



Preparing for Bali: An Overview for CARICOM

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The Doha Development Agenda (DDA), now in its 12th year of negotiations, promised to insert development at the core of the multilateral trading system (MTS). This was deemed the primary objective given the failure of the Uruguay Round to confer the anticipated benefits to developing countries, the spectacular debacle at the 3rd WTO Ministerial Conference (MC) in Seattle USA in 1999 that was in part due to the resentment among developing countries, and due to the fact that developing countries now comprised the vast majority of the WTO membership bound by its Single Undertaking and the Dispute Settlement System. After 12 long years, DDA is far from concluded, and the aspirations of developing countries, particularly of Small, Vulnerable Economies (SVEs) remain unfulfilled. Moreover, the changed and evolving global economic scenario and the question mark over the continued relevance of the MTS present additional challenges.

Under these circumstances, what can the WTO Ninth Ministerial Conference (MC9) deliver during its meeting in December 2013? And, what can the CARICOM countries do to contribute to a pro-development outcome in Bali, the host city, for MC9? These are critical questions that the CARICOM Preparatory Meeting will debate over two days in Castries, Saint Lucia.² This short paper aims to provide an overall picture of the situation, raising key relevant points and questions, and offering some suggestions. It does not claim to address all the issues comprehensively or provide detailed analysis of specific issues (several of which will be addressed through other papers/presentations in the subsequent sessions of the Preparatory Meeting). Rather it strives to set the stage for better informed deliberations among the participants by providing a broad brush assessment of the overall situation.

The paper is divided into four sections. The first section enumerates some critical atmospherics related to global scenario, MTS and DDA. Sections II and III then discuss the status, focus and direction of MC9 outcomes, and the best-case and worst-case Bali scenarios for CARICOM. Finally, Section IV offers some suggestions to prepare for Bali and beyond.

I. Prevailing atmospherics on the eve of MC9: global, MTS and DDA

The changes in the global economic scene and geography since 2001 when DDA was launched, and their implications for the MTS are profound and cannot be ignored. The most important of these include the following which should be treated as the overall context for Bali:

Continuing economic crises: While the worst of the global financial and economic crises that had started from the USA in 2008 seems to be over, the recovery in the major economies is still weak and tentative. Some also argue that the needed changes in the global financial architecture have not been implemented, threatening another financial crisis down the road. This situation creates a dilemma for

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² The paper focusses on CARICOM SVEs while fully recognising that Haiti is an LDC.

the MTS. On the one hand, it remains under threat of protectionism (including through policies and measures that are not covered by its disciplines, e.g. monetary policy instruments) and with little appetite for further liberalisation among major economies. On the other hand, a strong, well-functioning and rule-based MTS can be a means to overcome the crises.

Changing global economic geography: The economic contribution and power of emerging economies has gained prominence. For example, the countries collectively referred to as the BRICS³ are almost as important as the USA and EU in the global economy. The MTS needs to adjust to this evolution in two important ways: by accommodating the emerging economies in the informal power configuration of the system; and, by realising the differentiated roles and responsibilities of developed countries, emerging economies, and smaller developing countries.

March of technology and innovation: Technological developments and innovations keep changing the ways in which goods and services are produced and traded. At the same time the divide between know (developed countries but also increasingly the emerging economies) and know nots (smaller developing countries) is persisting as the technology and innovation advancement remains slow in smaller developing countries. The MTS has to find a way to craft its disciplines in a technological-neutral manner, and also to assist smaller developing countries narrow the technological gap with other Members.

Changing nature of trade and trade barriers: The watertight but artificial distinction between trade in goods and trade in services is increasingly blurred. Trade in tasks is a more apt description of flows of goods and services, particularly in the context of longer and more complex global and regional value chains. Similarly, non-tariff issues, including regulatory measures, are often the main obstacles for the flow of regional and international trade. The MTS is being called upon to re-think the way the international trade and trade barriers are currently organised and addressed.

Issue linkages: In the paradoxical world of more globalisation with limited global economic governance institutions, MTS is being pressured to deal with the linkages of trade with a host of other issues, e.g. environment and climate change, exchange rates, etc. The proponents often call them the “21st Century issues”.

Mega regionalism: The proliferation of bilateral and regional agreements continues. The potential emergence of mega-regionals (i.e. Trans-Atlantic Trade and Investment Partnership and Trans-Pacific Partnership) calls for adequate and urgent MTS responses to avoid the fragmentation of global economy into blocs. This is particularly important for smaller countries that could be marginalised by the mega-regionals.⁴

Whither DDA? In addition to the above, the DDA has enough of its own worries. Many have called for declaring it dead and move on. MC8 in late 2011 finally decided to “formally” acknowledge that the DDA was stalemated. Can Bali salvage it, and how? Even under the best case scenario, Bali will deliver only on a very small part of full DDA package. What should be included in that “early gravest” and what should happen to the rest of DDA, are the key questions for small countries?

