

Trade Intelligence Report



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The future of the World Trade Organisation (WTO): Implications for South Africa's agribusiness sector

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Introduction

The World Trade Organization (WTO) is an intergovernmental organization which regulates international trade. The WTO as we now know it was officially established on the 1st January 1995 under the Marrakesh Agreement, which was signed by 123 countries on 15th April 1994. The WTO replaced the General Agreement on Tariffs and Trade (GATT), which had existed since 1948. The WTO deals with regulation of trade between participating countries by providing a framework for negotiating trade agreements and a dispute resolution process aimed at enforcing participants' adherence to WTO agreements, which are signed by representatives of member governments. The South African government ratified the Marrakesh Agreement and thus becoming a founding member of the WTO as it was established.

A review of the WTO Ministerial Conferences

The World Trade Organisation (WTO) Ministerial Conference is the topmost decision-making body of the WTO, and it usually meets every two years. It brings together all members of the WTO, all of which are countries or customs unions. The Ministerial Conference can take decisions on all matters under any of the multilateral trade agreements. This year will see the Ministerial Conference convening for the 10th time, with the meeting scheduled between the 15th and 18th December 2015 in Nairobi, Kenya.

The inaugural Ministerial Conference was held in Singapore in 1996. Its primary purpose was to initiate an international effort among global trading nations to overhaul the structure and mechanisms of the General Agreement on Tariffs and Trade (GATT) while preserving the considerable progress and success achieved by that system since its inception in 1948. Table 1 outlines the Ministerial conferences from 1996 to 2015, with a view to get a sense of the key issues

Table 1: The WTO Ministerial Conferences (1996-2015)

Ministerial	Date	Host	Outcomes
1 st	9–13 Dec 1996	Singapore	- "Singapore issues" which included the transparency in government

			<p>procurement, trade facilitation (customs issues), trade and investment, and trade and competition.</p> <ul style="list-style-type: none"> - These issues were pushed at subsequent Ministerials by the EU, Japan and Korea, and opposed by most developing countries.
2 nd	18–20 May 1998	Geneva, Switzerland	-
3 rd	30 Nov – 3 Dec 1999	Seattle, United States	-
4 th	9–14 Nov 2001	Doha, Qatar	<ul style="list-style-type: none"> - Launch of Doha Development Round (DDR). - China joined the WTO to become the 143rd member
5 th	10–14 Sept 2003	Cancún, Mexico	<ul style="list-style-type: none"> - An alliance of 22 southern states, the G20 (led by India, China and Brazil), resisted demands from the North for agreements on the so-called "Singapore issues" and called for an end to agricultural subsidies within the EU and the US. - The talks broke down without progress.
6 th	13–18 Dec 2005	Hong Kong	<ul style="list-style-type: none"> - Countries agreed to phase out all their agricultural export subsidies by the end of 2013, and terminate any cotton export subsidies by the end of 2006. - Further concessions to developing countries included an agreement to introduce duty-free, tariff-free access for goods from the Least Developed Countries.
7 th	30 Nov – 2 Dec 2009	Geneva, Switzerland	-
8 th	15–17 Dec 2011	Geneva, Switzerland	- Membership agreement were made for Russia, Samoa, and Montenegro
9 th	3–6 Dec 2013	Bali, Indonesia	<ul style="list-style-type: none"> - "Bali Package" - lowering import tariffs and agricultural subsidies, with the intention of making it easier for developing countries to trade with the developed world in global markets. - Developed countries would abolish hard import quotas on agricultural products from the developing world and instead would only be allowed to charge tariffs on amount of agricultural imports exceeding specific limits. - Reforming customs bureaucracies and formalities to facilitate trade
10 th	15–18 Dec 2015	Nairobi, Kenya	<ul style="list-style-type: none"> - Ratification of the trade facilitation agreement - The completion of Liberia's accession to the WTO will be on the agenda.

