

BRIDGES DAILY UPDATE

Daily reporting from the WTO's Ninth Ministerial Conference

2 DECEMBER 2013

Uncertainty Looms as Trade Ministers Arrive for Bali Meeting

Trade ministers are arriving in the Indonesian island province of Bali for a conference whose final outcome is completely uncertain, after negotiators in Geneva declared an impasse last week. Whatever the result, observers say that the upcoming week of meetings is likely to have lasting ramifications for the future of the World Trade Organization.

In anticipation of the WTO's Ninth Ministerial Conference, members have been scrambling for the past several months to put together a "breakthrough" deal of deliverables extracted from the overall Doha Round negotiations, which are glacially entering their thirteenth year. However, the Geneva-based preparations for this week's ministerial came to an abrupt halt last week, though officials acknowledged that they were potentially inches away from a pact.

While Director-General Roberto Azevêdo noted that the progress seen in the last few weeks was greater than that seen in the past five years of WTO negotiations, he told members at a 26 November meeting of the General Council that they still had not reached the necessary convergence to guarantee success in Bali.

"At this point in time we cannot tell the world that we have delivered," Azevêdo confirmed last week, declaring the Geneva part of the Bali process officially over. "Over the last few days, we stopped making the tough political calls."

The negotiating work that remains, the Director-General cautioned, is "not something that can be easily managed by the ministers in Bali," while pledging to do everything possible in the days ahead to facilitate discussions between members.

Three pillars

Since Azevêdo announced the impasse last week, predictions of what will happen in Indonesia have varied. Some commentators have already declared the so-called Bali package doomed, and proclaimed that the negotiating function of the WTO is now effectively on life support. Others, meanwhile, have speculated that the prospect of failure could be just enough to shock trade ministers into finalising the WTO's first global trade deal in nearly 20 years.

The draft Bali text, a copy of which has been seen and [analysed](#) in-depth by Bridges, features a 31-page agreement on trade facilitation and a series of shorter draft decisions on select agriculture and development-related issues. Regarding the latter two areas, those are essentially free of bracketed text in need of further work.

The trade facilitation text, meanwhile, still has a series of unresolved parts, mainly in the first section of the text. Section I, as it is known, deals with the commitments countries will take to streamline customs procedures in order to speed up trade flows. Some of the areas where members were still trying to reach convergence at the time of this writing include, for instance, those provisions dealing with freedom of transit for goods, specifically regarding goods traveling through "fixed infrastructure," as well as whether to eliminate the use of customs brokers.

The second section of the trade facilitation text involves special and differential treatment provisions for developing countries, and the related technical assistance and capacity-building that developed countries would provide to help in the implementation of the Section I commitments.

This part is now mostly clean, despite having earlier been the most troublesome area. In the days since the General Council meeting, one of the remaining obstacles in Section II has now been declared near resolution, with the LDC Group [announcing](#) on Thursday that it, together with some other "key stakeholders" had settled those outstanding issues relating to least developed countries. These developments, which have the support of the African Group, and the African, Caribbean and Pacific (ACP) Group, will require the full WTO membership's approval to be incorporated into the text.

Meanwhile, the agriculture draft texts cover a series of proposals put forward by two different developing country coalitions within the WTO: the G-20, a group of developing countries that favours reform in developed country farm trade policies; and the G-33, a developing country group whose members are home to sizeable populations of smallholder farmers.

The G-20 has put forward proposals on export subsidies and similar measures, along with easier administrative processes impacting their farm exports. The G-33 proposal has called for WTO rules to be updated in order to grant developing countries greater flexibility for food purchased at administered prices when building public stocks for food security purposes.

While all three had encountered difficulties in the negotiating processes, these had initially [appeared](#) resolved. However, reports emerged right before last week's General Council meeting that India – which has been the main backer of the G-33 proposal – was considering backtracking from its original support of a four-year "peace clause" that would serve as an interim solution to the food

security question.

The G-33 proposal is viewed as having special significance for New Delhi, given the [passage](#) of a domestic "food security" bill that could potentially breach India's current limits for trade-distorting subsidies at the global trade body. After a meeting last week of Indian cabinet ministers to discuss the "peace clause," Commerce Minister Anand Sharma affirmed only that India's position "will be made clear in the ministerial statement."

