

# **Bridging the Divide between Developed and Developing Countries in WTO Negotiations**

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The Changing International Trading System

April 11, 2019



# S&DT on the spotlight

- Brazil agreed to forgo S&DT in future WTO negotiations
- US moved to exclude India and Turkey from duty-free preferential market access (GSP)
- US submission in the WTO to have larger countries play by the same rules



# S&DT in the WTO

- Each country may 'self-declare' as developing to benefit from S&DT
- Except in limited cases (e.g., LDCs), no formal differentiation among developing countries
- S&DT is a departure from key WTO principles of reciprocity and non-discrimination
- The exact meaning of S&DT is defined in each negotiation
  - Positive actions by developed countries in favor of developing
  - Exemptions from the overall rules and liberalization commitments



# S&DT in WTO agreements

Agreement	Provisions aimed at increasing the trade opportunities of developing country Members	Provisions that require WTO Members to safeguard the interests of developing country Members	Flexibility of commitments, of action, and use of policy instruments	Transitional time-periods	Technical assistance	Provisions relating to Least developed country Members	Total by Agreement <sup>3</sup>
General Agreement on Tariffs and Trade 1994	8	13	4				25/25
Understanding on Balance of Payments of GATT 1994			1		1		2/2
Agreement on Agriculture	1		9	1		3	14/13
Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures		2		2	2		6/6
Agreement on Technical Barriers to Trade	3	10	2	1	9	3	28/25
Agreement on Trade-Related Investment Measures (TRIMs)			1	2		1	4/3
Agreement on Implementation of Article VI of GATT 1994		1					1/1
Agreement on Implementation of Article VII of GATT 1994		1	2	4	1		8/8
Agreement on Import Licensing Procedures		3		1			4/4
Agreement on Subsidies and Countervailing Measures (SCM)		2	10	7			19/16
Agreement on Safeguards		1	1				2/2
General Agreement on Trade in Services (GATS)	3	4	4		2	2	15/13
Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)				2	1	3	6/6
Understanding on Rules and Procedures Governing the Settlement of Disputes.		7	1		1	2	11/11
Agreement on Government Procurement (GPA)		3	6		1	2	12/10
Agreement on Trade Facilitation (TEA)			3	7	7	9	26/10
<b>TOTAL</b>	<b>15</b>	<b>47</b>	<b>44</b>	<b>27</b>	<b>25</b>	<b>25</b>	<b>183/155</b>

# The role of larger developing countries in the trading system



Country	Merchandise exports (billions of US dollars)		Percent increase in merchandise exports in 2017 from 2000	Share in total world exports (percent)	
	2000	2017		2000	2017
China	249.2	2,263.4	808.2%	3.9%	12.8%
South Korea	172.3	573.7	233.0%	2.7%	3.2%
Hong Kong	202.7	550.3	171.5%	3.1%	3.1%
Mexico	166.4	409.4	146.1%	2.6%	2.3%
Singapore	137.8	373.2	170.8%	2.1%	2.1%
United Arab Emirates	49.8	313.5	529.1%	0.8%	1.8%
India	42.4	299.2	605.9%	0.7%	1.7%
Thailand	69.0	236.6	243.1%	1.1%	1.3%
Saudi Arabia	77.6	218.4	181.5%	1.2%	1.2%
Malaysia	98.2	217.8	121.8%	1.5%	1.2%
Brazil	55.1	217.8	295.1%	0.9%	1.2%
Vietnam	14.5	214.3	1379.8%	0.2%	1.2%
Indonesia	65.4	168.6	157.7%	1.0%	1.0%
Turkey	27.8	157.0	465.2%	0.4%	0.9%
South Africa	30.0	88.8	196.3%	0.5%	0.5%
<b>Developing economies</b>	<b>2,240.8</b>	<b>8,460.6</b>	<b>277.6%</b>	<b>34.7%</b>	<b>47.8%</b>
European Union	2,457.1	5,900.6	140.1%	38.1%	33.3%
Japan	479.2	698.1	45.7%	7.4%	3.9%
United States	781.9	1,546.3	97.8%	12.1%	8.7%
<b>Developed economies</b>	<b>4,215.4</b>	<b>9,246.1</b>	<b>119.3%</b>	<b>65.3%</b>	<b>52.2%</b>
<b>World</b>	<b>6,456.2</b>	<b>17,706.7</b>	<b>174.3%</b>	<b>100.0%</b>	<b>100.0%</b>

