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Knowing when to quit: assessing the Nairobi WTO Ministerial

Summary

While the eyes of the world were fixed on Paris in December 2015 for the COP21 climate summit, the 10th WTO Ministerial was taking place in Kenya. WTO Director General Azevêdo described the package of measures agreed at Nairobi as the most significant package of reforms in trade in agricultural goods ever agreed. He is right, but the commitments made in Nairobi were on the whole long-standing ones that were part of the much bigger package envisaged as part of the 2001 Doha Round of negotiations which stalled in 2008. So does Nairobi in fact signal that the Doha Round is definitively over in political terms? And what does it suggest for the future of multilateral agreements, including COP21?

While the eyes of the world were fixed on Paris in December 2015 for the COP21 climate summit, the 10th WTO Ministerial was also taking place in Nairobi in Kenya. WTO Director General Roberto Azevêdo described the package of measures agreed at Nairobi as the most significant package of reforms in trade in agricultural goods ever agreed. This is a fair assessment, although Nairobi exceeded expectations in large part because expectations of serious WTO multilateral agreements could not be much lower.

So long, single undertaking

The Nairobi package, like the smaller package agreed at the Bali WTO Ministerial in 2013, has to be seen the context of the WTO Doha negotiation framework of 2001. In particular, it has to be measured against the final package of liberalisation and reform measures that stalled the Doha Round in Geneva in 2008. That package included most of the things 'agreed' at Nairobi, at least in their basic form, although some minor elements have been added subsequently, especially safeguards designed to get India on board.
The Doha Round was built around a political acceptance that at the heart of the negotiations would be agricultural export subsidy reform and agricultural market access in the developed world. In 2008, after seven years of negotiation, the Round had focused almost exclusively on these questions, at the expense of parallel negotiations on manufactured goods and services. This was causing political problems in the EU in particular, which was effectively agreeing concessions on farm trade and subsidy reform without parallel concessions from emerging economies in its key interest areas in manufactured goods and services. This contributed to the leakage of political support that helped stall the negotiation.

After that stall in 2008, the question of what to salvage from the Doha Round routinely came around to whether these agreements on farm subsidies should be 'banked' as a way of retrieving something from a decade of negotiations. The EU resisted the carving out the agriculture chapters from a bigger Doha package because they were its major leverage in other areas and the main way of keeping the developing world at the negotiating table. Brussels in the end reversed its position after the US made it clear at the start of the Nairobi Ministerial that it believed that Doha was dead, which took most of the steam out of any fight to keep the agriculture chapters off the table - thus the deal. Nairobi signalled pretty much decisively that the Doha Round is politically over and that efforts at multilateral liberalisation have run out of political space.

Fixing farm subsidy reform

That question of context aside, how substantive was the agreement in Nairobi? WTO anti-export subsidy disciplines for farming have never extended into agriculture and the Nairobi agreement does this properly. It covers many important areas – including financial support for farm exports and SOEs engaged in farm trade. This agreement will legally bind WTO members to export subsidy prohibition – although there are delayed implementation dates for dairy and pork subsidies that stretch to 2020.

In practice, much of what the EU paid into this package it has already done in the CAP reform of the early 2000s so it does not change a huge amount in practice, but it does make it hard for the EU to reverse this reform. In the same way, it binds future US Farm Bills – the regular packages that set global price top-ups for US farmers. In both cases, some policymakers in both the US and the EU will be glad to have their hands tied. Developing countries agree to do the same on longer timeframes.

At Delhi's insistence the Nairobi package also includes waivers from subsidy rules for domestic stockpiling of foods for food security purposes and safeguard mechanisms that allow developing countries to increase tariffs on imported foods – the Indians have always had concerns about the impact of opening their rice market to trade from the US. The Nairobi agreement explicitly says that these questions have not been definitively resolved – certainly the US will want to unpick both of them over time.

The other elements of the package are also important, but have been agreed in principle for a long time. The cotton package was a no-brainer that nevertheless faced Congressional resistance from the Cotton Belt that has now been overcome. Basically, this cuts tariffs on cotton from LDCs and eliminates export supports for cotton. There is also an agreement to allow greater 'cumulation' of production in rules of origins terms for LDCs, which will in principle allow LDC's to build cross-market supply chains for onward export, although the technical burden of meeting rules of origins requirements has often blunted the effectiveness of such privileges in the past.

These are all important agreements and ultimately better on the WTO statute book than off. Like the set of agreed standards for cross-border checks and procedures carved out from the Doha package by WTO members in Bali in 2013, these are solid changes to the trade rulebook that will mean lower costs for exporters and importers. As ever, the value of the WTO is often in making reforms such as the EU's CAP revisions binding at the WTO level and very difficult to reverse, so this is a significant development.

