

How to Get Out of the SDT Box and Move SDGs and WTO Negotiations Ahead?

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How to Get Out of the Box on SDT and Move the SDGs and the WTO Negotiations Ahead?

Target 10a of the **Sustainable Development Goals (SDGs)** adopted as part of the 2030 Agenda by the United Nations last year provides that “the principle of special and differential treatment for developing countries, in particular least developed countries” should be implemented, in accordance with World Trade Organization (WTO) agreements, as part of the achievement of SDG 10 on reducing



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inequality within and among countries. In 2013, WTO Members established a **Monitoring Mechanism** to review the implementation of existing special and differential treatment (SDT) provisions, but it has proven extremely difficult to design SDT, that is “precise, effective and operational” and at the same time politically feasible, for new WTO agreements.

One reason reaching agreement has been so difficult is because the global economic and trade landscape has undergone substantial change since 2001, which has led to the view among some Members that the economic implications of SDT in a global trade deal are different now compared to when the negotiations began. For example, **according to the WTO**, the share of developing countries in global trade rose from 33 percent to 48 percent between 2000 and 2012, while South-South trade accounted for 25 percent of world trade, up from approximately 10 percent twenty years ago. According to IMF data, based on Purchasing Power Parity (PPP), emerging economies **accounted for** around 35 percent of global Gross Domestic Product (GDP) in 2014.

This has given rise to fierce debate within the WTO, with some arguing that rights and obligations should be distributed among developed and developing Members and that emerging economies, still entitled to traditional SDT, should contribute more than poorer countries to a WTO outcome. Others, however, argue that the economic argument for SDT for the developing Members that make up 2/3 of the WTO’s membership remains highly valid, including the need to preserve policy space for domestic adjustment in some sectors that are not strong enough yet to face up to the competition that comes with rapid liberalization, and that emerging economies are still confronted with serious developmental challenges. According to the World Bank, **21.3%** and **11.2%** of the population of India (2011) and China (2010) are still living on less than US \$1.90 a day.

The reality is that, politically, it is impossible for parliamentarians of developed countries to accept that emerging economies should continue to be sheltered under the same SDT as poorer developing countries. However, it is equally difficult to imagine that politicians in emerging economies would agree to forfeit their developing country status and undertake even similar obligations as developed countries. In the absence of solutions to untie this tight knot, substantial progress in WTO negotiations seems to be very difficult. WTO Members are currently deeply divided over how to move WTO negotiations forward. In the **Nairobi Ministerial Declaration** of December 2015, many Members reaffirmed the DDA mandates and progress since then, while others did not reaffirm the mandates and called instead for “new approaches”.

In my view, because of the high political sensitivity, blunt attempts to redefine “developing countries” or to regroup developing countries to separate big economies from small are therefore political dead ends. Rather than continuing the doctrinal and conceptual debate on the developmental status of emerging economies, negotiators could look at the specifics of each negotiating subject in a flexible and pragmatic manner to find solutions. Successful cases already exist in recent WTO agreements, including the Trade Facilitation Agreement (TFA) and the new Information Technology Agreement (ITA), in which at least some emerging economies have voluntarily exercised de facto “opt out” of SDT.

Meanwhile, the established notion of “principal supplier” in the WTO could also serve as a potential parameter to test where emerging economies may be willing to do more than other developing Members, such as on market access. The “principal supplier” rule was used in previous negotiations under the General Agreement on Tariffs and Trade (GATT), the predecessor of the WTO, to refer to the country or countries that were the most important source of a particular product imported by another country. According to the **GATT Analytical Index** explanation of Article XXVIII on modification of schedules, in early GATT negotiations: “Participating countries [could] request concessions on products of which they individually, or collectively, [were] the principal suppliers to the countries from

which the concessions are asked.” Nowadays, in the context of Article XXVIII, principal suppliers are those WTO Members most affected by changes of schedules, such as increases in tariffs on a product, and therefore have the right to be part of compensation negotiations resulting from the schedule modification.

The logic that a principal supplier country is strong in producing and exporting a particular product, hence may be in a comfortable position to offer better market access and withstand the potential competition from exporters of that product from other countries, could be applied to current WTO negotiations. In fact, such a methodology has already been referenced in DDA negotiations, albeit in an informal manner rather than an agreed principle. As a former trade negotiator of China, I heard many times, such as in negotiations of environmental goods, demands among Members for tariff concessions from other members on particular products based on arguments that the latter were already dominant producers and exporters of those products.

The next step would be to go deeper into trade statistics to do a comprehensive evaluation of which WTO Members are already principal suppliers of particular products and make more specific suggestions about how the concept could be applied fairly in WTO negotiations. Some emerging economies, such as India and China, purely because of their sheer size and big populations, may naturally be principal suppliers of many products. Traditional trade statistics only measure the simple value of exports but not added value, hence may exaggerate the dominance of countries in the production of a product, when in fact the country is responsible only for the product’s assembly, for example. All in all, like in any negotiations, balance is the key.

In a nutshell, the “principal supplier” concept could help Members jump out of the box of doctrinal debates on SDT and serve as an interesting starting point to look at where each WTO Member could potentially contribute more in a fair manner. If the concept helped WTO Members reach agreement on new multilateral trade rules, it could contribute not only to the achievement of Sustainable Development Goal 10, through increased trading opportunities for poorer countries, but also to a range of other SDGs, including Goal 8 on economic growth and employment, and Goal 17 on a Global Partnership for Sustainable Development.

(The author, a former senior trade negotiator of China to the WTO, is Partner of IDEAS Centre Geneva and Executive Dean of New Huadu Business School Switzerland. The views expressed in this article reflects the personal views of the author and do not necessarily represent the views of the institutions the author is affiliated to.)

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