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WTO Post-Nairobi: After Success Come Questions and Possibilities

By Evan Rogerson

Synopsis

The WTO's ministerial talks in Nairobi recently was a success in terms of moving global trade negotiations forward. How to act on this momentum is the core issue in the current "period of reflection".

Commentary

THE WTO's Ministerial Conference in Nairobi from 15 to 19 December 2015 was more successful than many had expected. The Conference attended by the 162 WTO member countries was the first to be held in Africa, perhaps to portray greater inclusiveness of the organisation. It produced results of real economic and systemic value. It showed signs that longstanding alignments are beginning to change in response to shifts in the global economic and political landscape.

It was a success for Africa, one which underlined the importance of the multilateral trading system to the region. While questions about the future of WTO negotiations remain, some hints are emerging of the possibilities for moving ahead.

More Stable Trading Environment

The major multilateral outcome of Nairobi was an agreement to eliminate export subsidies in agricultural trade and discipline other measures with equivalent effects. There was also an important plurilateral result - major exporters of information technology agreed on a deal to eliminate tariffs on 201 IT products valued at over US\$1.3 trillion per year.

To focus on the multilateral result: export subsidies have long been recognised as

the most trade-distorting form of agricultural support (industrial export subsidies were banned in the 1950s). They have negatively affected prospects for agricultural production and trade in developing countries. Although the use of these subsidies has diminished in recent years because of budgetary constraints and high commodity prices, the potential to revive them in the future remained a significant risk. The Nairobi agreement, therefore, contributes to a more stable trading environment and to enhancing the development role of agriculture.

It also carries a positive message about the ability of the WTO to deliver results through negotiations. Like the 2013 agreement on Trade Facilitation, the Export Competition deal has shown that despite claims to the contrary it is possible to reach agreement at the multilateral level on substantive and difficult issues. This is a positive sign for multilateralism in general, coming as it did on the heels of the positive outcome of COP-21, the Paris Climate Change talks. The reasons for this success deserve deeper analysis, given their relevance for future negotiations.

Some factors stand out immediately, however. The export competition agreement was supported by a range of WTO members across the development spectrum, including many African countries. This and other evidence from Nairobi suggest a weakening of group identity politics, and especially of the North/South construct. This is particularly apparent with issues like export competition and trade facilitation which have a broad systemic appeal.

Remaining Core Issue: Doha

Other factors were specific to Nairobi and may be harder to replicate, especially the outstanding political skills of Kenya's Foreign Minister Amina Mohamed as Conference Chair. Still, her role and that of her government underlined the importance of high-level political commitment to progress at the multilateral level, and the consequent signals to officials.

The Ministerial Declaration agreed at Nairobi reached the only possible outcome on the formal status of the long-running Doha negotiations, registering an agreement to differ between those who regard Doha as finished and those who maintain that its mandate must be respected.

The important point was that all sides reaffirmed their commitment to carry on negotiating on the remaining Doha issues and that the door was opened tentatively to adding new issues to the mix. Thus, while formal positions may take time to evolve, Nairobi has opened up the possibility of revitalising the negotiating function in a pragmatic way.

How to act on this possibility is the core issue before the WTO membership in the current "period of reflection". No-one expects much by way of concrete results this year, given the US elections, the continuing focus of trade policymakers on plurilaterals and their implementation, and the domestic preoccupations of several key members. Difficult and divisive issues like the respective levels of commitment to be expected from advanced and emerging economies have not gone away.

This was a major factor blocking wider progress in agriculture and industrial goods

negotiations. Future progress will depend on how far governments are prepared to work in a practical, issue-focused way rather than renewing confrontation over entrenched political questions.

WTO's Future & the China-US anchor

The China-US relationship remains pivotal to the WTO's future. It is encouraging that both have shown interest in exploring so-called "new issues". Many of these are not in fact new to the WTO; investment, to take the most prominent, was one of the four "Singapore Issues" agreed for discussion, though not negotiation, in 1996, along with trade facilitation, competition and government procurement.

Aside from trade facilitation, these issues have been frozen since 2003. Now, the importance of global value chains, the growing realisation of the role of investment in development and the inclusion of investment rules in FTAs and mega-regionals are creating a more favourable climate for renewing work on it in the WTO. Other issues mentioned in this context include electronic commerce (where Nairobi renewed an existing moratorium on customs duties) and measures in favour of SMEs.

The remaining Doha issues also need an injection of new energy. In agriculture, the issue of domestic subsidies in agriculture remains both difficult and crucial, and differences remain over issues such as public stockholding for food security purposes and a special safeguard mechanism. Negotiations on services need to be brought back to the WTO and those on market access and rules revived. It is unlikely that any of these issues can be advanced in isolation. Some new positive dynamic has to be established among issues to keep governments and stakeholders committed.

China has proposed the concept of a "Solidarity Work Programme," which seems intended to combine established and "new" issues in order to guide future work. They may seek to develop this idea through their G20 presidency, but it would also need to find multilateral consensus at the WTO.

On the other hand, some developed countries are interested in pursuing further plurilateral initiatives. This could even extend to issues where multilateral negotiations have bogged down, such as fisheries subsidies. Overall, one possible way forward could be to encompass differing levels of ambition and participation within the multilateral big tent.

All this thinking is at an early stage, but the success at Nairobi gives it a more promising start, which hopefully can be built upon by the time of the 11th Ministerial Conference to be held in 2017.

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