Leaving the tariffs on the table

However, aside from a confirmed Doha commitment to eliminate tariffs for the very poorest countries and

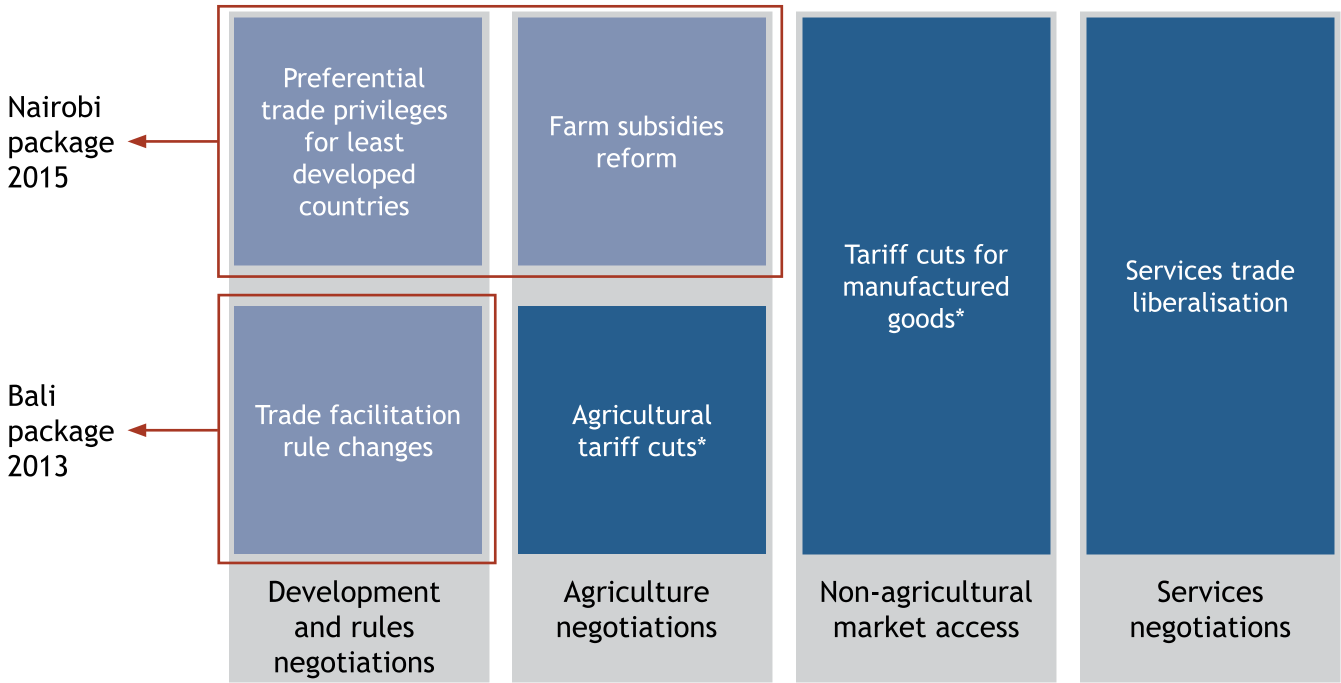

Figure 1: Carving up the Doha Round single undertaking since 2008
**excluding some tariff cuts for LDCs, incl cotton and new IT goods agreement*

the codification of a [sectoral agreement from 2015 of tariff cuts for IT goods](), which had already been agreed, Nairobi was very thin on tariff cuts and new provisions for foreign services trade, especially for developed countries in emerging markets. It is also worth noting that the package does not include almost all of the agriculture tariff cuts potentially on the table in 2008, which, unlike the agreements on farm subsidies, would genuinely have required the EU and the US to undertake further reforms. They would also have delivered some of the largest monetary gains of the Doha Round in the form of cheaper food for developed world consumers.

These market access conditions remain untouched at the WTO level – although they are still in principle on the table in the growing portfolio of EU and US FTAs under negotiation, including the big possible EU FTAs with the US and Japan. The plurilateral Trade in Services Agreement (TiSA) may deliver some new gains for services liberalisation. But TiSA, which is being negotiated outside the formal WTO umbrella, is also an implicit acknowledgement that the WTO's 'single undertaking' model of big bang trade deals covering all sectors, modes and disciplines at once has simply become too unwieldy and politically problematic for its membership.

So the bigger picture from Nairobi is one of a WTO in which agreement on a wider trade agreement covering tariff reform looked so unlikely that members accepted the need to settle the agriculture chapters after a decade or more and go home. Most of this package was 'already' agreed in 2008, so it is banking past efforts rather than suggesting that the WTO is finding a new burst of ambition and energy. It is also largely an agreement on 'disciplines', rather than 'new market access'. This is not without value, and may indeed turn out to be what the WTO is best at.

There are some parallels here to the apparent COP21 success in Paris. Paris succeeded by effectively agglomerating domestic commitments on climate change mitigation and calling it a global agreement. It succeeded by stripping out most of the head-on bargaining and concession-making under pressure that scuppered previous attempts at climate multilateralism such as Copenhagen, and which ultimately sank the Doha Round in 2008. The WTO experience at Nairobi suggests that the big challenge for Paris will be in enforcing existing commitments – let alone driving even more ambitious ones.

The Nairobi WTO Ministerial agreement notes that the organisation is profoundly divided on the question of where to go next in a world where most members are now increasingly turning their attention to bilateral agreements like the EU-US TTIP and region to region agreements like the Trans-Pacific Partnership (TPP). EU and US attempts to work around the reluctance of big markets like China and India to deal with them on the disciplines (regulation, competition, intellectual property) and market access issues that they see as most important are now the defining feature of the global trade policy picture. How to use agreements like TTIP and TPP as the long term platform for a further push for freer trade at the multilateral level remains the big but unanswered question. Nairobi did not offer any clear answers.

This Global Counsel Insight note was written by Stephen Adams, Partner and Daniel Capparelli, Associate Adviser at Global Counsel.

To contact the authors, email:
s.adams@global-counsel.co.uk
d.capparelli@global-counsel.co.uk

5 Welbeck Street
London
W1G 9YQ
info@global-counsel.co.uk
+44 (0)203 667 6500