



# EUROPEAN POLICY BRIEF



## GLOBAL RE-ORDERING: EVOLUTION THROUGH EUROPEAN NETWORKS

The European Union and the WTO Post-Bali Work Programme

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### INTRODUCTION

The World Trade Organisation (WTO)'s 9<sup>th</sup> Ministerial Conference (MC9) took place in Bali, Indonesia from 3<sup>rd</sup> to 7<sup>th</sup> December 2013. Widely believed to be a decisive moment both for the future of the WTO and for the flailing Doha Development Agenda, the fraught five-day long negotiations were to culminate in the first global trade deal to be agreed in the eighteen year history of the WTO, resulting in what will be an estimated \$1 trillion injection into the global economy. Also agreed at MC9 was the decision that the WTO's Trade Negotiations Committee would prepare a "clearly defined" work programme over the next 12 months in order to address the remaining Doha Development Agenda issues. Bali thus signified an important moment in placing the impetus for negotiation back onto the 'Doha Round' after a long period of impasse.

In this briefing discussion is thus given to the post-Bali Work Programme and what a return to the broader Doha Development Agenda could mean for the Round's principle *demandeur*, the European Union (EU).

### BACKGROUND

The World Trade Organisation (WTO) was established in 1995 and has three principle functions. First, it is a forum for multilateral trade negotiations or trade 'rounds'. Second, the WTO is a global trading monitor, providing a rigorous review process for member's trading policies and practices and ensuring the implementation of multilaterally-agreed trade rules. Third, the WTO also settles trade disputes between its members through a sophisticated dispute settlement mechanism.

Within the WTO, biennial Ministerial Conferences (MC) are the topmost decision-making body, providing important milestones in determining the trajectory, and eventual outcome, of its

multilateral trade negotiations. At MC4 in Doha in 2001 the WTO launched its first round of trade negotiations, the [Doha Development Agenda](#), aimed at addressing not only a broadening trade agenda, but which also included a crucial development focus in ensuring that global trade would benefit the world's poorest. Initially covering an impressive 21 trade issues from agriculture, industrial goods, fishing, textiles and cotton to intellectual property, investment, competition and government procurement, the Doha Round was to signify the largest multilateral trade negotiation in history. Originally scheduled to last no more than three years, the Doha Round negotiations have however, now entered their thirteenth year; having been impacted by numerous set-backs including members' inability to find consensus on the 'modalities' or formula for negotiation, the Round's suspension and eventual impasse.

### **From Doha to 'Doha Lite'**

Since 2008 the WTO's Doha Round has been in a condition of stalemate. Whilst some breakthrough was achieved in December 2008 towards draft 'modalities' for concluding the Round, no further progress was made in the negotiations leading up to MC8 in 2011. At MC8 the Round was subsequently announced to formally be in a state of impasse. A new means of bringing about an agreement was thus agreed, with the intention of agreeing a less ambitious 'Doha Lite' deal, focused upon an 'early harvest' of issues including trade facilitation, some agricultural components, and LDC issues, to be achieved by MC9 in Bali in 2013.

### **Preparing for Bali**

With MC9 scheduled to take place in December 2013, negotiations steadily built momentum over the course of 2013 for a 'Doha Lite' agreement to be reached. Further impetus for action was added in September 2013 upon the appointment of new WTO Director General, Brazil's Roberto Azevêdo. Setting to work in generating the necessary momentum for a deal to be reached at Bali, Azevêdo pushed from September to December for negotiators in Geneva to agree a draft text prior to MC9 in order that it might be approved at the conference. Despite that momentum, negotiators in Geneva nevertheless failed to deliver a draft text prior to the Ministerial. MC9 thus began on Tuesday 3rd December 2013 with no agreed negotiation text and with substantially lowered expectations that a deal could be reached at all.

