

Unedited draft for discussion prepared by  
TNCDB/DITC (2011)

**THE GLOBAL SYSTEM OF TRADE  
PREFERENCES AMONG DEVELOPING  
COUNTRIES (GSTP)**

**Assessment of intra-GSTP tariff cuts for 22 countries  
that had expressed interest in the Sao Paulo Round**

## **MARKET ACCESS IMPACT FROM INTRA-GSTP TARIFF CUTS**

The present paper is aimed at assessing market access impact from intra-GSTP tariff cuts under current São Paulo negotiation round in comparison with WTO negotiation scenarios under Doha Round and other Preferential Trade Agreement of major GSTP partners.

The study uses SMART simulation to estimate expected outcomes on trade creation effect of ongoing negotiations under GSTP and WTO scenarios and the Preferential Trade Agreement between MERCOSUR and India signed in 2004.

Negotiations at multilateral, regional and bilateral levels are seen as complementary rather than substitutes. In this context, the simulation exercise seeks to highlight the crucial role of GSTP in the new geography of trade and the dynamic force of South-South trade to supplement regional agreements and to promote diversification of export products and markets.

### **I. GSTP Simulation**

The Participants of the Global System of Trade Preferences, namely Members of the Group 77 that signed the GSTP Agreement in 1988 and exchanged concessions in accordance with the Agreement, were 42 countries. As it can be seen in Tables 1 and 2, respectively, total exports of GSTP countries to world were USD 2.4 trillion in 2007 (USD 1.8 trillion in 2005) accounting for 20% of total world exports (17.5% in 2005), and total imports were USD 2.3 trillion, which shows the magnitude of trade by GSTP countries and its upward trend.

Out of the 42 GSTP Participants, 22 countries have expressed their interest to participate in the current round of negotiations- São Paulo round, i.e. they have submitted their lists of export interests. Tables 3 and 4, respectively, show that total exports to world by these 22 GSTP countries were USD 1.8 trillion in 2007 and total imports from the world were USD 1.7 trillion in the same year.

Tables 5 and 6 present bilateral trade among these 22 Participants in agriculture and non-agriculture products, respectively. For these 22 Participants, intra-GSTP trade in agriculture products reached USD 36 billion in 2007 representing 30% or more of total agriculture imports for 12 of the Participants and the average share of intra-GSTP agriculture imports for the 22 Participants was almost 30% of total agriculture imports.

Intra-GSTP trade in non-agriculture products was USD 264 billion in 2007, while the share of intra-GSTP trade in total imports was 20% or more for 11 Participants and 30% or more for 8 Participants. In average, the share of intra-GSTP non-agriculture imports over total imports was closer to 20% (17%).

For selected major GSTP partners amongst the 22 Participants, Tables 7 and 8 indicate, respectively, their agriculture and non-agriculture intra-GSTP imports. These major GSTP partners are Argentina, Brazil, Mexico, Indonesia, India and South Korea. Their agriculture imports from the 22 Participants were around and over 20% of their total imports from the world in 2007. The exception is Mexico, whose agriculture imports from the US represent more than 70% of its total imports. (Table 7)

Non-agriculture imports of the selected major partners from the 22 Participants also represented around and over 20% of their total non-agriculture imports in 2007, with the exception of Mexico that imports 50% of its non-agriculture imports from the US, and South Korea whose non-agriculture imports from the US and China represents almost 30% of total non-agriculture imports. (Table 8)

**Table 1**  
**GSTP Countries: Total Exports 2007 ('000 USD)**

<b>ReporterISO3</b>	<b>Trade Flow Imports</b>	<b>Year</b>	<b>Total TradeValue</b>
ARG	2	2007	55779579.84
BEN	2	2007	793006.754
BGD	2	2007	12453000
BOL	2	2007	4812702.302
BRA	2	2007	160648869.7
CHL	2	2007	65738859.35
CMR	2	2007	4131100
COL	2	2007	29991332.59
CUB	2	2007	3701000
DZA	2	2007	60163160.35
ECU	2	2007	13800363.53
EGY	2	2007	16100640.4
GHA	2	2007	4186747.243
GIN	2	2007	1416884.129
GUY	2	2007	784713.538
IDN	2	2007	114100872.8
IND	2	2007	145898053.3
IRN	2	2007	82900000
IRQ	2	2007	38109000
KOR	2	2007	371477103.6
LBY	2	2007	40471000
LKA	2	2007	7740430
MAR	2	2007	14607345.61
MEX	2	2007	271821215.4
MMR	2	2007	6316970
MOZ	2	2007	2412078.623
MYS	2	2007	176205639.1
NIC	2	2007	1194541.154
NGA	2	2007	61500000
PAK	2	2007	17838406.66
PER	2	2007	27800080
PHL	2	2007	50465711.12
PRK	2	2007	1500000
SDN	2	2007	8866280
SGP	2	2007	299297445.9
THA	2	2007	153571126.2
TTO	2	2007	13396245.49
TUN	2	2007	15165396.23
TZA	2	2007	2139346.909
VEN	2	2007	69534000
VNM	2	2007	48387000
ZWE	2	2007	3310184.206
<b>Total</b>			<b>2480527432</b>

Source: COMTRADE

**Table 2**  
**GSTP Countries: Total Imports 2007('000 USD)**

<b>ReporterISO3</b>	<b>Trade Flow Imports</b>	<b>Year</b>	<b>Total TradeValue</b>
ARG	1	2007	44707041.81
BEN	1	2007	1600000
BGD	1	2007	18595000
BOL	1	2007	3521958.581
BRA	1	2007	120620871.2
CHL	1	2007	42732030.58
CMR	1	2007	3367412.941
COL	1	2007	32897045.58
CUB	1	2007	10083000
DZA	1	2007	27631203.95
ECU	1	2007	13565297.22
EGY	1	2007	26928845.78
GHA	1	2007	7206677.856
GIN	1	2007	1190000
GUY	1	2007	1028778.551
IDN	1	2007	74473428.73
IND	1	2007	218645294
IRN	1	2007	53728000
IRQ	1	2007	24269431.21
KOR	1	2007	356841033
LBY	1	2007	16058000
LKA	1	2007	11300500
MAR	1	2007	31650391.67
MEX	1	2007	281926513.2
MMR	1	2007	3279890
MOZ	1	2007	3049746.117
MYS	1	2007	146910345.6
NGA	1	2007	38028000
NIC	1	2007	3537990.887
PAK	1	2007	32593936.1
PER	1	2007	20493788.98
PHL	1	2007	57995660.91
PRK	1	2007	3200000
SDN	1	2007	9853565.681
SGP	1	2007	263154906.9
THA	1	2007	143761449.8
TTO	1	2007	7662830.422
TUN	1	2007	19099373.27
TZA	1	2007	5919021.594
VEN	1	2007	41911000
VNM	1	2007	60830000
ZWE	1	2007	3594356.177
<b>Total</b>			<b>2289443618</b>

Source: COMTRADE

**Table 3**  
**GSTP Participants Third Round of Negotiations**

<b>ReporterISO3</b>	<b>Trade Flow Exports</b>	<b>Year</b>	<b>Total Trade Value ('000USD)</b>
ARG	2	2007	55779579.84
BRA	2	2007	160648869.7
CHL	2	2007	65738859.35
CUB	2	2007	3701000
DZA	2	2007	60163160.35
EGY	2	2007	16100640.4
IDN	2	2007	114100872.8
IND	2	2007	145898053.3
IRN	2	2007	82900000
KOR	2	2007	371477103.6
LKA	2	2007	7740430
MAR	2	2007	14607345.61
MEX	2	2007	271821215.4
MYS	2	2007	176205639.1
NGA	2	2007	61500000
PAK	2	2007	17838406.66
PRK	2	2007	1500000
PRY	2	2007	2784700
THA	2	2007	153571126.2
URY	2	2007	4500000
VNM	2	2007	48387000
ZWE	2	2007	3310184.206
<b>Total</b>			<b>1840274187</b>

