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68/2013

18 December 2013

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9th WTO MINISTERIAL  
CONFERENCE IN BALI

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## 9th WTO MINISTERIAL CONFERENCE IN BALI

### Abstract:

On December 3rd to 7th, the 9th Ministerial Conference of the World Trade Organization took place in Bali, Indonesia. The agreements that have been reached, called Bali Package, allow for the unblocking of the Doha Development Agenda. This is why they are of key importance for international trade and let WTO recover its role as main regulator of international trade against the proliferation of alternative bilateral and regional treaties.

### Keywords:

Doha Round, Bali package, trade facilitation, customs costs.

## WORLD TRADE ORGANISATION

The World Trade Organization (WTO) is an agency created to open up and supervise international trade. It was created in 1995 through the Marrakech Agreement, although its work started at the end of World War II under the General Agreement on Tariffs and Trade (GATT), signed in 1948. Nowadays, it counts with 160 countries that join through consensus adoption. Countries who wish to join the organization are called observers. The representatives of every nation hold a meeting normally every 2 years in the Ministerial Conference, which is the topmost decision-making body of the organization.

The organization's work is based on the Rounds, which consist on the period of time that passes since a set of problems in the rules that govern international trade at a given moment are identified until, through negotiations, an agreement that solves or regulates these problems is reached.

Eight rounds have been completed since World War II. In fact, the 1995 Marrakech Agreement, when the WTO was created, closed the Uruguay Round started in 1986. Since 2001, the Doha Round is in force, which has been boosted in the 9<sup>th</sup> Ministerial Conference thanks to the decisions adopted in what is now known as the "Bali Package".

The organization's decisions are adopted by consensus and under the "all or nothing" criteria, without it being possible to reach partial agreements. Many issues for negotiation are set in a round, which makes it possible for all the members to be interested in its approval. In contrast, the diversity of the subjects also contributes to there being certain topics that some countries do not want to address or that they do not agree with the content of the proposals, with the content of the proposals, thus making it more difficult to reach an agreement, as it was happening in the Doha Round since 2008.

## THE DOHA ROUND

The Doha Round is the ninth round of negotiations on international trade; it started at the 4<sup>th</sup> Ministerial Conference held in the city of Doha, Qatar, in 2001<sup>1</sup>. The contents were modified in the "July 2004 package" in Geneva and in the 2005 Ministerial Conference in Hong Kong.

The Doha Round is also known as the Doha Development Agenda, because many of the subjects addressed are focused on promoting less developed or developing countries access to markets.

The Doha Round issues are divided into four action lines:

- Access to markets
- Development issues

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<sup>1</sup> [http://wto.org/english/tratop\\_e/dda\\_e/dda\\_e.htm](http://wto.org/english/tratop_e/dda_e/dda_e.htm) retrieved on 17/12/2013

- Trade facilitation
- WTO's operational rules

Currently, the Doha Round is the most long-lasting since the WTO and its preceding bodies were created. For this reason, the decisions reached in Bali, named "Bali package", are considered highly important, not as much because of their scope, but because they address the problems that had frozen the negotiations' evolution since 2008.

The international context has evolved greatly since the Doha Round's contents were set; therefore, completing it is becoming an urgent matter to give way to a new round to address current international commerce needs. It is necessary to remember that the WTO has an "all or nothing" policy, which is why the organization will not deal with new issues until the Doha Round is finished.

The lack of development has caused a great loss for the WTO of its leading role in the regulation of international trade. At the same time, the lack of agreement has lead nations to establish bilateral or regional agreements. The situations to which these alternatives can lead are less attractive, from the global international commerce point of view, than the multilateral agreements where every member acts under equal conditions. It is hoped that with the unlocking of the Round this situation will return to its natural course and that the WTO will gain back its consensus regulator role of multilateral international trade.

During the Bali conference, Cuba's delegation, also representing Bolivia, Ecuador, Venezuela and Nicaragua, issued a statement in which they opposed the adoption of the proposed texts. The reasons were: the limited time given for its analysis, the impossibility of changing them through negotiations and the consideration that the contents only benefitted developed nations. Once the agreement was reached, these countries issued a new joint declaration where they highlighted the need to correct the agreements reached placing emphasis on the developing countries' interests and referring to the members' principles of equality which, according to the agreements, govern the organization's performance.

## BALI PACKAGE<sup>2</sup>

The decisions made in the conference are divided into two parts: those that affect the WTO's tasks and a second part directly related with the Doha Development Agenda.

In relation to the organization's performance, a series of decisions have been made that mainly support the organization's current performance and urge to continue developing these activities:

- Intellectual property rights aspects related to commerce

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<sup>2</sup> [http://wto.org/english/thewto\\_e/minist\\_e/mc9\\_e/tempdocs\\_e.htm](http://wto.org/english/thewto_e/minist_e/mc9_e/tempdocs_e.htm) retrieved on 13/12/2013

- Work programme on e-commerce. It has been agreed to maintain the practice of not applying customs duties to electronic transfers among the Members.
- Work programme on small economies.
- Helping commerce.
- Commerce and technology transfers.

Regarding the Doha Development Agenda, there are several fronts where relevant agreements have been reached. The most important terms of these agreements are summarized below:

### **Commerce improvement**

This agreement was incorporated to the Doha Agenda in the “2004 Package” and was ratified in the Hong Kong Ministerial Conference. During the 2013 conference, the negotiation of the agreement has been declared as terminated and the necessary mechanisms have been established for its start-up as soon as possible.

Among the measures included in the agreement, the reduction and speedup of customs duties stand out; this should result in a reduction of costs that the companies must assume in their exports. The Authorised Operator figure is created for companies who have a good track record of the rules and can benefit from reductions in customs procedures.