### **MC9 and the Bali Package**

In what was a highly fraught five day long negotiation, extended beyond its scheduled end-date by one day, and teetering close to failure on several occasions, Ministers finally hailed a victory for the WTO on the morning of Saturday 7<sup>th</sup> December 2013 with agreement over the draft texts circulated the night before. The [Bali Ministerial Declaration](#) forms three parts, as follows:

#### *Part I- Regular Work Under the General Council*

Under this section, decisions were adopted relating to the WTO's regular work including on [TRIPs Non-Violation and Situation Complaints](#), its work programme on [electronic commerce](#), and on [small economies](#), a renewed commitment to [Aid for Trade](#), and calls for renewed work on [Trade and Transfer Technology](#). In addition it noted the accession of Yemen as the WTO's 160<sup>th</sup> member. The Yemeni Parliament will now have until June 2014 to ratify the agreement before it formally takes its place as the 35<sup>th</sup> LDC to have acceded to the organisation.

#### *Part II – Doha Development Agenda*

##### Trade Facilitation

Key to the Bali Package is the [Agreement on Trade Facilitation](#) which represents the largest, legally-binding, reform of the WTO since its establishment in 1995. Under the Agreement WTO Members will commit to speed up customs procedures; make trade easier, faster and cheaper; provide clarity, efficiency and transparency; reduce bureaucracy and corruption, and use technological advances to facilitate trade. Members also commit to the provision of assistance for developing and least developed countries to update their infrastructure, train customs officials, or for any other cost associated with implementing the agreement.

##### Agriculture

On agriculture, the Bali Package had also seen some breakthrough, with WTO members agreeing texts on [General Services](#) provision, [export subsidies](#), [cotton](#) and [trade tariff quotas](#). On the major

dividing issue of [food stockholding](#) the Bali Ministerial Declaration adopted a revised draft text that commits WTO members to negotiate a permanent solution to the issue of food stockholding by 2017. It further provides a 'peace clause' that prevents developing countries, such as India, being challenged under the WTO's Dispute Settlement Mechanism for its recently passed [National Food Security Act](#).

#### Development Issues

On development issues, the Bali Package included a strong statement in support of [Duty-free, Quota-free](#) access for LDCs to export to richer countries' markets. [Rules of origin](#) were also to be made easier for LDCs to identify products as their own goods, and qualify for preferential treatment in importing countries. On [services](#) the operationalisation of an LDC "waiver", first adopted at MC8 in Geneva in 2011, allowing LDCs preferential access to richer countries' services markets was agreed. Finally, a [monitoring mechanism](#), including meetings and other methods for monitoring special treatment given to developing countries, was approved.

#### *Part III – Post-Bali Work*

A further important decision taken under the Bali Ministerial Declaration was the agreement that the WTO's Trade Negotiations Committee will now prepare a "clearly defined" work programme over the next 12 months in order to address the remaining Doha Round issues. In his [closing statement](#), WTO Director General, Roberto Azevêdo, further highlighted the importance of negotiations post-Bali, stating that: "With the Bali package you have reaffirmed not just your commitment to the WTO – but also to the delivery of the Doha Development Agenda".

A critical takeaway from the Bali Package therefore is that it is a 'stepping stone' in the far broader Doha Round negotiations. Whilst it signifies an important moment for the WTO and an achievement in the estimated \$1 trillion contribution it will make to the global economy, it should not be viewed as an end in itself but rather the start of what may be a re-energised multilateral process for global trade rule-making.

## EVIDENCE AND ANALYSIS

### **Challenges and Opportunities for the Doha Development Agenda**

A return to the broader Doha Round negotiations may however prove a difficult path to tread. The delays, suspensions and impasse that have marked the Doha Round's now thirteen year history may be expected to present substantial challenges for the post-Bali Work Programme. Most pertinently, the WTO, as an emerging multipolar forum compared to a decade ago, must now contend with the starkly different trading interests of developed verses developing countries – most notably between the EU, United States, India, Brazil and China - being played out within its top-most negotiating circle. Overcoming the entrenchment of these major power brokers' positions over issues such as agriculture, industrial goods, and the extent to which the emerging economies should qualify for 'Special and Differential Treatment', will therefore be fundamental if the Doha Round is to reach a conclusion.