II. MC9 agenda and outcome documents: focus and direction

WTO MCs are conceived as high-level gathering of ministers to afford them an opportunity to go over the regular WTO work, discuss issues related to international trade more generally, and take

³ Brazil, Russia, India, China and South Africa

⁴ These mega regionals may also constitute the new RTA “software” which will impact the future RTAs of other countries with leading proponents of these mega – regionals, for example, the Caribbean will be forced to craft a new trading arrangement with the USA.

decisions. Properly designed and executed, these biennial events should ensure the continued vitality and relevance of the MTS in an ever-evolving world. For good or for bad, this wider role of the MCs has been eclipsed by the expectations regarding the launch and conclusion of negotiations. Hence, it is no surprise that the main focus of the MC9 preparatory process is on DDA. Even here, the approach is cautious, ambition limited, and focus only on a few issues. Despite the positive notes in the WTO meetings before the summer break, a lot still remains to be done to successfully deliver on a small “early harvest”.

The summer break is now over and with less than three months to go before ministers meet in Bali, the situation remains somewhat ambiguous and fluid. One of the positives is new leadership at the WTO Secretariat. Given their professional and geographical backgrounds one may expect that the required compromises among Members may be forthcoming.

Based on the developments so far, taking into the preparatory processes and outcomes of the previous MCs, and assuming that the necessary political compromises can be made, the table on the next page attempts to present a summary of the key issues, their current status and the form of potential outcomes at Bali.

Table: Summary of Issues Status and Outcome Forms

Broad Category	Issues in the category	Current situation	Outcome form at Bali
DDA Early Harvest	Trade Facilitation	Of main interest to developed countries; Many unresolved areas; Can be a win-win outcome for all; Progress linked with other issues	Paragraph 47 of DMD; An agreement under Annex 1A? Ministerial Decision for amendment? Why is the outcome form important?
	Agriculture	Uneven progress;	Under paragraph 47 of DMD?
	G-33 proposal on food security	Progress linked with TF;	Part of MC Declaration or a Ministerial Decision?
	G-20 proposals on TRQs and Export Competition	Unresolved areas	
Rest of DDA	Development Issues	Some progress;	MC Declaration (annexes)
	S&D Monitoring Mechanism	Real value depends on the final content;	MC Decision?
	LDC Issues 27 S&D proposals	Balancing the interests of LDCs and Small Economies; Link with other issues?	
Rest of DDA	All other DDA issues	Limited discussion	MC Declaration and annexes to outline a work programme with key elements and deadlines?
	E-commerce	No major confrontations;	MC Declaration/Decisions
	TRIPS non-violation complaints	Can there be elements for	

Non DDA Issues	WGs on Trade, Debt and Finance, and Trade and Transfer of Technology	the WGs work programmes post-Bali?	
Regular WTO work	Reports by regular bodies	No major issues to resolve	-
New issues	What are the likely issues?	What can be the offensive and defensive interests of CARICOM/OECS?	MC Declaration? (Taking note?)

Several broad conclusions can be drawn from the above. One, the form of the outcomes is important as it provides more or less legal certainty and trade-offs. This is particularly relevant for the proposed TF agreement if that requires amending the relevant provision of the Agreement Establishing the WTO. In such a case, developing countries will have more time and theoretically greater opportunities for trade-offs. Two, there are various degrees of perceived links among issues and major players seem to be quite aware of these. CARICOM countries too should be aware of these links as well as establish issue-linkages where these can be beneficial to them. Three, not all issue have advanced to the same degree. CARICOM therefore must identify the issues of interest to them that are among the less-advanced and push for progress on these in parallel with progress on issues of interest to developed countries/emerging economies. Four, there is a need for clarity on the work programme of the remaining DDA issue. This is particularly important to safeguard the hard-fought gains of the last 12 years, e.g. proposed treatment for SVEs in agriculture and NAMA modalities. Five, some developed countries may bring “new issues” on the agenda perhaps at the last minute. Identifying such issues, analysing their pros and cons, and defining possible offensive and defensive interests is therefore very important.