**Table 4**  
**GSTP Participants Third Round of Negotiations**

<b>ReporterISO3</b>	<b>Trade Flow Imports</b>	<b>Year</b>	<b>Total Trade Value ('000USD)</b>
ARG	1	2007	44707041.81
BRA	1	2007	120620871.2
CHL	1	2007	42732030.58
CUB	1	2007	10083000
DZA	1	2007	27631203.95
EGY	1	2007	26928845.78
IDN	1	2007	74473428.73
IND	1	2007	218645294
IRN	1	2007	53728000
KOR	1	2007	356841033
LKA	1	2007	11300500
MAR	1	2007	31650391.67
MEX	1	2007	281926513.2
MYS	1	2007	146910345.6
NGA	1	2007	38028000
PAK	1	2007	32593936.1
PRK	1	2007	3200000
PRY	1	2007	5844700
THA	1	2007	143761449.8
URY	1	2007	5500000
VNM	1	2007	60830000
ZWE	1	2007	3594356.177
<b>Total</b>			<b>1741530942</b>

Source: COMTRADE

**INTRA-GSTP TRADE22 PARTICIPANTS  
2007 AGRICULTURE IMPORTS ('000USD)**

**Table 5**

<b>Partner</b>	<b>ARG</b>	<b>BRA</b>	<b>CHL</b>	<b>CUB</b>	<b>DZA</b>	<b>EGY</b>	<b>IDN</b>	<b>IND</b>	<b>IRN</b>	<b>KOR</b>	<b>LKA</b>
<b>ARG</b>		2515572.5	1476725.4	58448.929	812560.16	408582.83	435809.51	614822.71		351036.78	
<b>BRA</b>	594281.7		204028.62	93051.409	472968	572476.88	363331.46	157246.69		873547.43	14139.31
<b>CHL</b>	68441.656	174493.03		19720.238	2376.573	3677.799	9778.075	21027.168		431621.36	140.40778
<b>CUB</b>	1921.213	1487.223	2734.238		206.506			457.368	135.3933	828.642	
<b>DZA</b>			0.203	4.7451443		526.367	13.718	35.362			
<b>EGY</b>	1135.994	10929.981	524.992		20383.178		12993.392	61364.759	8189.7619	11737.308	815.70151
<b>IDN</b>	14669.91	191442.7	7094.525	81.876978	69510.607	112732.81		1561439.9		247686.14	75008.625
<b>IND</b>	8423.225	50553.891	3865.766	320.9644	49671.241	159298.87	429700.59		35673.06	319620.55	255071.14
<b>IRN</b>	1379.608	2806.402	635.557	2.3301684	4027.068	4252.703	4125.078	174883.65		111358.59	412.95152
<b>KOR</b>	2101.952	5188.596	1152.27	525.32669	578.832	7743.494	64040.607	1561439.9			2236.2918
<b>LKA</b>	951.743	330.516	15732.406		168.86	4369.681	39275.4	200765.93		21550.464	
<b>MAR</b>	315.729	26749.039	789.088	13.121085	8881.533	7593.514	0.231	1358.663		2872.25	
<b>MEX</b>	18546.645	26749.039	34553.859	31695.191	104192.74	3306.16	9607.31	2499.857	229.87459	52264.727	113.35397
<b>MYS</b>	21605.405	91609.917	7112.139	484.31506	40393.781	48654.722	390762.96	293886.62	93397.647	338091.3	74707.594
<b>NGA</b>	0.022	19.472			530.047	131.073	2488.642	20088.053	42.195926	7.176	20.494573
<b>PAK</b>	256.404	1062.206	148.765	14.268763	7381.457	18486.828	22769.575	91557.212	156429.87	18086.623	14066.994
<b>PRK</b>		66.996		0.8777017				483.76			
<b>PRY</b>	660518.19	322803.96	204731.15		7694.53	9501.735	259.084	283.816	6956.0925	1578.399	
<b>THA</b>	5954.059	5362.186	8115.339	172.82428	10854.638	20568.164	929894.89			206116.29	7115.7594
<b>URY</b>	41323.947	375054.83	51878.927	32240.329	18015.453	53738.092	493.324	4307.74		23980.978	
<b>VNM</b>	700.559	2779.269	7609.702	104810.29	51451.675	12894.399	431107.9	28463.217	669.45091	106435.53	1859.8469
<b>ZWE</b>	0.321				6903.405	1197.301	13018.945	419.633		12517.253	
<b>TOTAL Particip</b>	1442528.3	3805061.8	2027432.9	341587.04	1688750.3	1449733.4	3159470.7	4796832	301723.34	3130937.8	445708.47
<b>WORLD</b>	2151989.6	6315953.4	3337651	994719.28	5653151.3	5307268.5	974118.81	8952487.5	974118.81	17976990	1511494.1
<b>Particip/World</b>	0.6703231	0.6024525	0.6074431	0.3434004	0.2987272	0.27316	0.3097398	0.53581	0.3097398	0.1741636	0.2948794

SOURCE: SQL Database

Table 5

## INTRA-GSTP TRADE 22 PARTICIPANTS

(continued)

	AGRICULTURE IMPORTS (2007) ('000USD)										
MAR	MEX	MYS	NGA	PAK	PRK	PRY	THA	URY	VNM	ZWE	TOTAL
442456.48	250069.06	699496.36	97994.657	34911.663		142009.94	399918.49	228373.61	238165.56		9206954.6
335512.68	119982.9	327642.85	41021.306	109265.39	51415.785	190358.87	556935.07	162013.38	95050.869	708.728	5334979.4
	567134.25	5153.477	108.9883	2660.254	666.12494	21705.941	11171.907	32535.623	37000.174		1409413
2376.372	7436.176	338.132		16.864		712.40882	709.98	1008.4642	7.6286397		20376.609
2517.865	1.809	31.148	1063.9647						315.88587		4511.0677
66289.938	2149.873	8876.907	5.2567294	65129.368	0.7211095	20.145	3645.918	53.818	8880.7276	271.102	283398.84
24675.35	38371.181	1401327.2	40309.242	531431.92	28.923916	3306.522	197382.51	996.079	222856.01	128.976	4740481
21024.924	46844.287	515449.12	249277.23	466177.02	855.49361	5900.744	231134.37	405.452	446525.57	1211.496	3297005
3995.207	2013.397	28259.235	1472.2578	34156.958			40133.196		3790.2083	0.943	417705.33
118.804	6399.987	25032.054	12427.488	10057.912		442.334	48253.713	283.685	72858.597	306.23	1821188.1
343.32	43399.98	2175.953	81.236891	31952.08		90.120437	5843.238	214.93936	24082.38		391328.25
	665.033	153.414	2674.7305	93.84			499.286		268.66152		52928.133
1598.042		4324.195		3016.42	6.3181921	1048.205	9975.23	4345.53	4017.41	0.002	312090.11
10152.688	13243.139		11105.254	766032.45	1342.2107	493.501	378468.2	1322.574	310084.12	99.337	2893049.9
9007.515	11811.781	17855.027		7961.206			778.419		24639.819	0.121	95381.064
82.322	456.108	26996.518			17.337382	18.784	9360.205		7296.8138	6875.417	381363.71
	6.628	2.405	1595.693	202.044		10.690007	376.777				2745.8707
7951.243	1980.894	138.14	4078.7255	222.816	229.71263		1236.92		54.742943		1230220.2
3749.702	39938.42	812701.87	216647.13	29251.851	84415.729	49.831		422.205	368473.45	36.809	2749841.2
18577.292	160546.82	11721.332	9019.2027	11814.265	65.607182		2060.518		2999.9049		817838.56
19622.022	4211.872	183789.98	726.29702	12024.337			42890.895	422.60149		860.296	1013330.1
96.77	11.666	3102.868	681.44215	51.035	1488.2545	0.005	29501.812		1981.3032		70972.014
970148.54	1316675.3	4074568.2	690290.11	2116429.7	140532.22	366168.05	1970276.6	432397.96	1869349.9	10499.457	36547102
4137950.7	20914951	8983989.3	5947308.9	4396363.2	464775	442000	6552026.6	640000	4208256.1	490244.56	119953553
0.2344514	0.0629538	0.4535366	0.1160676	0.4814046	0.3023661	0.8284345	0.3007126	0.6756218	0.4442101	0.0214168	0.3046771

