

## QUICK POLICY INSIGHT

# WTO back on track after Bali

Author: Roberto BENDINI

On 7 December 2013, after another difficult session of negotiations, World Trade Organisation (WTO) ministers reached an historical agreement. The resulting [‘Bali package’](#) marked first occasion that a multilateral trade deal was agreed by WTO members since the organisation was created nearly two decades ago .

The [final agreement](#) includes a three-page declaration adopting decisions on three pillars: (i) trade facilitation, (ii) selected agricultural issues, and (iii) selected development-focused provisions. The Bali package encompasses some issues originally included in the Doha Development Agenda (DDA) – the organisation’s stalled round of trade negotiations. Despite the limited scope of the Bali agreement, it is expected to boost international trade and contribute to a global economic recovery, increasing global GDP, according to some analysts, by USD 1 trillion.

The deal also features a series of decisions forwarded by the WTO General Council in areas such as e-commerce and the resolution of disputes (non-violation and situation complaints) over the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS)<sup>1</sup>.

Pleased with the outcome, EU Commissioner for Trade Karel De Gucht said the successful outcome of the Bali Ministerial [‘saved the WTO’](#).

### Trade facilitation

The decision on trade facilitation is intended to simplify customs procedures by reducing costs and improving the speed and efficiency of

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<sup>1</sup> For more details on the issues negotiated in Bali, please refer to the DG Expo Policy briefing, [The 2013 Ministerial Conference in Bali: Last chance for the WTO](#) (2013).

An agreement on trade reached through the World Trade Organisation in Bali will likely reduce global trading costs by 10-15 %.

Red tape is likely to be substantially reduced.

these procedures. This is a legally binding agreement and one of the biggest reforms of the WTO since its establishment in 1995. The agreement may reduce global trade costs by 10 %-15 % through increased trade flows and revenue collection, what, according to the WTO, the deal is likely to promote, as well as by helping to create a stable business environment and attract more foreign investment.

When implemented, the agreement will make customs procedures smoother and easier, reducing unnecessary delays and administrative burdens. It includes provisions to increase efficiency and transparency, reduce bureaucracy and corruption, and secure the use of modern technologies. The decision also contains provisions on goods in transit – an issue of particular interest to landlocked countries seeking to trade through ports in neighbouring countries.

Some elements in earlier drafts of the agreement – including ‘consularisation<sup>2</sup>’ and a reference to pipelines and fixed infrastructure (a topic on which the EU and Russia strongly disagreed) – were removed. Other elements, such as the use of customs brokers, were included in a modified form after the parties reached a compromise.

## Agricultural issues

While the deal includes some new provisions on agriculture, the issue remains a thorny one among negotiating parties.

The agriculture part of the Bali package covers three main issues:

1. Public stockholding programmes designed to enhance food security in developing countries. A draft text on this issue had been circulated before the Ministerial met. Parties in Bali then agreed on an interim solution, which will remain in force until a permanent one is agreed. A work programme has been set up in order to produce a permanent solution within four years.
2. Tariff quota administration. Members agreed on a system that would involve both consultation and exchanges of information when quotas are under-filled.
3. Cotton exports from least-developed countries’. Ministers also consented to improve market access for cotton products from least-developed countries, and to offer greater assistance for production in those countries.

## Development issues

The text of the final agreements on development-related issues remained substantially unchanged from the draft versions that had been circulated in Geneva. In short, the package contains the following

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<sup>2</sup> Consularization is the act of authenticating any legal document by the consul office, by the consul signing and affixing a red ribbon to the document. Several countries e.g. require that exportation documents be consularized in the country of export.

The package also includes concessions on market access for developing countries

commitments:

- duty-free, quota-free access for least developed countries to export to richer countries' markets when not done yet;
- simplified preferential rules of origin for least developed countries, making it easier for these countries to identify products as their own goods and to qualify for preferential treatment in importing countries;
- a 'services waiver' granting least-developed countries better access to developed countries' services markets;
- a 'monitoring mechanism' that foresees meetings and other tools to monitor the special treatment given to developing countries.

## The next big step

The Bali ministerial meeting marked good progress, but there remains much to be done before the WTO can conclude the Doha Development Round.

The WTO's recently-appointed Director General, Roberto Azevêdo, was clearly pleased with the positive outcome of the Ministerial, which he qualified as 'an important stepping stone towards the completion of the Doha round'. Azevêdo stressed that the Bali deal demonstrated that WTO members 'reaffirmed not just [their] commitment to the WTO – but also to the delivery of the Doha Development Agenda'. Members also charged the WTO secretariat with preparing, within the next 12 months, a clearly defined work programme to secure the successful conclusion of the DDA.

Yet, despite the positive news from Bali, much must be accomplished before this long-standing objective can become reality. Agricultural and non-agricultural market access (NAMA) issues, which have held up the wider round of negotiations, are far from being resolved, and an ambitious reform of agricultural domestic support policies does not appear within reach. The limited agreement that was reached in Bali instead of a full deal as hoped, serves as a reminder that the objective of concluding the Round may once more face insurmountable obstacles. Moreover the choice of proceeding with sectorial agreements rather than defending the principle of the "Single undertaking" (nothing is concluded until everything is concluded) has allowed for some advances on relatively easy and straightforward issues but makes it more arduous to successfully conclude the Round.

Thanks to technological advances, new services have become tradable, but they remain subject to increasingly obsolete disciplines negotiated more than 20 years ago. In fact, it was the lack of progress within the WTO that led to negotiations on a [plurilateral deal on trade in services](#).

The global trading system has changed since the Doha round was initiated, and this should be taken into account.

Before the WTO and its members plunge themselves into the frigid waters of the DDA, they should therefore seriously reflect upon the changes that have transformed the international trading system since the round was initiated. The WTO may just have reaffirmed that it is only viable global trade organisation, but new proposals would help it adapt to the challenges of the 21<sup>st</sup> century.