# Should larger developing countries have access to S&DT in future negotiations?



- When players –advanced or emerging- are large, their actions can have sizeable economic effects in international markets
  - Strong rationale to have them play by the same rules
- Multilateral rules provide incentives to governments to make the right trade policy choices
- Failure to find a solution could result in advanced economies opting to work around the WTO

# US proposal on who cannot claim S&DT



WTO developing-country member	Share in global merchandise trade (annual average 2015-17, percent)	OECD member	G-20 member	"High-income" country per World Bank definition
China	11.58%		✓	
Hong Kong	3.23%			✓
South Korea	2.88%	✓	✓	✓
Mexico	2.37%	✓	✓	
India	2.00%		✓	
Singapore	1.95%			✓
United Arab Emirates	1.69%			✓
Thailand	1.27%			
Malaysia	1.13%			
Vietnam	1.09%			
Turkey	1.07%	✓	✓	
Brazil	1.06%		✓	
Saudi Arabia	1.04%		✓	✓
Indonesia	0.89%		✓	
South Africa	0.54%		✓	
Israel	0.39%	✓		✓
Chile	0.37%	✓		✓
Argentina	0.35%		✓	✓
Qatar	0.29%			✓
Kuwait	0.25%			✓
Colombia	0.25%	✓		
Oman	0.17%			✓
Panama	0.10%			✓
Bahrain	0.08%			✓
Costa Rica	0.07%	✓		
Trinidad and Tobago	0.05%			✓
Uruguay	0.05%			✓
Macao	0.03%			✓
Brunei	0.03%			✓
Barbados	0.01%			✓
Antigua and Barbuda	0.00%			✓
Saint Kitts and Nevis	0.00%			✓
Seychelles	0.00%			✓

# Will the US proposal work?



- Finding the right differentiation criteria is tricky
  - US proposal would disallow India, Indonesia and Vietnam to self-declare, even though they are certainly developing countries
- In a rebuttal to the US, China, India and others make the point that per capita indicators must be used
  - Yet, from an economic perspective, the issue is whether a country is large enough in terms of world trade shares that its policy decisions can impact global prices
- Agreeing on a formal categorization in the WTO can become a byzantine negotiating exercise, with little chance of success given the diversity among developing countries
- But in practice, differentiation does occur (e.g., TFA; Brazil, Taiwan)



# S&DT track record

- Theoretical foundation for S&DT is shaky and the empirical evidence inconclusive
- System benefits only those countries that participate in multilateral negotiations with reciprocal exchanges of concessions
- Preferences can foster exports of particular products and sectors in beneficiary countries, but S&DT does not support growth-promoting strategies
- By exempting themselves from the rules, developing countries forego a commitment device to help them make good trade policy choices

# So, why adhere to S&DT?



- Smaller, poorer members may lack the ability to effectively negotiate and implement trade agreements and to leverage the opportunities of international trade
  - Rationale for technical assistance and capacity building, along with transition periods, as with the Trade Facilitation Agreement
- Sometimes S&DT is used to block progress in negotiations developing countries consider stacked against them
- Active engagement in the system would bring the benefits of contractually based nondiscriminatory liberalization, stability, and predictability



# An alternative course of action

- Self-decision not to claim differentiated treatment (e.g., Brazil)
- Self-decision not to claim differentiated treatment in a specific negotiation (as in TFA)
- Flexible negotiating formats (plurilateral agreements)
- Well-designed provisions (no permanent exemptions)
- Technical assistance and capacity building support (as in TFA)