SOURCE: SQL Database

**Table 6 INTRA-GSTP TRADE 22 PARTICIPANTS**

Partner	NON-AGRICULTURE IMPORTS (2007) ('000USD)										
	ARG	BRA	CHL	CUB	DZA	EGY	IDN	IND	IRN	KOR	LKA
<b>ARG</b>		7852187	2845327	33160.185	109802.78	27911.128	16919.575	110617.91	43771.694	380755.7	
<b>BRA</b>	14168721		4313710	222712.43	130844.14	224285.63	324496.17	716990.59	291318.68	1924798.4	5866.3139
<b>CHL</b>	654448.45	3312052.8		12650.187	1298.685	767.291	199373.12	1868686.1	1771190.3	3964097.3	24913.927
<b>CUB</b>	1095.402	87294.379	197.251		4959.605	65.027	55.881	470.494	1688.4524	2179.251	
<b>DZA</b>	19209.455	2233733.4	93.459	3528.9915		368519.53	185779.43	1098002.7	228.215	646507.76	
<b>EGY</b>	37927.906	41713.041	3833.665	826.61576	235122.2		36355.952	1815579.8	2208.551	11737.308	1149.4116
<b>IDN</b>	200857.84	673471.13	181327.32	41268.248	100413.43	129648.4		3271197.2	297205.76	8913124.1	215406.02
<b>IND</b>	376799.71	2110745.4	204614.9	19341.783	395141.67	354014.66	429700.59		1707727.7	319620.55	1673716
<b>IRN</b>	223.211	8116.531	287.084	3559.567	20367.749	6765.909	76025.291	9084816.3		6459729.1	729366.74
<b>KOR</b>	525068.52	2569914.1	3082314.8	168745.35	809573.2	371049.97	3147745.7	5406249.4	3247601.7		205772.96
<b>LKA</b>	6362.615	16808.418	5536.72	52.503598	1498.595	1873.436	2751.003	240679.84	6667.9781	25795.845	
<b>MAR</b>	55436.073	520796.68	331.004	4386.0158	57141.178	15338.747	27050.952	502541.27	40586.206	102511.28	1659.3652
<b>MEX</b>	1323736	1746948.6	1320264	148079.23	64994.699	9376.246	61113.736	1068588.4	18725.751	964474.01	4096.5155
<b>MYS</b>	304343.02	588152.5	163155.16	6469.867	86774.657	103518.27	6110527.7	5454952.1	372607.18	8154336.3	393611.21
<b>NGA</b>	613.012	5273227.8	278187.61		424.08	1510.619	604716.17	6996919.5		442754.95	1444.697
<b>PAK</b>	45221.228	48699.158	62726.694	2931.7459	6328.982	11901.942	24933.838	194946.98	43588.224	472781.57	151518.51
<b>PRK</b>		85579.142	1064.99	1144.903	19516.094	285.199	2678.234	162860.69			82.468992
<b>PRY</b>	395902.23	111080.14	15103.627	54.488611	9.516	317.368	0.691	678.738		273.487	
<b>THA</b>	451078.79	903530.97	367099.81	29785.06	117096.16	201427.72	3365379.9	2127946.5	533933.23	3564698.8	206260.02
<b>URY</b>	428625.55	412686.2	71650.993	2249.371	188.258	5702.984	642.073	7750.773		16692.318	
<b>VNM</b>	51309.113	91711.184	47450.085	39432.037	3649.28	11115.805	563897.6	122587.63	18851.691	1286581.5	17216.824
<b>ZWE</b>	43.197	5981.597	2.975		37.74	32.865	1034.941	23766.722	1759.824	37773.892	87.150127
<b>TOTAL Particip</b>	19047022	28694430	12964279	740378.58	2165182.7	1845428.7	15181179	40276830	8399661.1	37691223	3632168.1
<b>WORLD</b>	42637437	106998645	39540409	4958374	22085135	17414544	65628084	208317058	9814348.4	342259004	9829371.7
<b>Particip/World</b>	0.4467206	0.2681756	0.3278742	0.1493188	0.098038	0.1059705	0.2313214	0.1933439	0.8558552	0.1101249	0.3695219

**Table 6 GSTP IMPORTS - 22 PARTICIPANTS (continued)**  
**NON-AGRICULTURE IMPORTS (2007) ('000USD)**

MAR	MEX	MYS	NGA	PAK	PRK	PRY	THA	URY	VNM	ZWE	TOTAL
16447.394	1344670.8	25803.824	102818.79	42503.59		641553.86	74238.55	985455.02	77451.444	14.045	14731410.3
220002.23	4935028.7	593531.33	722061.34	51896.77	88763.238	1437863	645254.918	1114961.4	130627.58	3895.972	32267629.4
4863.078	1991768.5	173054.77	133807.94	1247.358	40462.112	47009.674	258327.523	61652.981	151408.29	165	14673245.4
233.07	8139.499	879.11	129.71636	979.504		34.341612	1362.459	72.809836	3256.9165		113093.169
788240.34	55127.086	5798.374	230.11889	1119.052			335162.863	985.036	2.8702146		5742268.68
276060.31	336675.4	76761.581	97459.211	72281.346		90.863	3296.719	146.81	3189.7551	1560.262	3053976.67
62468.677	741739.35	4781713.5	150250.82	347667.89	424.55536	3394.675	3852541.47	6259.985	1208991.5	1991.335	25181363.2
293471.25	1081521.4	1516909.6	1600146.6	806276.64	676548.98	23499.931	1853575.51	48455.531	753435.09	39453.965	16284717.5
802978.81	40794.553	421708.9	15435.207	408057.36			85809.639	352.78809	77091.919	281.979	18241768.7
450044.85	6399.987	7153336	1005486.8	630694.9		64193.234	5525276.33	71359.507	4865577.9	14601.415	39321006.6
2989.232	36050.461	29058.256	360.95101	26945.749		45.729277	303801.497	358.92864	4744.8353	53.2	712435.79
	161898.35	24072.298	8621.2321	126072.36		1064.3	69647.527	7462.759	1203.187		1727820.78
20418.92		246824.61	34029.399	25166.087	3288.5268	44251.325	278618.016	82825.492	21608.42	1.647	7487429.61
44694.969	3459381.2		88983.714	382480.54	7158.0398	4182.29	8402650.55	15064.703	1693934.6	930.228	35837908.8
1312.708	241930.34	8002.813		1651.421			34672.251		7.4820971	613.008	13887988.5
15214.138	92538.581	54491.007	10689.127		666.51307	5996.237	58679.912	5201.926	34697.13	1916.827	1345670.27
	39676.585	2416.557	109936.65	18935.607		19337.229	34109.492	568.851		271.599	498464.29
20.466	7102.385	0.077	1009.0446	18935.607	2.6193244		18785.459		670.48989	0.055	569946.488
124707.78	1771699.7	6928101.5	149101.58	561513.28	110070.34	12399.347		11141.536	3810981.7	27740.267	25375693.9
3687.579	168154.45	4997.07	12602.115	492.712	19.594031		41462.681		27793.107	28.173	1205425.99
20315.968	429805.7	1639933.6	23062.636	23641.569		3301.9635	1072193.3	4315.869		1034.366	5471407.75
8.969	2891.527	882.769	4205.1676	6293.187	153.8413		1767.691	0.003	1146.3981		87870.4561
3148180.7	16952995	23688278	4270428.2	3554852.5	927558.36	2308218	22951234.4	2416641.9	12867821	94553.343	263818542
27550155	245975099	135864385	32223061	28093407	2720118.5	4572000	137442696	3634000	56720880	2865019.4	1547143229
0.1142709	0.0689216	0.1743524	0.1325271	0.1265369	0.3409992	0.5048596	0.16698766	0.6650088	0.2268621	0.0330027	0.17051979