Sharma added that India will back an interim solution – such as the proposed "peace clause" that would prevent members from initiating disputes in this area – only if plans for a permanent solution are put in motion, through negotiations under a work programme on food security.

Hints of renewed momentum?

In light of the current impasse, the existing texts will be presented in their current form to trade ministers in Bali, as texts that are "stabilised," but not agreed. Long-time trade watchers have speculated that this could lead to a "negotiating ministerial," or to ministers instead directing their Geneva representatives to return to the negotiating table in the hopes of concluding the Bali package in the weeks following the conference.

While some WTO members, such as the US, have warned over the past week against expecting a miracle in Bali, others have stressed that the four-day conference must lead to a completed package.

Political statements issued over the past few days have generally tried to convey this renewed sense of urgency, with a group of over 100 developed and developing country members [issuing](#) a statement on Friday affirming that they will back "any effort necessary" needed to seal a deal in Bali.

Similar comments have been [made](#) by the chair of the conference, Indonesian Trade Minister Gita Irawan Wirjawan, and the three MC9 vice chairs.

Others have cautioned, however, that the hurdles that remain – particularly with regard to trade facilitation – might be too much for ministers to resolve in one fell swoop.

"Having learned the hard way from previous ministerials, all of us have said for months that Bali cannot be a negotiating session," US Ambassador to the WTO Michael Punke said last week.

Shifting trade landscape

The conference is Azevêdo's first since he was appointed head of the global trade body earlier this year, in a hard-fought contest that pitted the former Brazilian ambassador against eight other candidates – the largest pool in the WTO's history. Since taking on his new role in September, the Director-General has made success in Bali his first priority, [warning](#) members in his inaugural speech that the "world will not wait for the WTO indefinitely."

Comparatively, the last ministerial conference, held in Geneva in late 2011 under then-Director-General Pascal Lamy, was largely seen as a "housekeeping exercise." While members had hoped then to break with their original plan of completing the whole Doha Round in one go, their efforts to advance an "LDC-plus" mini-package in time for the Geneva meeting fell apart in the months

prior to the high-level gathering.

Instead, ministers in Geneva formally [declared](#) the Doha Round deadlocked, ten years after the negotiations were first launched in Qatar. They also had another message: members should instead pursue different negotiating approaches, and work to advance the trade talks in areas where progress could be achieved.

In the meantime, bilateral and regional trade pacts have grown in prominence, with perhaps the most famous being the Trans-Pacific Partnership Agreement – a group that brings together 12 Pacific Rim nations, including the US and Japan – and the Transatlantic Trade and Investment Partnership, a bilateral pact between the US and EU.

New plurilateral initiatives have also come to the fore in the two years since the Geneva ministerial. For instance, a subset of over 20 WTO members is now in the process of negotiating a plurilateral deal to liberalise services trade, known as the Trade in Services Agreement.

While some have welcome the above-mentioned "mega-regionals" and plurilaterals as examples of possible "new negotiating approaches" that could spur developments at the WTO, others have greeted these initiatives more cautiously – warning that they could instead serve as a distraction from multilateral efforts.

Accession of Yemen

WTO ministerials have often been an opportunity, along with attempting to advance negotiations, to welcome new members into the organisation.

Two years ago, the big focus was the accession of Russia, whose US\$1.5 trillion economy was, at the time, the largest outside the WTO system. This year, trade ministers are set to issue a formal invitation to Yemen – one of the world's poorest countries – into its ranks.

The ceremony to welcome Yemen will take place on 4 December, at which stage WTO ministers will formally sign off on Sana'a's accession protocol. Thirty days after Yemen completes the domestic ratification of these same terms – which must occur by June – the country will become the WTO's 160th member. It will also be the seventh LDC to join the organisation since 1995.

ICTSD reporting; "India will secure and protect right to food security at WTO: Sharma," ECONOMIC TIMES, 29 November 2013.

TRADE AND DEVELOPMENT SYMPOSIUM

ICTSD, the publisher of Bridges is convening a major parallel event from 3-5 December on the side-lines of the Ninth WTO Ministerial Conference, at the Bali International Convention Centre (BICC) in the Westin Resort, Nusa Dua. Just steps away from the Ministerial venue, the Bali Trade and Development Symposium (TDS) encourages delegates, ministers, and high profile experts to engage in an open and frank discussion with the main players and stakeholders in the negotiations, with a specific focus on trade and sustainability. If you're in Bali for MC9, join us!