The Doha Round, as a whole, nevertheless remains a significant and ambitious global trade deal in the making. A study by the European Commission conducted in 2010 found that a Doha deal could result in an increase in world trade by over €300 billion a year and world income by more than €135 billion. Its conclusion therefore is important for its economic benefits alone. In political terms, concluding the Doha Round is also critical in securing the long-term future of the WTO as the flagship of the Multilateral Trading System and, more generally, of global trade governance. If the Doha Round fails then the WTO's credibility and legitimacy as a monitor and enforcer of its members' trading practices will come under increasing question.

### **The importance of the single undertaking**

Whilst presenting a seemingly insurmountable challenge for WTO negotiators the questions of 'what next' and 'when' for the Doha Round remains critical. Bali particularly demonstrated the problems of an 'early harvest' approach that has sought to pick off parts of the wider Doha Round in order to achieve smaller victories. Achieving a 'Doha-Lite' deal was by no means guaranteed

and it was not until the final moments of MC9 that a consensus deal could be agreed. Reason for this was that, whilst negotiators could all agree to the benefits of a trade facilitation deal, those making concessions in agriculture (not least the EU) had little to gain elsewhere in the Bali Package. Suggestions that the Doha Round should now continue through smaller plurilateral deals, or the continuance of 'mini'-ministerials, such as that seen in Bali, are thus likely to meet with significant delays.

In order to keep the major trading powers, particularly the EU and United States, at the WTO's negotiation table, the Doha Round must instead return to a single undertaking – whereby nothing is agreed until everything is agreed – in order that they can off-set concessions made in certain sectors (i.e. for the EU in agriculture or the United States in cotton) against gains elsewhere (i.e. in services, industrial goods, and an overall improvement in market access).

The importance of the single undertaking for the Doha Round moving forward is moreover, that it encompasses one of the major benefits of multilateral trade negotiations in the face of rising bilateral and 'mega-regional' preferential trade agreements (PTAs). PTAs, such as those currently being negotiated between the United States and EU over the Transatlantic Trade and Investment Partnership (T-TIP), are negotiated on a far narrower set of trade and trade-related issues. In multilateral trade negotiations however a 'multiplier effect' is possible because the agenda is broader and negotiators can find a better balance between costs and benefits.

***The Doha Round must therefore now go forward as a single undertaking if the Multilateral Trading System as a whole is to glean its greater benefits and allow the WTO to move forward.***

### **The Role of the European Union Post-Bali**

Moving forward from Bali, and addressing the challenges of the Doha Development Agenda, will require a substantive amount of energy and engagement by all of the WTO's membership, not least its major power brokers, the EU, United States, India, Brazil and China. For the EU particularly the post-Bali Work Programme presents an important opportunity for it to re-evaluate its own role within the WTO.

As the world's largest trade importer and exporter, accounting for just under one fifth of world trade, and with one of the world's largest internal markets, the EU has been a critical player in the WTO's decision-making processes and has consistently formed part of its core circle of negotiators. Widely accredited with helping to establish the WTO in 1995, in pushing for its strengthened dispute settlement and, since the late 1990s, in playing the role of principle *demandeur* in pushing for the launch of a new and ambitious round of multilateral trade negotiations, the EU has since the turn of the 21st century demonstrated an important leading role within the Multilateral Trading System and the WTO.

Over the late 2000s and early 2010s however the EU's role within the Doha Round has changed. After several failed efforts by the WTO membership to bring the Doha Round to a point of conclusion between 2004 and 2008, and with a failed bid by the EU itself to secure a conclusion by announcing in July 2008 its readiness to accept the deal that was then on the table, the role of the EU within the negotiations has undergone a perceptible shift with it now in the unusual position of being a fly-on-the-wall as others negotiate around it.