SOURCE: SQL Database

**Table 7**  
**GSTP IMPORTS - SELECTED MAJOR PARTNERS (2007)**  
**AGRICULTURE IMPORTS**

<b>Partner</b>	<b>ARGENTINA</b>	<b>BRAZIL</b>	<b>MEXICO</b>	<b>INDONESIA</b>	<b>INDIA</b>	<b>KOREA</b>	<b>TOTAL</b>
<b>ARG</b>		2515572.524	250069.063	435809.513	614822.708	351036.784	4167310.592
<b>BRA</b>	594281.704		119982.904	363331.464	157246.694	873547.434	2108390.2
<b>CHL</b>	68441.656	174493.033	567134.253	9778.075	21027.168	431621.355	1272495.54
<b>CUB</b>	1921.213	1487.223	7436.176		457.368	828.642	12130.622
<b>DZA</b>			1.809	13.718	35.362		50.889
<b>EGY</b>	1135.994	10929.981	2149.873	12993.392	61364.759	11737.308	100311.307
<b>IDN</b>	14669.91	191442.702	38371.181		1561439.898	247686.143	2053609.834
<b>IND</b>	8423.225	50553.891	46844.287	429700.594		319620.549	855142.546
<b>IRN</b>	1379.608	2806.402	2013.397	4125.078	174883.647	111358.588	296566.72
<b>KOR</b>	2101.952	5188.596	6399.987	64040.607	1561439.898		1639171.04
<b>LKA</b>	951.743	330.516	43399.98	39275.4	200765.928	21550.464	306274.031
<b>MAR</b>	315.729	26749.039	665.033	0.231	1358.663	2872.25	31960.945
<b>MEX</b>	18546.645	26749.039		9607.31	2499.857	52264.727	109667.578
<b>MYS</b>	21605.405	91609.917	13243.139	390762.956	293886.621	338091.301	1149199.339
<b>NGA</b>	0.022	19.472	11811.781	2488.642	20088.053	7.176	34415.146
<b>PAK</b>	256.404	1062.206	456.108	22769.575	91557.212	18086.623	134188.128
<b>PRK</b>		66.996	6.628		483.76		557.384
<b>PRY</b>	660518.19	322803.959	1980.894	259.084	283.816	1578.399	987424.342
<b>THA</b>	5954.059	5362.186	39938.42	929894.891	71242.534	206116.286	1258508.376
<b>URY</b>	41323.947	375054.83	160546.817	493.324	4307.74	23980.978	605707.636
<b>VNM</b>	700.559	2779.269	4211.872	431107.901	28463.217	106435.53	573698.348
<b>ZWE</b>	0.321		11.666	13018.945	419.633	12517.253	25967.818
<b>TOTAL Particip</b>	1442528.286	3834543.776	1442027.933	3286436.026	4923895.748	3502046.984	18431478.75
<b>WORLD</b>	2151989.553	6315953.404	20914950.91	9599864.271	8952487.509	17976990.07	65912235.72
<b>Particip/World</b>	0.67032309	0.60712034	0.06894723	0.342341926	0.550003085	0.194807194	0.27963668
<b>USA</b>			15315075.1				
<b>USA/World</b>			0.732254891				

SOURCE: SQL Database

**Table 8. GSTP IMPORTS - SELECTED MAJOR PARTNERS (2007) NON-AGRICULTURE IMPORTS**

Partner	ARGENTINA	BRAZIL	MEXICO	INDONESIA	INDIA	KOREA	TOTAL
<b>ARG</b>		7852187.044	1344670.823	16919.575	110617.905	380755.704	9705151.051
<b>BRA</b>	14168720.61		4935028.73	324496.17	716990.592	1924798.373	22070034.48
<b>CHL</b>	654448.453	3312052.823	1991768.468	199373.116	1868686.143	3964097.296	11990426.3
<b>CUB</b>	1095.402	87294.379	8139.499	55.881	470.494	2179.251	99234.906
<b>DZA</b>	19209.455	2233733.383	55127.086	185779.433	1098002.725	646507.755	4238359.837
<b>EGY</b>	37927.906	41713.041	336675.4	36355.952	1815579.761	11737.308	2279989.368
<b>IDN</b>	200857.835	673471.127	741739.353		3271197.16	8913124.128	13800389.6
<b>IND</b>	376799.714	2110745.372	1081521.363	429700.594		319620.549	4318387.592
<b>IRN</b>	223.211	8116.531	40794.553	76025.291	9084816.324	6459729.106	15669705.02
<b>KOR</b>	525068.519	2569914.096	6399.987	3147745.669	5406249.369		11655377.64
<b>LKA</b>	6362.615	16808.418	36050.461	2751.003	240679.837	25795.845	328448.179
<b>MAR</b>	55436.073	520796.676	161898.345	27050.952	502541.268	102511.284	1370234.598
<b>MEX</b>	1323735.985	1746948.595		61113.736	1068588.442	964474.012	5164860.77
<b>MYS</b>	304343.017	588152.5	3459381.24	6110527.716	5454952.067	8154336.296	24071692.84
<b>NGA</b>	613.012	5273227.822	241930.341	604716.166	6996919.475	442754.954	13560161.77
<b>PAK</b>	45221.228	48699.158	92538.581	24933.838	194946.979	472781.569	879121.353
<b>PRK</b>		85579.142	39676.585	2678.234	162860.693		290794.654
<b>PRY</b>	395902.229	111080.141	7102.385	0.691	678.738	273.487	515037.671
<b>THA</b>	451078.794	903530.971	1771699.684	3365379.934	2127946.461	3564698.802	12184334.65
<b>URY</b>	428625.548	412686.197	168154.448	642.073	7750.773	16692.318	1034551.357
<b>VNM</b>	51309.113	91711.184	429805.702	563897.604	122587.629	1286581.48	2545892.712
<b>ZWE</b>	43.197	5981.597	2891.527	1034.941	23766.722	37773.892	71491.876
<b>TOTAL Particip</b>	19047021.92	28694430.2	16952994.56	15181178.57	40276829.56	37691223.41	157843678.2
<b>WORLD</b>	42637436.8	106998644.7	245975098.5	65628084.13	208317057.6	342259003.8	1011815326
<b>Particip/World</b>	0.446720613	0.268175642	0.068921589	0.231321374	0.193343887	0.110124856	0.156000482
<b>USA</b>			122269336			33531831.29	
<b>USA/World</b>			0.497080138			0.097972094	
<b>CHN</b>						60364689.21	
<b>usa,chn/W</b>						0.274343463	

**SOURCE: SQL Database**

### **(a) Basic Modalities on Market Access**

GSTP Participants agreed, at UNCTAD XII meeting in Accra, Ghana, in 2008, on carrying out the Third Round negotiations on the basis of across-the-board, line-by-line, linear cut in the range of 20 to 40 percent on dutiable tariff lines, to be combined with request-and-offer and/or sectoral negotiations, and to assume commitments on at least 70 percent of their dutiable tariff lines.

