

Harnessing the GSTP to forge development-led, sustainable, and just energy and agriculture transitions among member countries:

Discussion paper for Special panel discussion
under the GSTP COP32

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What is GSTP?

The Global System of Trade Preferences among Developing Countries (GSTP) is a unique and flexible partnership framework for South-South trade cooperation that emerged from discussions at UNCTAD among the Group of 77 and China and signed in 1988. The GSTP is also the only South-South trade agreement with MFN exemption under the Enabling Clause of the GATT 1947. Article 4 of the GSTP Agreement stipulates the “components” of GSTP, which cover not only tariff concessions but also arrangements concerning para-tariff and non-tariff measures (NTMs), direct trade measures and other sectoral agreements which could encompass areas such as services.

The forthcoming entry into force of the São Paulo Round offers a significant step in South-South integration. Opportunities also exist for the GSTP members to assess if and how they could use the GSTP partnership framework to address contemporary development objectives.

This paper discusses how the GSTP members could practically exploit the potential of the GSTP to collectively advance on today’s development objectives, such as sustainable energy transition, stable access to essential goods (e.g., food and medical products), and promoting a circular economy, among others

Exploring the potential of the GSTP for sustainable development

Advancing a sustainable energy transition

Limiting future global warming requires all countries to successfully transition to net zero emissions by the middle of this century. Low carbon technologies (LCTs) to produce energy will play a central role in this transition.

The LCT products are defined as products that produce less pollution than their traditional energy counterparts and will play a vital role in the energy transition.¹ In addition to core technologies such as electric vehicles, solar cells, wind turbines, hydro turbines, and electricity accumulators (i.e., lithium

¹ IMF, 2021, [Trade in Low Carbon Technology Products](#).

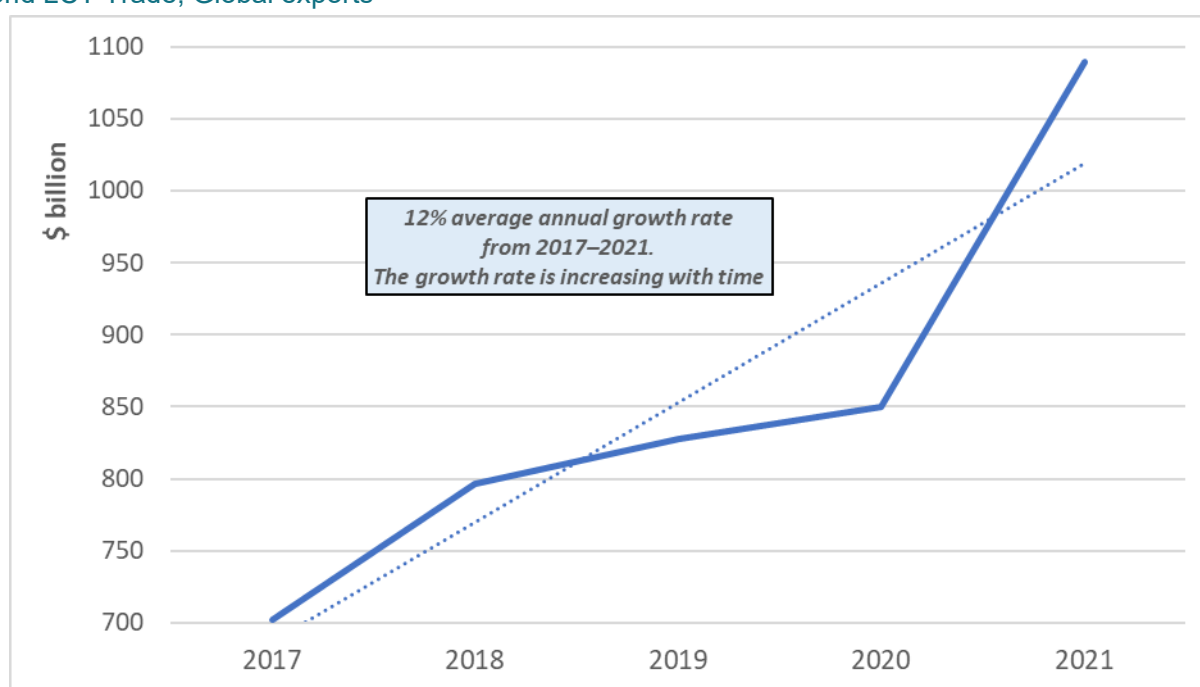
batteries) and transformers, LCT products also include ancillary goods such as aluminum frames and mount for solar panels, masts and pylons for wind turbines, and conduits for hydro turbines.

Net zero scenarios outlined by the Intergovernmental Panel on Climate Change (IPCC), International Energy Agency (IEA) and International Renewable Energy Agency (IRENA) highlight the massive investments needed in LCT products for a global energy transition to net-zero by 2050.² Annual capacity additions of wind and solar technologies between 2020 and 2050 will be on the order of 1,120 GW according to the IEA net-zero scenario. Global trends in renewable energy capacity show significant increases in annual capacity additions to meet these net zero targets.