Source: WTO Ministerial Conference (Various Years)

The Nairobi Ministerial Conference will build on outcomes of the 9th WTO Ministerial Conference that was held in Bali, Indonesia from 3rd to 7th December 2013, where the so called “Bali Package” is set to come under scrutiny. Overall, the Bali Package contains ten separate decisions by the Ministerial Conference, covering four areas as follows:

1. *Trade Facilitation Agreement* – which reaffirms that the non-discrimination principle of Article V of GATT 1994 remains valid. The Agreement aims to reduce red-tape and streamline customs. It will be legally binding, require some expense and a certain level of technology. The cost implications mean that LDCs will be supported in building capacities to implement the changes. Some critics worry that governments may have to prioritize funds for trade facilitation over other important areas, such as public health or education.
2. *Agriculture* – more specifically, food security in developing countries such as (i) general services, (ii) public stockholding for food security purposes, (iii) understanding on Tariff Rate Quota Administration Provisions of Agricultural Products, as Defined in Article 2 of the Agreement on Agriculture (AoA), and (iv) export competition.
3. *Cotton* – with respect to subsidies for trading cotton
4. *Development and other LDC issues* – which include (i) preferential treatment and market access, (ii) Preferential Rules of Origin for Least-Developed Countries - simplified rules for identifying origin and qualifying for preferential treatment with importing countries (iii) Operationalization of the Waiver Concerning Preferential Treatment to Services and Service Suppliers of Least-Developed Countries - allows preferential treatment to be given to LDCs for 15 years from date of agreement adoption (iv) Duty-Free and Quota-Free (DFQF) Market Access for Least-Developed Countries, and (v) Monitoring Mechanism on Special and Differential Treatment - consisting of meetings and other methods for monitoring special treatment given to developing countries

When these issues were being discussed in Bali, the negotiations almost collapsed under the weight of several differences. Of particular note was India's demand that it should be allowed to extend its domestic agricultural subsidies indefinitely, which was met by opposition from the US. Eventually, India and the U.S. reached a compromise where a permanent solution to the Indian subsidies will be decided in separate future negotiations within four years. Eventually, the US and India came to a permanent agreement regarding India's food subsidies in November 2014.

The Doha Development Round of negotiations

The WTO launched the current round of negotiations, the Doha Development Agenda (DDA) or Doha Round, at the 4th Ministerial Conference in Doha, Qatar in November 2001. The Doha round was set to be an ambitious effort to make globalisation more inclusive and help the world's poor, particularly by slashing barriers and subsidies in farming. The initial agenda comprised both further trade liberalization and new rule-making, underpinned by commitments to strengthen substantial assistance to developing countries. However, the negotiations have been highly contentious and agreement has not been reached, despite the intense negotiations at several Ministerial Conferences and at other sessions. As of 2008, disagreements still continued over several key areas including agriculture subsidies. Table 2 outlines the nine rounds of multi-lateral trade negotiations from 1947 to present.

Table 2. Rounds of GATT and WTO multilateral trade negotiations

Name	Start	Duration	Countries	Subjects covered	Achievements
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Geneva	April 1947	7 months	23	Tariffs	Signing of GATT, 45,000 tariff concessions affecting \$10 billion of trade
Annecey	April 1949	5 months	13	Tariffs	Countries exchanged some 5,000 tariff concessions
Torquay	September 1950	8 months	38	Tariffs	Countries exchanged some 8,700 tariff concessions, cutting the 1948 tariff levels by 25%
Geneva II	January 1956	5 months	26	Tariffs, admission of Japan	\$2.5 billion in tariff reductions
Dillon	September 1960	11 months	26	Tariffs	Tariff concessions worth \$4.9 billion of world trade
Kennedy	May 1964	37 months	62	Tariffs, Anti-dumping	Tariff concessions worth \$40 billion of world trade
Tokyo	September 1973	74 months	102	Tariffs, non-tariff measures, "framework" agreements	Tariff reductions worth more than \$300 billion achieved
Uruguay	September 1986	87 months	123	Tariffs, non-tariff measures, rules, services, intellectual property, dispute settlement, textiles, agriculture, creation of WTO, etc.	The round led to the creation of WTO, and extended the range of trade negotiations, leading to major reductions in tariffs (about 40%) and agricultural subsidies, an agreement to allow full access for textiles and clothing from developing countries, and an extension of intellectual property rights.
Doha	November 2001	On-going	159	Tariffs, non-tariff measures, agriculture, labour standards, environment, competition, investment, transparency, patents etc.	The round has not yet concluded. Bali Package signed on the 7 th December 2013.

Source: Various Sources

The general discontent regarding protracted negotiations under successive Ministerials under the Doha Development Round (which now stands as the longest round in history) have led to concerns of the WTO losing its credibility as a platform of consensus-building on issues of interest across various countries and country groups. In the run-up to the Bali Ministerial Conference in 2013, it was hoped that member states would work on a “small package” that most countries could agree on in order to salvage the credibility of the WTO. It so turned out that the “Bali Package” became accord fundamentally re-established the WTO’s credibility as an indispensable forum for trade negotiations.