Later by Ministerial Decision on 2 December 2009, the 22 Participants agreed to apply an across-the board, line-by-line, linear cut of at least 20 percent on their dutiable tariff lines, to be combined with request-and-offer and/or sectoral negotiations on a voluntary basis.

They agreed to assume commitments on at least 70 percent of their dutiable tariff lines. Exceptionally, Participants with duty-free tariff lines accounting for more than 50 percent of their total national tariff lines may apply the linear cut described in paragraph 1 for a product coverage equivalent to at least 60 percent of their dutiable tariff lines.

The linear cut will be normally applied on the valid MFN tariff applied on the date of importation. Only exceptionally, Participants may apply the linear cut on MFN tariffs applied on the date of the conclusion of the Third Round of negotiations (base rates) by notifying the Committee of Participants of the introduction of any changes to the MFN tariffs applied and adjust the base rates accordingly. The margin of preference shall be implemented on those base rates.

Recognizing the special situation of Algeria and the Islamic Republic of Iran, who are in the process of acceding to the World Trade Organization, Participants agree to accord a differential treatment and flexibilities to these Participants within the market access modalities agreed upon.

### **(b) Market Access Impact of 20% Linear Cut**

Regarding market access impact of the Third Round of negotiations, Tables 9 and 10 show the results of the simulation exercise performed using 20% margin of preference, as agreed by 22 Participants in the Ministerial Decision adopted on 2 December 2009, for both agriculture and non-agriculture products.

Linear cut at 20% on 100% of dutiable tariff lines will increase intra-GSTP agriculture trade by almost USD 1 billion (USD 947'011'450), which would mean 2.6% increase on current intra-GSTP agriculture exports. Under the same assumptions, 20% linear cut on 100% dutiable tariff lines, will increase intra-GSTP non-agriculture trade by USD 4.6 billion (USD 4'612'064'370), which would represent 1.7% increase in current intra-GSTP non-agriculture exports.

Total trade creation would be USD 5.6 billion, that is to say, 4.3% increase in intra-GSTP total trade.

Average duty rates will diminish by almost 5% on agriculture products, averaging 17.26%, and around 4% on non-agriculture products, averaging 11.18%.

However, it should be borne in mind that Participants agreed to undertake commitments only on at least 70% of dutiable tariff lines. Since 30% of dutiable tariff lines not subject to the obligation of across-the-board, line by line, 20% linear cut has not yet been defined by Participants, the simulation assumes that the whole universe of tariff lines is subject to 20% linear cut on the applied MFN rate. Thus, such assumption implies an overestimation of the market access impact of trade liberalization.

Another overestimation of market access impact may come from eventual withdraw from the Third Round of negotiations of any of the 22 Participants that, in principle, have expressed their interest to participate in the current round of negotiations and have correspondingly submitted their lists of export interests. However, the final list of Participants of the Third Round of negotiation will only be ready by the end of September 2010, once all Participants have completed verification of their draft schedules of concessions (Ministerial Decision SPR/NC/MM/1, 12/02/09).

On the other side, during the period of verification of the draft schedules of concessions, Participants may engage in consultations and request and offer negotiations with a view to supplementing the outcome of the basic modalities on market access. Thus, market access impact from these supplementary negotiations might partly compensate the overestimation on market access impact of the linear cut.

### **(c) Simulation of 20% Linear Cut for all Participants of GSTP Agreement signed in 1988.**

Tables 11 and 12 show what would it be the trade creation effect of 20% linear cut on the whole universe of dutiable tariff lines for the two categories of products, agriculture and non-agriculture, respectively, assuming that all GSTP signatory countries would participate in the current round of negotiations instead of only the 22 countries that have so far expressed their interest to participate in the Sao Paulo round.

The simulation performed under such assumptions, for 42<sup>1</sup> GSTP signatory countries that had exchange concessions plus Paraguay and Uruguay, which exchanged concessions as Mercosur State Parties, thus in total 44 Participants, indicates that trade creation effect in this case would be USD 1.2 billion for agriculture products and USD 5.7 billion for non-agriculture products. So, total trade creation effect would be almost USD 7 billion (USD 5.6 billion for 22 Participants, see Tables 9 and 10).

One important feature of this simulation is that it takes in account special and different treatment for LDCs, that is, LDC Participants benefit from 20% linear cut preferences agreed for Participants in the round without obligation of reciprocity.

---

<sup>1</sup> Exclude Romania who withdrew from the Agreement and previous Republic of Yugoslavia.

**Table 9. TRADE EFFECT OF 20% LINEAR CUT - APPLIED TARIFFS -IN AGRICULTURE PRODUCTS:**

	Trade Effect (USD '000)				Old Duty Rate	New Duty Rate	% Export Increase
	Total Effect	Diversion Effect	Creation Effect	Price Effect			
ARG	3'766.28	0	3'766.28	0	10.1	9.72	
BRA	24'780.49	0	24'780.49	0	10.56	10.19	
CHL	8'258.77	0	8'258.77	0	2.08	1.92	
CUB	45'928.97	0	45'928.97	0	13.28	12.68	
DZA	29'510.42	0	29'510.42	0	20.98	19.9	
EGY	22'493.70	0	22'493.70	0	36.91	35.56	
IDN	4'908.14	0	4'908.14	0	9.28	8.98	
IND	177'360.66	0	177'360.66	0	36.57	35.31	
IRN	231'363.76	0	231'363.76	0	28.96	27.48	
KOR	150'868.75	0	150'868.75	0	35.43	33.56	
LKA	7'836.28	0	7'836.28	0	22.52	21.18	
MAR	5'900.89	-0.001	5900.89	0	29.4	27.64	
MEX	27'000.72	0.001	27'000.72	0	11.05	10.35	
MYS	9'360.83	0	9'360.83	0	7.24	6.92	
NGA	3'712.76	0	3'712.76	0	13.19	12.69	
PAK	20'910.98	0	20'910.98	0	19.7	18.72	
PRK							
PRY	2'072.57	0	2'072.57	0	10.24	9.55	
THA	59'203.83	0	59'203.83	0	22.56	21.54	
URY	795.156	0	795.156	0	8.24	7.84	
VNM	110'767.49	0	110'767.49	0	25.72	24.84	
ZWE	210.001	0	210.001	0	24.3	23.14	
<b>TOTAL</b>	<b>947'011.45</b>	<b>0.00</b>	<b>947'011.45</b>	<b>0</b>	<b>18.10</b>	<b>17.26</b>	
<b>Total Imports</b>							
<b>22 Participants</b>			36547102				<b>2.6</b>

Source: SMART Simulation - World Integrated Trade Solution (WITS)

