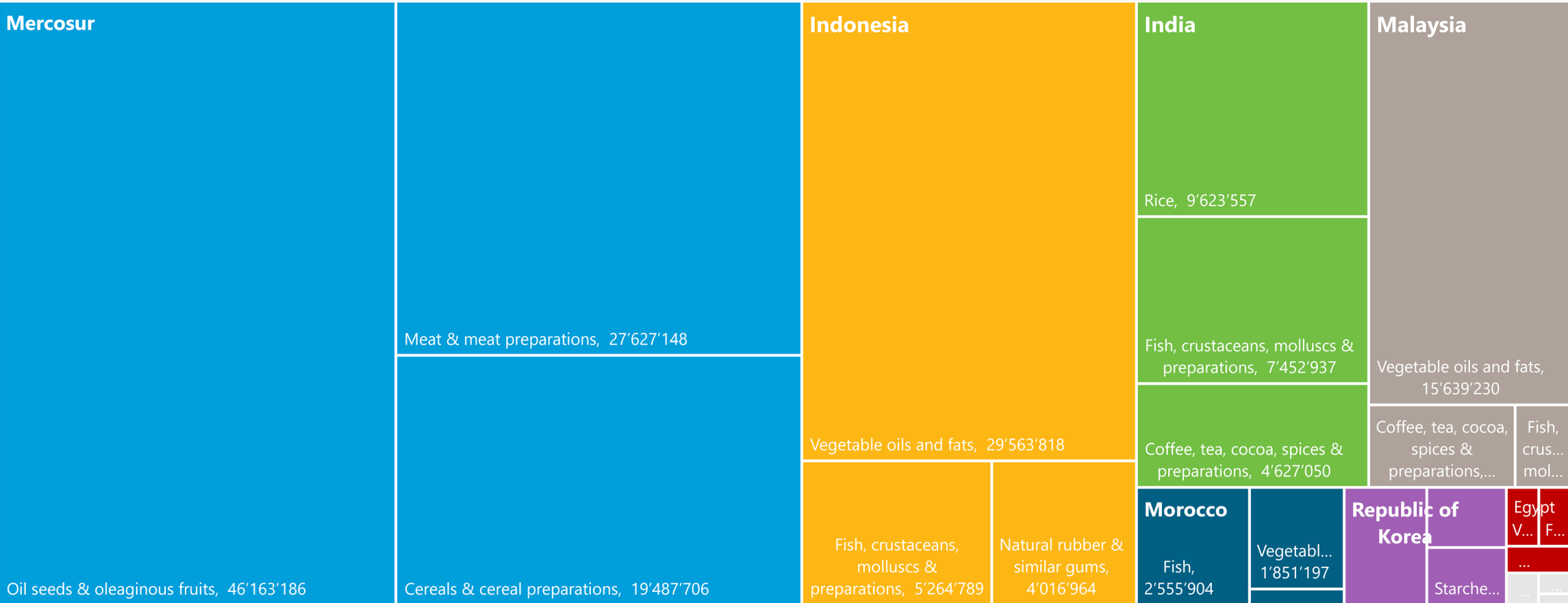
Tariffs are still a relevant barrier to trade

Applied Average MFN tariff rates by economy and sector, percentage (2022)



Agricultural exports are diversified among GSTP members

São Paulo Round signatories, values in US\$ thousands, 2021



■ Cuba
 ■ Egypt
 ■ India
 ■ Indonesia
 ■ Republic of Korea
 ■ Malaysia
 ■ Morocco
 ■ Mercosur

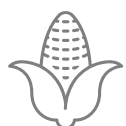


GSTP and Paraguay

In 2021, GSTP countries absorbed 78.3 per cent of total exports from Paraguay and 46.3 per cent of its imports.

Imports

GSTP relevance for key Paraguay imports



100% from GSTP countries



98.8% from GSTP countries



89.4% from GSTP countries



76.5% from GSTP countries

Exports

GSTP relevance for key Paraguay exports



100% to GSTP countries



100% to GSTP countries



73.7% from GSTP countries

Opportunities in renewable energy products

- A new round of the GSTP offers an opportunity for a **wide sectoral decarbonization** in developing countries.
- Average MFN tariffs applied for renewable energy products by developing countries are on the order of 4.5 per cent and above 6 per cent for LDCs.
- **Removing these tariffs and addressing NTMs** on these goods among GSTP participants would allow a faster renewable energy transition.
- **An expansion of the provision of renewable energy-related services** would help GSTP participants meet the National Determined Contribution under the Paris Agreement.
- A faster integration of renewable energy products value chains among GSTP participants will help promote **local zero-emission energy generation** from renewable energy sources such as wind, solar and geothermal.

4. Way Forward



Way Forward



Complete the
SPR ratifications



Deepen and expand
SPR benefits

- Tariff cuts
- Coverage
- Membership



Launch a new
negotiation round

- Agriculture
- Renewable energy



Expand the scope
of cooperation to
new areas

- NTMs
- Services
- Trade facilitation
- E-commerce
- Technology transfer

- GSTP participants to consider
 - The support of G77 & China is essential
- UNCTAD 16 could provide a renewed impetus and guidance

The Work of the Secretariat



Consultations with GSTP Participants

- Review of SPR results
- GSTP revitalization
- Harmonization and update of schedules
- Administration



Technical note on SPR tariff concessions

- Comparative analysis on updated tariff information
- Ascertain effective preference margins
- More to come – Trade data



GSTP website

- Dedicated website reserved for GSTP participants only
- Documents, archives and announcements
- To be launched 2023
- Public outreach (Wikipedia)



Analysis on the overall GSTP framework

- Areas of cooperation – Tariffs, NTMs, services, direct trade measures
- Sectoral cooperation

Revitalize GSTP as a unique instrument of cooperation among G77.
Major achievement towards 60th anniversary of G77 and UNCTAD in 2024.

Conclusion

- Brazil's ratification of SPR in December 2022 created a much-needed forward movement.
- UN Trade Forum (8 May) on "The South-South trade partnership for accelerating the SDGs achievement" with the keynote message by Mr. Ricupero, former UNCTAD Secretary General.
- The COP to take stock and consider the way forward for SPR implementation and future initiatives, in view of UNCTAD@60 and UNCTAD16.
- Decide next steps when Technical Panel diverges.
- Paraguay has an important role to play.

Thank you!