Whilst remaining an important player in the WTO, the EU has not in fact been pivotal to the crux negotiation issues that have continued since 2008. Unwilling (and unable due to the restraints of its own Member States) to concede any further market opening in agriculture until others demonstrate similar compromise in industrial goods and services, the EU has thus been, since 2008, in a condition of stasis within the Doha Round: its agreement remaining essential for any conclusion, but its activity markedly diminished in endeavouring to obtain that goal.

Conclusions from the EU's Foreign Affairs Council, meeting on the side-lines of MC9 in Bali, were however notably positive in reiterating the EU's support for the Doha Development Agenda, stating

that a successful outcome at Bali, “would create positive momentum for the resumption of negotiations on other Doha Development Agenda (DDA) issues in 2014”. The EU has thus already indicated its support for the Doha Round negotiations to continue, and importantly, has maintained its support for the Round to be resumed as a single undertaking (reaching a, “comprehensive, ambitious and balanced” Doha Round conclusion).

***In order to pursue the Doha Round as a single undertaking, the EU must however now crucially re-evaluate its input and re-engage with the WTO’s negotiation process.***

## POLICY IMPLICATIONS AND RECOMMENDATIONS

If the EU is to achieve its multilateral trade objectives, further its trade interests, and fulfil its long term aspirations for the WTO as first stipulated at the launch of the Doha Round in 2001, the EU must now move out of its current position of stasis and actively and deliberately re-engage with the Doha Round negotiations. In particular, the following steps are recommended:

**First**, the EU must start immediate internal discussions within its Trade Policy Committee to find further areas of **movement in the EU’s position on agriculture**. The EU’s acceptance of the Doha texts in 2008 represented what its Member States saw as the Commission meeting the ‘red-lines’ of its’ negotiation mandate. For the EU to be able to make any substantive contribution towards finding a Doha conclusion it must demonstrate some further flexibility over this crux negotiation issue. In addition, the Commission should begin drafts of **a new negotiation mandate** to be submitted to the Foreign Affairs Council that updates its main negotiating text (agreed in October 1999); drawing upon those discussions within the TPC, and reflective of the changes and developments from Bali.

**Second**, the EU must demonstrate a renewed commitment to the Doha Round negotiations through the **swift completion of its T-TIP negotiations with the United States** in order to revert the Commission’s attentions (and best people) to the WTO, or to make a concerted effort to achieve both in a way which is complementary to the Doha Round. This will be critical because whilst the EU has consistently stated its prioritisation of the WTO and multilateral trade negotiations, its actions in favouring PTAs, coupled with its diminished activity in the WTO since 2008, have made this more rhetorical than realistic.

**Third**, the EU may be required to **marshal the United States into taking on a more proactive role** within the WTO. One method for this may be to utilise the opportunity of the T-TIP negotiations to persuade and put pressure on the United States to make concrete commitments towards concluding the Doha Round.

**Fourth**, the EU must **work constructively with the emerging economies** and demonstrate greater flexibility with regards granting them Special and Differential Treatment. This will be a hard pill to swallow but it will be crucial for the Doha Round to succeed.

**Fifth**, the EU must pursue the goal of concluding the Doha Round as **a priority agenda item within the G20** group of world leaders. A further exercise will be to raise the matter on the side-lines of the next annual meeting of the **World Economic Forum** meeting in Davos between 22<sup>nd</sup> and 25<sup>th</sup> January 2014, after which progress can be sought officially within the WTO’s 1<sup>st</sup> General Council meeting of 2014 (expected to be scheduled in early February).

**Finally**, the European Commission should begin in earnest **a coordinated global diplomatic offensive**, utilising also the diplomatic channels of its Member States, through a *tour des capitales* in order to bolster the level of political will and consensus amongst third countries needed to bring about a wider agreement.



## PROJECT IDENTITY

**PROJECT NAME** Global Re-ordering: Evolution through European Networks (GR:EEN).

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**WEBSITE**

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