**Table 10. TRADE EFFECT OF 20% LINEAR CUT - APPLIED TARIFFS -IN NON-AGRICULTURE PRODUCTS**

	Trade Effect (USD '000)						% Export Increase
	Total Effect	Diversion Effect	Creation Effect	Price Effect	Old Duty Rate	New Duty Rate	
ARG	59'599.39	0.001	59'599.39	0	11.75	11.35	
BRA	570'965.30	0.001	570'965.30	0	14.04	13.52	
CHL	41'594.96	0	41'594.96	0	1.59	1.47	
CUB	10'915.47	0	10'915.47	0	11.28	10.88	
DZA	54'442.76	0.001	54'442.75	0	16.91	16.28	
EGY	106'848.16	0.001	106'848.16	0	10.01	9.62	
IDN	133'572.81	0	133'572.81	0	7.53	7.35	
IND	392'366.20	0.002	392'366.19	0	8.58	8.39	
IRN	66'843.57	0	66'843.57	0	27.7	26.98	
KOR	1'503'481.85	0.003	1'503'481.85	0	7.29	7.07	
LKA	22'938.32	0	22'938.32	0	12.16	11.62	
MAR	54'766.41	0	54'766.41	0	15.08	14.24	
MEX	404'930.50	0.002	404'930.49	0	7.03	6.5	
MYS	120'206.78	0	120'206.78	0	12.72	12.31	
NGA	58'354.64	0	58'354.64	0	12.88	12.43	
PAK	174'345.37	0	174'345.37	0	14.68	14.13	
PRK							
PRY	5'985.40	0	5'985.40	0	10.07	9.59	
THA	380'285.76	0	380'285.76	0	10.92	10.58	
URY	3'466.56	0	3'466.56	0	11.48	11.05	
VNM	444'185.84	-0.001	444'185.84	0	16.4	15.86	
ZWE	1'968.35	0	1'968.35	0	15.16	14.65	
<b>TOTAL</b>	<b>4'612'064.38</b>	<b>0.01</b>	<b>4'612'064.37</b>	<b>0.00</b>	<b>11.60</b>	<b>11.18</b>	
<b>Total Imports</b>							
<b>22 Participants</b>			263818542				<b>1.7</b>

Source: SMART Simulation - World Integrated Trade Solution (WITS)

**Table 11. GSTP TRADE EFFECT OF 20% LINEAR CUT - APPLIED TARIFFS -IN AGRICULTURE PRODUCTS**

	Total Effect	Trade Effect (USD '000) Diversion Effect	Creation Effect	Price Effect	Old Duty Rate	New Duty Rate
ARG	3'766.28	0	3'766.28	0	10.1	9.72
BEN (*)						
BGD (*)						
BOL	2'235.92	0	2'235.92	0	6.69	6.2
BRA	24'780.49	0	24'780.49	0	10.56	10.19
CHL	8'258.77	0	8'258.77	0	2.08	1.92
CMR	2'183.49	0	2'183.49	0	24.12	22.77
COL	74'140.89	0	74'140.89	0	16.29	14.91
CUB	45'928.97	0	45'928.97	0	13.28	12.68
ECU	22'245.78	0	22'245.78	0	12	11.29
DZA	29'510.42	0	29'510.42	0	20.98	19.9
EGY	22'493.70	0	22'493.70	0	36.91	35.56
GHA	10'795.13		10'795.13		18.74	18.04
GIN (*)						
GUY	447.562	0	447.562	0	22.5	21.06
IDN	4'908.14	0	4'908.14	0	9.28	8.98
IND	177'360.66	0	177'360.66	0	36.57	35.31
IRN	231'363.76	0	231'363.76	0	28.96	27.48
IRQ (**)						
KOR	150'868.75	0	150'868.75	0	35.43	33.56
LBY	21'999.42	0	21'999.42	0	26.83	24.46
LKA	7'836.28	0	7'836.28	0	22.52	21.18
MAR	5'900.89	-0.001	5900.89	0	29.4	27.64
MEX	27'000.72	0.001	27'000.72	0	11.05	10.35
MMR (*)						
MOZ (*)						
MYS	9'360.83	0	9'360.83	0	7.24	6.92
NGA	3'712.76	0	3'712.76	0	13.19	12.69
NIC	654.74	0	654.74	0	10.68	9.9
PAK	20'910.98	0	20'910.98	0	19.7	18.72
PER	29'462.99	0	29'462.99	0	8.18	7.63
PHL	41'806.72	0	41'806.72	0	7.75	7.37
PRK (**)						
PRY	2'072.57	0	2'072.57	0	10.24	9.55
SDN (*)						
SGP	0.00	0	0.00	0	0.00	0.00
THA	59'203.83	0	59'203.83	0	22.56	21.54
TTO	4'245.66	0	4'245.66	0	19.53	18.22
TUN	10'182.25	0	10'182.25	0	44.97	42.44
TZA (*)						
URY	795.156	0	795.156	0	8.24	7.84
VEN	31'741.51	0	31'741.51	0	13.85	13.17
VNM	110'767.49	0	110'767.49	0	25.72	24.84
ZWE	210.001	0	210.001	0	24.3	23.14
<b>TOTAL</b>	<b>1'199'153.49</b>	<b>0.00</b>	<b>1'199'153.49</b>	<b>0</b>	<b>18.01257143</b>	<b>17.062</b>

(\*) LDCs have no obligation of reciprocity

(\*\*) Data not reported

**Source:** SMART Simulation - World Integrated Trade Solution (WITS)

**Table 12. GSTP TRADE EFFECT OF 20% LINEAR CUT - APPLIED TARIFFS -IN NON-AGRICULTURE PRODUCTS**

	Total Effect	Trade Effect (USD '000) Diversion Effect	Creation Effect	Price Effect	Old Duty Rate	New Duty Rate
ARG	59'599.39	0.001	59'599.39	0	11.75	11.35
BEN (*)						
BGD (*)						
BOL	7'124.99	0	7'124.99	0	6.84	6.52
BRA	570'965.30	0.001	570'965.30	0	14.04	13.52
CHL	41'594.96	0	41'594.96	0	1.59	1.47
CMR	20'554.74	0	20'554.74	0	18.75	17.97
COL	602'117.33	0	602'117.33	0	12.8	11.95
CUB	10'915.47	0	10'915.47	0	11.28	10.88
ECU	58'574.33	0	58'574.33	0	12.31	11.63
DZA	54'442.76	0.001	54'442.75	0	16.91	16.28
EGY	106'848.16	0.001	106'848.16	0	10.01	9.62
GHA	22'679.80	0	22'679.80	0	14.58	14.06
GIN (*)						
GUY	2'409.35	0	2'409.35	0	10.85	10.33
IDN	133'572.81	0	133'572.81	0	7.53	7.35
IND	392'366.20	0.002	392'366.19	0	8.58	8.39
IRN	66'843.57	0	66'843.57	0	27.7	26.98
IRQ (**)						
KOR	1'503'481.85	0.003	1'503'481.85	0	7.29	7.07
LBY	0.00	0	0.00	0	0	0
LKA	22'938.32	0	22'938.32	0	12.16	11.62
MAR	54'766.41	0	54'766.41	0	15.08	14.24
MEX	404'930.50	0.002	404'930.49	0	7.03	6.5
MMR (*)						
MOZ (*)						
MYS	120'206.78	0	120'206.78	0	12.72	12.31
NGA	58'354.64	0	58'354.64	0	12.88	12.43
NIC	11'760.03	0	11'760.03	0	8.96	8.28
PAK	174'345.37	0	174'345.37	0	14.68	14.13
PER	29'034.28	0	29'034.28	0	8.01	7.58
PHL	197'310.98	0	197'310.98	0	5.16	4.92
PRK (**)						
PRY	5'985.40	0	5'985.40	0	10.07	9.59
SDN (*)						
SGP	0.00	0	0.00	0	0	0
THA	380'285.76	0	380'285.76	0	10.92	10.58
TTO	11'088.47	0	11'088.47	0	16.22	15.26
TUN	15'376.18	0	15'376.18	0	26.19	25.24
TZA (*)						
URY	3'466.56	0	3'466.56	0	11.48	11.05
VEN	162'358.47	0	162'358.47	0	12.23	11.71
VNM	444'185.84	-0.001	444'185.84	0	16.4	15.86
ZWE	1'968.35	0	1'968.35	0	15.16	14.65
<b>TOTAL</b>	<b>5'752'453.33</b>	<b>0.01</b>	<b>5'752'453.32</b>	<b>0.00</b>	<b>11.66171429</b>	<b>11.18057143</b>

(\*) LDCs have no obligation of reciprocity

(\*\*) Data not reported

**Source:** SMART Simulation - World Integrated Trade Solution (WITS)

## II. Doha Round Simulation

WTO negotiation scenarios regarding agriculture products under Doha Round include three areas: domestic support, market access, and export subsidies and related issues (“export competition”).