The market prospects

The growth of the global market for LCT products is accelerating (Figure 1). In 2021, the total export value of the LCT products (1.1 \$trillion) accounted for just above 5 per cent of the total world merchandise trade. Between 2017 and 2021, the market grew at a compound annual growth rate (CAGR) of 12 per cent – faster than world merchandise trade growth of 5 per cent over the same period – while year-on-year market growth in 2021 climbed to 28 per cent.

World LCT Trade, Global exports



Developed countries and China reveal a comparative advantage in exporting the composite list of LCT products in 2021.³ Among GSTP countries, Malaysia, Mexico, Singapore, and Thailand demonstrated a revealed comparative advantage in exports of LCT products as a group in the past five years.⁴ A much broader list of developing countries have production and export capacity in one or more LCT products.

² See : IPCC, 2018, [IPCC special report on the impacts of global warming of 1.5 °C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change](#); IEA, 2021, [Net Zero by 2050](#) ; IRENA, 2022, [World Energy Transitions Outlook](#)

³ While RCAs with a value greater than or equal to 1 indicate a country to be a competitive exporter of a given product, RCAs with a value less than 1 may also be competitive if they are significant producers of a given product for their domestic market but have limited exports.

⁴ The Republic of Korea is also one of the GSTP members that has high RCA in LCT products.

The market expansion for LCT products will continue for the next 30 years as all countries need to strive to meet net-zero targets. Moreover, the manufacturing of the majority of LCT products does not require the use of patented technology. In this context, many developing countries see opportunities to become manufacturers, national suppliers, and exporters of low-carbon energy technologies and related goods and join the ranks of countries such as China, Mexico, and other developing countries in Asia.

How the GSTP framework could help

Trade among the GSTP members can facilitate manufacturing knowledge sharing, foster innovation, diversify import sources to improve resilience, and build supply chains among them.⁵ The GSTP framework, through the components stipulated in Article 4, can help advance sustainable energy transition of its members through enhancing cooperation in the production and trade of the LCT products.

Using Article 4a - Arrangements on tariffs:

- Preferential reduction or elimination of tariffs on the LCT products can help the GSTP members exploit trade complementarity among them.⁶

Using Article 4c – Arrangements on NTMs:

- Mutual recognition or agreeing on the equivalence of relevant non-tariff measures (NTMs) applicable to the LCT product imports can reduce trade costs.

Using Article 4e – Sectoral agreements:

- The GSTP framework may be used to facilitate public-private partnerships for production, trade, government procurement of LCT products, capacity building (e.g. research, training), and after-sales services, among others.
- Options for South-South transfer of technology mechanisms can be explored, such as patent pools, joint research and training centers, and regional centers of excellence

Strengthening the cooperation in trade of essential food products

Besides the LCT sector, another sector with a potential for sustainable production and extra-regional complementary market potential is the food sector (agriculture, fisheries, and aquaculture).

Agricultural products tend to receive higher tariff protection than industrial products. Average applied MFN tariffs on agricultural products are particularly high at 14.5 per cent for the GSTP participants, and 18.2 per cent for the São Paulo Round participants, as compared to 8.4 per cent for high-income countries.

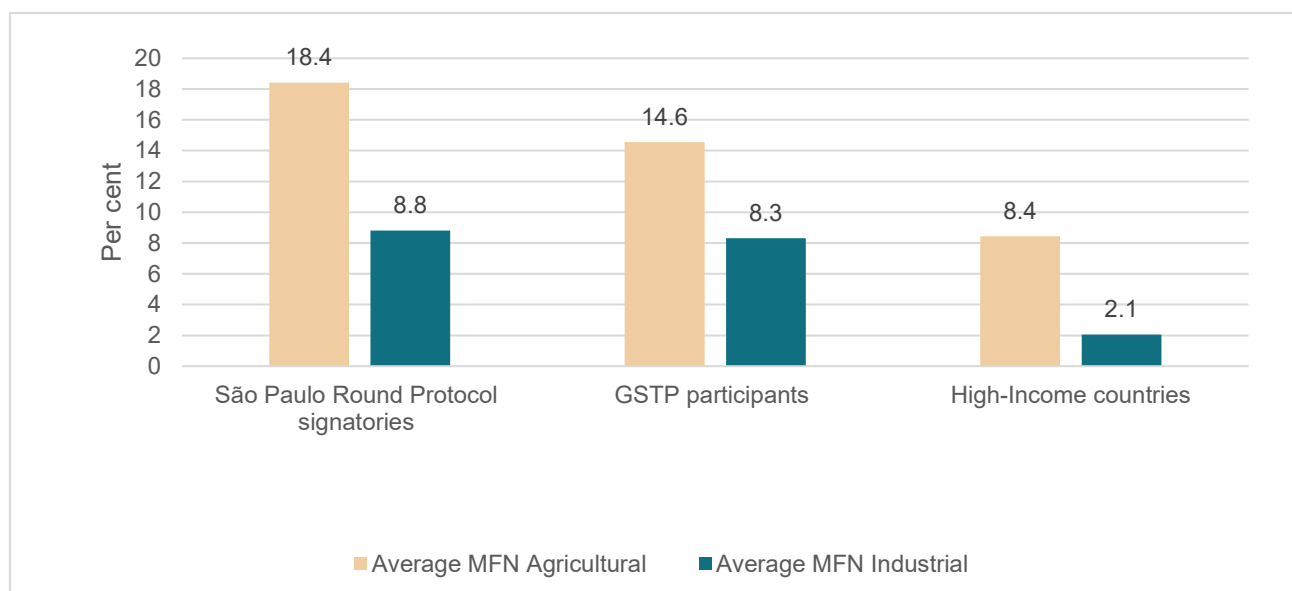
Agricultural trade has a high degree of complementarity among the GSTP participants. By and large, their main agricultural export products are different and do not compete with each other, as GSTP countries occupy different climatic zones and have varied consumption cultures.