What to expect at the upcoming 10th Ministerial Conference in Nairobi

Many experts and observers believe that not much is to be expected from the 10th Ministerial Conference in Nairobi. The Doha Development agenda is unlikely going to be attained, definitely not within the frame of how it was originally formulated. The upcoming 10th Ministerial Conference will see aspects of what was agreed at the 9th Ministerial Conference being discussed, and thus, leading to key parts of the Doha Development round being salvaged. The Trade Facilitation Agreement looks set to be ratified, with the broader question being centred on what to do on the rest of the unresolved

Doha issues, particularly agricultural subsidies. What this effectively means is that the crisis under the Doha Round will likely continue beyond Nairobi.

The changing global trade configuration

Frustrations around the unresolved issues within the WTO have led to the emergence of plurilateral trade agreements on the one hand, and the formation of mega-regionals on the other. Plurilateral arrangements are generally trade agreements that consist of a small sub-set of countries with common interests, and these do not necessarily involve all WTO members. Such agreements are largely sectoral, and participating countries agree to rules on a voluntary basis. Examples of plurilateral agreements include the Information and Technology Agreement, and the Agreement on Government Procurement. Emerging interest of a plurilateral Agreement on Services has been noted, and this is again, being pushed by developed countries.

The US-led initiatives of mega-regional trade agreements, namely, the Trans-Pacific Partnership (TPP) and the Trans-Atlantic Trade and Investment Partnership (TTIP) are emerging as a new formations that are set to re-define the global configuration of world trade. The TPP has a total of 12 countries in the Asian-Pacific, and reportedly accounts for 40% of global trade. The TPP negotiations were finalised on the 5th October 2015, and will set high-standard trade rules for issues such as investor-state dispute resolution mechanisms, while opening up markets for participating countries through lower trade barriers. The TTP is broadly similar to the TTIP, which is a US-EU agreement.

Experts believe that the formation of plurilateral agreements and mega regionals will likely lead to a departure from the Doha Development Round, as countries seek new avenues to address common interests within and among various sub-sets of WTO member countries. The big question that remains is whether the outstanding issues under the Doha Development Round, particularly agricultural subsidies, will ever be addressed. Indications from developed countries cite the need to now conclude the Doha Development round, which of course, have sparked questions of what lies beyond the 10th Ministerial in Nairobi. What is becoming increasingly clear is that Least Developing Countries (LDCs) are likely going to become increasingly marginalised by the emergence of mega-regional and plurilateral trade agreements, which seem to be a means to subvert the Development agenda of the Doha Round.

Conclusion

The elevated risk of being marginalised within the global trade space is not only worrisome for South Africa, but for the rest of the developing world, particularly in Africa. Mega-regionals are likely to sideline Africa's agenda under the Doha Development Round, while at the same time creating a new-found sense of urgency on how to re-establish Africa's agenda within a new reconfigured global trade landscape. Much talk has been around how Africa now needs to plug its (agro)industries into global value chains, but how can Africa position its agricultural sector to reap the benefits of global value chains? Perhaps the trade facilitation agreement, and the Economic Partnership Agreement (EPAs) and the Africa Growth Opportunity Act (AGOA) can be avenues within which Africa can re-develop its agricultural economy and become a major player in the global value chain narrative. However, the global value chain thesis is largely seen by many as the "Washington Consensus" redux – where Africa opens up its domestic markets at the detriment of its own economic development. Given this concern, discussions of Africa's strategic positioning give much credence to regional value chains instead, which

are viewed as a much more viable option of “smart protectionism” that will provide a better opportunity for growth and development. Will regional value chains work in the African context? Regional value chains are viable in situations where there is higher levels of intra-regional trade. In the European Union, trade among member states is estimated at 65%, while in Africa, it is estimated at a mere 11%. Such low levels of intra-regional trade in Africa, primarily caused by poor infrastructure and high non-tariff barriers, remain issues that need to be addressed extensively for regional value chains to be feasible. South Africa seems to be an exception as it is fairly integrated into the global system, and to a large degree, well-plugged in global value chains. South Africa’s expansion into the African market through regional value chains would, however, require the “deepening” of intra-trade within the continent, primarily through the removal of non-tariff barriers and the implementation of trade facilitation measures.

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