Formulas in the “modalities” describe the basic cuts in tariffs, support and subsidies. For domestic support and tariffs, “tiered” formulas will be used, meaning that if support or a tariff is high (i.e., in a higher tier) it will be cut more steeply. Export subsidies would be eliminated. The basic formulas for developing countries prescribe gentler cuts over a longer period and a range of flexibilities that would allow countries to deviate from the basic formulas, either totally or for some products, particularly in market access to take account of countries’ different vulnerabilities, the liberalization already undertaken by new members, and a range of special circumstances for some products in different countries.

Higher tariffs will have higher cuts, ranging from 50% to 70% subject to a 54% minimum average for developed countries, 33.3% to 46.7% for developing or less if they meet a 36% average cut.

Sensitive products would have cuts of only 1/3, 1/2 or 2/3 of the normal cut but with a quantity allowed in at a lower quota; special products would also have smaller cuts, and some might be exempt completely.

Tariff reductions for industrial products under Doha Round would be made using a “simple Swiss” formula with separate coefficients for developed or for developing country members. Scenarios for NAMA (non-agriculture market access) modalities contain these coefficients: 8 for developed members and 20, 22 and 25 for developing. It should be born in mind that under Swiss formula a lower coefficient implies a higher tariff cut. The use of the different coefficients would depend on three new options:

- A member choosing the lowest coefficient, 20, would be entitled to make smaller or no cuts in 14 percent of its most sensitive industrial tariff lines, provided that these tariff lines do not exceed 16 percent the total value of its NAMA imports. These tariffs would be subject to cuts equal to half of the agreed formula reduction.
- A member choosing a coefficient of 22 would be entitled to make smaller or no cuts in a smaller number of products: up to 10 percent of its most sensitive industrial tariff lines from the full effect of the formula, provided that these tariff lines do not exceed 10 percent of the total value of its NAMA imports. These tariffs would be subject to cuts equal to half of the agreed formula reduction.
- A member choosing the highest coefficient, 25, will have to apply it on all its products without exceptions.

One crucial difference between GSTP negotiations and Doha Round scenarios is that under WTO negotiations cuts are made from legally bound rates while GSTP margin of preferences are on applied tariffs.

The simulation assumes linear cut on agriculture bound tariffs at 36%, which is average cut requested to meet by developing countries, and Swiss formula coefficient at 25%, i.e. without exceptions, on non-agriculture bound tariffs. The results are shown in the bottom part of Tables 13 and 14 for agriculture and non-agriculture products, respectively.

Thus, assuming linear cut at 36% in applied tariff on agriculture products by 22 GSTP Participants, intra-GSTP imports will increase by USD 974 million, representing 2.7% increase in intra-GSTP trade (22 Participants) with respect to 2008.

The assumed Swiss formula coefficient at 25% on applied tariff on non-agriculture products by 22 GSTP Participants will increase intra-GSTP imports by USD 3.4 billion, implying 1.3% increase in intra-GSTP trade with respect to 2008.

**Table 13.** WTO TRADE EFFECT OF 36% AVERAGE LINEAR CUT - BOUND TARIFFS -IN AGRICULTURE PRODUCTS

	Trade Effect (USD '000)						% Export Increase
	Total Effect	Diversion Effect	Creation Effect	Price Effect	Old Duty Rate	New Duty Rate	
ARG	12.706	0	12.706	0	11.87	11.66	
BRA	10.675	0	10.675	0	14.98	14.77	
CHL	0.001	0	0.001	0	3.88	3.88	
CUB	1'535.36	0	1'535.36	0	18.42	18.06	
DZA	84'161.04	0	84'161.04	0	17.69	15.99	
EGY	5'264.11	0	5'264.11	0	228.91	200.81	
IDN	61.727	0	61.727	0	95.05	90.34	
IND	1'771.27	0	1771.266	0	76.05	73.63	
IRN	416'454.77	0	416'454.77	0	28.96	26.3	
KOR	213'862.55	-0.002	213862.553	0	66.75	60.27	
LKA	3'773.00	0	3'773.00	0	29.79	26.49	
MAR	26'565.53	0	26'565.53	0	34.31	29.86	
MEX	17'221.03	-0.001	17221.029	0	35.5	33.05	
MYS	15'207.48	0	15'207.48	0	9.71	8.81	
NGA	0	0	0.00	0	13.33	13.33	
PAK	1'288.69	0	1'288.69	0	56.88	51.93	
PRK							
PRY	80.038	0	80.038	0	11.51	10.66	
THA	15'568.20	0	15'568.20	0	25.63	24.24	
URY	1'308.72	0	1'308.72	0	11.76	10.97	
VNM	169'720.43	0	169'720.43	0	27.22	24.74	
ZWE	16.359	0	16.359	0	39.06	38.4	
TOTAL	973883.674	-0.003	973883.676	0	38.96636364	35.82681818	2.7
TOTALParticipants			36547102			-0.080570655	
TradeCreation/TotalPartic.			0.026647357				

Source: SMART Simulation - World Integrated Trade Solution (WITS)

**Table 14 WTO TRADE EFFECT OF 25% COEFFICIENT SWISS FORMULA IN NON-AGRICULTURE MARKET ACCESS**

	Trade Effect (USD '000)							% Export Increase
	Total Effect	Diversion Effect	Creation Effect	Price Effect	Old Duty Rate	New Duty Rate		
ARG	27'319.68	0	27319.676	0	14.73	14.32		
BRA	298'193.65	0.005	298193.645	0	16.47	16.05		
CHL	0.00	0	0.00	0	3.89	3.89		
CUB	37'054.85	0	37'054.85	0	10.93	10.21		
DZA	116'564.03	-0.001	116'564.03	0	14.89	13.54		
EGY	112'296.63	0	112'296.63	0	22.28	20		
IDN	57'298.20	0	57298.198	0	14.04	13.63		
IND	292'462.10	-0.003	292462.099	0	10.12	9.71		
IRN	208'654.86	0	208'654.86	0	27.67	25.43		
KOR	166'863.49	-0.001	166863.492	0	7.47	7.21		
LKA	42'399.41	0	42'399.41	0	11.94	10.87		
MAR	54'693.48	0	54'693.48	0	15.8	13.63		
MEX	105'212.13	0.012	105212.12	0	7.5	6.31		
MYS	175'975.80	0	175'975.80	0	14.66	13.72		
NGA	91'592.50	0	91'592.50	0	13.18	12.27		
PAK	129'230.61	-0.003	129'230.61	0	23.22	21.96		
PRK								
PRY	5'899.90	0	5'899.90	0	13.32	12.73		
THA	450'361.81	0	450'361.81	0	14.46	13.44		
URY	3'616.69	0	3'616.69	0	14.53	13.86		
VNM	1'035'669.03	0.002	1'035'669.02	0	18.68	16.87		
ZWE	4'889.03	0	4'889.03	0	15.35	14.12		
TOTAL	3'416'247.86	0.01	3'416'247.85	0.00	13.86954545	12.89863636	1.3	
TOTALParticipants			263818542			-0.07000295		
TradeCreation/TotalPartic.			0.012949233					

Source: SMART Simulation - World Integrated Trade Solution (WITS)

### **III. Preferential Trade Agreement MERCOSUR - India**

In 2004, MERCOSUR and India signed this Preferential Trade Agreement as a first step towards the creation of a Free Trade Area between the Signatory Parties.

The Parties agreed on tariff preferences for the importation from the respective territories. Such tariff preferences will be applied to all customs duties in force in each Signatory Party at the time of importing the relevant product.