III. “Bali Deliverables” and its significance to CARICOM Members: balancing costs and benefits

Building on the points made in the preceding section, and taking into accounts the “atmospherics” enumerated in the first section, an attempt is now made to outline a sort of a best-case scenario for Bali. One can argue that under the circumstances, the following outcome at Bali will be the ideal for all concerned:

- MC is perceived as successful by all, i.e. relevant public and private stakeholders in developed, emerging and small developing countries
- MC outcomes, both in content and form, are considered balanced
- Early harvest includes a balanced and development-friendly agreement on TF, progress on G-33 and G-20 proposals in agriculture, and balanced and real outcomes on S&D
- Progress achieved on other elements of DDA in the last 12 years is affirmed and a time bound work programme to complete the remaining work is agreed
- Existing moratoriums on e-commerce and TRIPS non-violation complaints are extended
- Existing work programmes of WGs on Trade, Debt and Finance, and Trade and Transfer of Technology are further specified
- Discussion of “new issues” is balanced.

The above will strengthen the MTS, inject life into DDA, maintain the development promise at Doha, and keep the WTO relevant in these trying and changing times. It will also send a positive signal for global economic recovery and international economic relations.

However, the ideal often does not happen in the real world, and it is unlikely to happen at Bali. CARICOM countries should therefore aim to avoid the worst-case scenario, i.e. where they are the net

losers. This may happen if the “Bali Deliverables” are focussed on the interests of other countries/groups of countries. Viewed from this perspective, CARICOM countries should work to avoid particularly the following outcomes:

- An imbalanced TF agreement that does not have adequate and effective development provisions
- Superficial outcomes on S&D Monitoring Mechanism and 27 S&D proposals without any real economic or legal value
- Outcome on LDC proposals that is not balanced by elements for Small Economies
- Abandoning the rest of DDA, or dilution of its development dimension, or abandoning/diluting the proposed treatment of SVEs
- Extension of the e-commerce moratorium without extending the moratorium on TRIPS non-violation complaints
- Terminating or diluting the work programmes of existing Working Groups on Trade, Debt and Finance and Trade and Transfer of Technology
- Addition of non-trade-related “new issues” on the WTO agenda

CARICOM Members should develop their own agenda and strategy based on the above and to achieve a balance between their offensive and defensive interests as well as between their interests and the interests of other groups of countries.

IV. Outline of CARICOM MC9 Priorities: getting ready for Bali and beyond

In a pessimistic view, Bali can be considered as another point in the overall downward slope that DDA has been on at least since July 2008, and in the context of continuing and evolving global challenges for smaller developing countries. However, this should not be the view of CARICOM States. Being small and vulnerable, MTS has the potential to offer them some protection from the arbitrary actions of bigger actors, and the DDA development dimension can provide them the much needed economic opportunities. They have been working hard and collectively in the WTO and it is no small achievement that the work programme on Small Economies is now well-established, and the concerns and constraints of SVEs are recognised. They should view Bali as another potential milestone in their long struggle to safeguard and promote their international trade interests. Following suggestions are offered for their preparations towards Bali while keeping in mind the longer term global trends and their own interests:

- CARICOM should have a long term agenda to promote their trade and economic interests. This should set the main objectives, and red and green lines for at least the next five years, in the context of the global “atmospherics” and their own strengths and weaknesses.
- Within the overall long term agenda, there should be identification of the main interests that can be advanced in the MTS and through the DDA. For example, these can include: strengthening the work programme on Small Economies, developing provisions for SVEs in various issue areas, and taking lead in the discussions/negotiations on certain issues (e.g. services, trade and transfer of technology, etc.).
- Bali would therefore be an intermediate point and the strategic objective of CARICOM for Bali would be two-fold: demonstrating the unity, strength and substantive depth of CARICOM; and not giving up on any issue of major interest to them. It will require both political and substantive preparations that can take into account the points on “Bali Deliverables” in the preceding section of this paper. For example, they can construct a range or an acceptable

landing zone which will give them the flexibility to negotiate with and accommodate others while not going beyond their own bottom line. It will also allow them to have well-informed trade-offs and thus balancing gains and losses.

- A coherent and coordinated strategy to achieve the substantive objectives will be equally important. They have worked very well as a group and with other groups in the WTO. This should continue. While maintaining their own solidarity, it will be required to find common ground with other identified groups on selected issues. They can and should find such potential partners among developed countries, emerging economies, and LDCs, Africa and ACP groups. The technical and substantive work in Geneva should be backstopped by their capitals. The capitals should also take lead in the political work by involving ministers. Moreover, ministers should approach their counterparts in other major WTO Members/leaders of various Groups for greater political visibility of their interests and for building political capital that may come handy at Bali and beyond.
- Finally, CARICOM, based on their long term agenda as mentioned above, should start identifying their main interests after Bali. A post-Bali retreat can be planned for early 2014 to take stock of Bali outcome and outline their agenda in the WTO for the next two years, i.e. until the next WTO MC.