While MERCOSUR exports oil seed, meats and cereals, India exports rice, crustaceans' products, tea and spices. In the case of Morocco, the main exports are fish products, vegetables, sugar, and honey. Increased agricultural trade among these countries will likely generate positive welfare gains for each.

⁵ The GSTP Agreement requires at least 50 per cent of national content or a cumulative content of 60 per cent by GSTP participants for them to benefit from tariff concessions for industrial products.

⁶ In many cases GSTP members produce different products which do not compete with one and other in export markets.

Applied average MFN tariff rates on by economy and sector



How the GSTP framework could help

Using Article 4a and 4b- Arrangements on tariffs:

- Markets and trade of complementary sustainable agricultural products can be expanded.
- Higher levels of food security can be achieved by improving access, availability, and affordability while supporting export and import diversification.
- Improved access and availability of agricultural inputs can be promoted, including machinery, seeds, fertilizer, biodegradable mulch, bags, and containers.
- Export dependency and price volatility of cash crops and other food commodities can be reduced.

Under Article 4c - Arrangements on NTMs:

- A minimum food sustainability criterion that reflects GSTP Participants' objectives based on mutual recognition can be clarified.
- Market opportunities can be expanded for small-scale farmers and fishers due to harmonized or lower internal market requirements.

Under Article 4d- Direct Trade measures:

- There are options to discuss supply contracts among the GSTP Members that may complement national measures in times of food crisis.

Under Article 4e- Sectoral agreements:

- Sectoral cooperation on services may be explored for improving the environmental sustainability of agriculture, which may address issues such as carbon sequestration in the agriculture, forestry, and marine sectors.
- Exchanges of best sustainable practices, mitigation, and adaptation measures for crops, cattle, fisheries, and aquaculture activities among GSTP Participants can be facilitated.

Promoting a circular economy

There is significant value and potential of plastic substitutes as an important option for reducing plastic pollution and increasing development and employment opportunities under a nature-based approach.⁷

Plastic substitutes are defined by UNCTAD as:

- Natural materials from mineral, plant, animal, marine or forestry origin that have similar properties to plastics and that tend to have a lower environmental impact along their life cycle (e.g., seaweed, bamboo, natural fibers, agricultural wastes, and other forms of biomass).
- Biodegradable/compostable or degradable, suitable for reuse, recycling, or sound waste disposal.
- Not hazardous for human, animal, or plant life and do not include fossil fuel-based or synthetic polymers, bioplastics, and biodegradable plastic components.

The GSTP Participants have an advantage in producing natural materials such as seaweed, bamboo, and jute in Asia; coconut husks and bagasse in many island nations in the Caribbean and Pacific Ocean countries; and in sisal and corn husks in Latin America. Trading plastic substitutes would allow an incremental reduction of plastic pollution among GSTP Participants while improving opportunities for sustainability, integration and circularity of the agriculture, aquaculture, and silviculture value chains. In this regard, further research is needed to explore the potential of South-South Trade in plastic substitutes as an emerging sector of interest for GSTP Participants.

As UNCTAD prepares to celebrate its 60th anniversary in 2024 and hold its 16th quadrennial Ministerial Conference in 2025, participants may wish to revitalize this important but underutilized platform to enhance trade cooperation among developing countries in support of their individual and collective energy, agriculture, and circular economy transitions.

Questions for discussion:

1. How can GSTP participants can existing GSTP mechanisms – arrangements relating to tariffs, para-tariffs, NTMs, direct trade measures and sectoral arrangements, to enable further South-South integration?
2. Can the GSTP be used to complement/implement commitments under multilateral environmental agreements, particularly the UNFCCC, the Paris Agreement and net zero pledges, and the United Nations International Negotiating Committee (INC) on a treaty to end plastic pollution, and the WTO plastics related negotiations?
3. Which are the priority sectors for further cooperation under the GSTP (i.e., LCT goods, agriculture, fisheries, plastic substitutes, health products, other environmental mitigation and adaptation-related goods and services)?
4. How can UNCTAD support GSTP participants to enhance their cooperation in the abovementioned areas?

⁷ UNCTAD, 2023, [Plastic Pollution: The pressing case for natural and environmentally friendly substitutes to plastics](#)