India's offer list to MERCOSUR considers margins of preferences between 10 and 100%, which results in a weighted average margin of preference at 20%. MERCOSUR's offer list to India also considers margins of preferences in the range 10 to 100%, however the resulting weighted average margin of preference is lower in this case, only 13%.

The simulation is based on the weighted average margins of preferences both for agriculture and non-agriculture products. The results are shown in Tables 13 and 14 for India and MERCOSUR, respectively.

Thus, a linear cut at 13% in applied tariffs on agriculture products by four MERCOSUR State Parties will increase bilateral imports by USD 59 million, resulting in 2.6% increase in Indian agriculture exports to MERCOSUR with respect to 2008 data. While, linear cut at 13% in applied tariffs on non-agriculture products by MERCOSUR countries will increase bilateral imports by USD 35 million, representing 1.4% growth in non-agriculture exports from India to MERCOSUR.

With respect to preferences offered by India to MERCOSUR, 20% linear cut in applied tariffs on agriculture products by India will imply a USD 15.4 million increase in bilateral imports, meaning 2% growth of MERCOSUR agriculture exports to India. For non agriculture products, a linear cut at 20% on applied tariffs will imply an increase by USD 23 million of bilateral imports, which represents 2.8% increase in MERCOSUR non-agriculture exports to India.

**Table 15 PREFERENTIAL TRADE AGREEMENT MERCOSUR - INDIA**

**Trade Effect of 13% Linear Cut - *Applied Tariffs* -in Agriculture Products by:**

	BENEFICIARY: INDIA		Trade Effect (USD '000)		Old Duty Rate	New Duty Rate	MERCOSUR Imports	%Export Increase
	Total Effect	Diversion Effect	Creation Effect	Price Effect				
ARG	123.839	0	123.839	0	8.97	8.88	8423.225	
BRA	1'419.14	0	1419.14	0	9	8.9	50553.891	
PRY	6.461	0	6.461	0	6.34	6.16		
URY	10.715	0	10.715	0	6.93	6.78		
TOTAL MERCOSUR Imports	1560.155	0	1560.155	0	7.81	7.68	58977.116	2.6
TradeCreat/MSimports			58977.116	0.026453565				

**Trade Effect of 13% Linear Cut - *Applied Tariffs* - in Non-Agriculture Products by:**

	BENEFICIARY: INDIA		Trade Effect (USD '000)		Old Duty Rate	New Duty Rate	MERCOSUR Imports	%Export Increase
	Total Effect	Diversion Effect	Creation Effect	Price Effect				
ARG	6'666.67	0	6666.669	0	11.75	11.68	376799.714	
BRA	28'151.81	0	28151.813	0	12.94	12.86	2110745.372	
PRY	6.461	0	6.461	0	6.34	6.16		
URY	10.715	0	10.715	0	6.93	6.78		
TOTAL MERCOSUR Imports	34835.658	0	34835.658	0	9.49	9.37	2487545.086	1.4
TradeCreat/MSimports			2487545.086	0.014004031				

**Source:** Preferential Trade Agreement MERCOSUR - India, Foreign Trade Information System (SICE)  
 SMART Simulation - World Integrated Trade Solution (WITS)

**Table 16 PREFERENTIAL TRADE AGREEMENT MERCOSUR - INDIA**

**Trade Effect of 22% Linear Cut - *Applied Tariffs* - in Agriculture Products by India:**

	BENEFICIARY: MERCOSUR		Trade Effect		(USD '000)		New Duty Rate	Indian Imports	%Export Increase
	Total Effect	Diversion Effect	Creation Effect	Price Effect	Old Duty Rate				
MERCOSUR	15'398.72	0	15398.719	0	33.94	33.31	776660.958	2	
Indian Imports			776660.958						
TradeCreat/INDimports			0.019826823						

**Trade Effect of 13% Linear Cut - *Applied Tariffs* -in Non-Agriculture Products by India:**

	BENEFICIARY: MERCOSUR		Trade Effect		(USD '000)		New Duty Rate	Indian Imports	%Export Increase
	Total Effect	Diversion Effect	Creation Effect	Price Effect	Old Duty Rate				
MERCOSUR	23410.622	0	23410.622	0	8.37	8.28	836038.008	2.8	
Indian Imports			836038.008						
TradeCreat/INDimports			0.028001863						

**Source:** Preferential Trade Agreement MERCOSUR - India, Foreign Trade Information System (SICE)  
 SMART Simulation - World Integrated Trade Solution (WITS)

#### **IV Concluding remarks**

The market access impact of Intra-GSTP tariff cuts is estimated in increase in intra-GSTP imports/exports using UNCTAD SMART, which is a static, partial equilibrium simulation model.

Trade Creation Effect measures the increase in imports from the 22 GSTP countries considered in this exercise under the different scenarios of tariff cuts by six major GSTP partners assumed in this exercise. Imports are expected to increase because the relative price of imports in relation with domestic products fall as a result of cut in tariffs, meaning a shift in demand from domestic goods to imported goods from beneficiary GSTP countries.

The report also returns Trade Total Effect, which is the sum of Trade Diversion Effect, Trade Creation Effect and Price Effect (only in the case that export supply elasticity is not infinite) and corresponds to the impact of the tariff reform on import flows. Trade Diversion Effect measures what is gained by beneficiaries of the tariff reform in comparison with the loss of other partners. In addition, the report includes the pre-tariff change simple average tariff and the post-tariff change simple average tariff that allow to see the drop in the average rate by effect of the tariff cut.

Bearing in mind that this is a simulation exercise that entails several assumptions, e.g. linear cut at 20% by the 22 GSTP partners on the whole universe of tariff lines, it still can be said that there is a benefit for GSTP countries from intra-GSTP tariff cuts vis-à-vis Doha Round negotiation scenarios.

Under the assumptions made, intra-GSTP agriculture trade will increase by almost USD 1 billion (USD 947'011'450) representing 2.6% increase in current agriculture exports. Non-agriculture trade will increase by USD 4.6 billion (USD 4'612'064'370), which would mean 1.7% increase in current non-agriculture exports. Total trade creation will be USD 5.6 billion (4.3% increase).

Under the scenarios assumed for WTO negotiations - 36% linear cut on agriculture products and 25% Swiss formula coefficient on non-agriculture products - increase in agriculture and non-agriculture intra-GSTP exports will reach 2.7% (slightly higher than GSTP simulation) and 1.3% (lower than GSTP simulation), respectively.

Results for the comparison between GSTP and Preferential Trade Agreement MERCOSUR-India are less clear. The simulation used weighted average margin of preference on the whole universe of tariff lines but it is likely that there are some exceptions, which could not be identified from the data available. Under these assumptions India's agriculture exports to MERCOSUR will increase by 2.6% and non-agriculture exports by 1.4%, while MERCOSUR agriculture exports to India will growth by 2% and non-agriculture exports by 2.8%. Thus, under this framework, increase in Indian's agriculture exports to MERCOSUR and MERCOSUR non-agriculture exports to India could be higher than under GSTP.

As a final remark, it should be noted that GSTP Ministerial Decision adopted on 2 December 2009 established the implementation of across-the-board linear cut of at least 20% on at least 70% of their dutiable tariff lines, combined with request-and-

offer and/or sectoral negotiations on a voluntary basis. Participants agreed on a work program by which they will submit their offers of tariff concessions by the end of May 2010 at the latest. After that Participants will have 4 months to verify their draft schedules of concessions and to engage in consultations and request-and-offer negotiations. They shall finalize their schedules of concessions by 30 September 2010

Thus, this may call for further analysis of market access impact in order to adjust the results of the present exercise to the new outcomes by such deadline.