The delay associated with customs procedures is also reduced, and limitations to fees are applied under the criteria that they cannot be discriminatory and that their quantity must abide with the costs of the service provided. A progressive shift to electronic procedures for the submission of documents and fee payment to simplify the procedures are also proposed.

### **Agriculture**

The General Services programmes, which include the reform of the territory or the security of the rural population, are particularly important for several developing countries to achieve the goals of rural development promotion and poverty reduction. A list has been defined in the conference, with the types of activities that can be considered as General Services programmes for the purposes of the agreements.

Stock storage for food safety by the authorities is one of the most important agreements adopted. In fact, it is one of the main reasons why the negotiation was stalled, since 2008, due to the conflicting positions between the US and India. A transition period has been fixed, until the 11<sup>th</sup> Ministerial Conference; i.e. a 4 year period, and a working group has been created to negotiate an agreement to

find a definite solution to this conflict.

In response to the doubts on the administration of rate/quantity quotas, the interpretation of how the agreement terms must be carried out has been clarified. Mechanisms against private operators using the attributed quotas in a self-interested way have been established, allowing the quotas to be reassigned to other operators if they are not being used in a commercially reasonable manner.

In the Hong Kong Conference, regarding the Market distortion that subsidies and other measures suppose; objectives were set for the elimination of these mechanisms to increase transparency of trade in agricultural products. In the ratified agreement, the efforts that the members are making are recognised, however, to insist on the objectives, monitoring mechanisms are fixed and annual discussions at the Agriculture Committee are set.

### Cotton

This commodity is of vital importance for developing economies and particularly for the least developed. With the purpose of improving transparency and monitoring the aspects related with cotton trade, discussions on this issue are established twice a year in the Agriculture Committee. The topics debated will include export subsidies and all the equivalent measures, national support to cotton and measures, tariff and non-tariff, applied to exports from the least developed countries.

### Development and least developed countries' issues

In the 2008 Hong Kong Ministerial Conference, the use of rules of origin was established aiming to facilitate marketability in least developed countries. That way, developed and developing countries that declare themselves able to do so, can establish rules of origin to encourage product importation from these countries.

The agreement reached in this Conference sets the criteria by which these rules must be elaborated, as well as establishing the need for the rules to be as transparent, simple and objective as possible. The lack of requests of derogation on preference for hiring services provided by the least developed countries has led to inviting the Members to extend their preferences of services and service suppliers from these countries.

In the Hong Kong Conference, the establishment of measures in favour of the least developed countries was also agreed, so they would have access, without customs duties and without quota limit, to the developed and developing countries' markets that declared themselves able to adopt these measures. The agreement reached requires those countries to expand covered products and notify the relevant outlines and changes related to the Transparency mechanism for preferential trade arrangements.

The General Council in July 2002 decided to create a Monitoring Mechanism for all the special and

differential treatments included in the WTO's multilateral agreements and in the decisions made by the General Council or the Ministerial Conference. The agreement that defines the functions and reference terms of the Mechanism, which will operate through specific meetings of the Trade and Development Commission held twice a year, has been signed in Bali.

## SPAIN'S POSITION

In the Ministerial Conference, Spain was represented by the Minister of Agriculture, Food and Environment, Mr Miguel Arias Cañete, accompanied by the Secretary of State for Trade, Mr Jaime García Legaz.

In the presentation by the Minister<sup>3</sup> at the Conference, Spain reflected its interest to achieve the necessary consensus for the approval of the agreements, and declared the firm belief in the multilateral commerce system promoted by the WTO.

It is considered that liberalisation of global trade is necessary to face the economic situation, among which stand out: the economic weakness that affects Europe and the growth reductions experienced by emerging economies. In the current environment, where the exterior market is one of the principal vectors for economic upturn, the agreements reached in Bali constitute a very important support for national industry.

The third paragraph of the Spanish presentation dedicated to the actions after the Bali meeting and the WTO's future is very interesting, since it provides a clear profile of Spain's interests in reference to international trade. A global framework is requested for export credit with official support. Moreover, it is required to settle rules on taxes on exports. Lastly, it is required to offer a framework for legal stability to international investors, key to development in developing and least developed countries.

The industrial sector of defence and security could benefit from the effects of the agreement on improving trade since it is a market with considerable regulatory burdens where the role of the authorised operator can be of great interest to the Spanish industry.

Parallel to Spain's WTO membership and as a European Union member, since July 2013 Spain is also working with the US on the TTIP treaty (Transatlantic Trade and Inversion Partnership), whose objectives are job creation and growth. According to independent research<sup>4</sup>, this treaty could generate profits of up to €120 billion for the EU, €90 billion for the US and up to €100 billion for the rest of global economy. In this sense, these parallel developments should be taken into account to avoid duplicating efforts when implanting the measures associated to each of the agreements in Spanish law.

<sup>3</sup> [http://www.wto.org/english/thewto\\_e/minist\\_e/mc9\\_e/stat\\_e/esp.pdf](http://www.wto.org/english/thewto_e/minist_e/mc9_e/stat_e/esp.pdf) retrieved on 13/12/2013

<sup>4</sup> <http://ec.europa.eu/trade/policy/in-focus/ttip/> retrieved on 17/12/2013.

## CONCLUSIONS

Despite the generalized prediction that relevant agreements would not be reached at this conference, there are many nations that have finished their interventions in the plenary sessions bringing to the table new problems that, due to their complexity, scope and importance should be handled in a new round where the necessary solutions will be negotiated. This reveals the need to speed up the WTO's operations, as the Minister highlighted in his presentation, so that, apart from reaching multilateral agreements, they will be applied within the deadlines suitable to the needs and evolution of international trade.

The agreements reached in this conference, which can already be considered as historical, allow the WTO to regain its leading role in the regulation of international trade and to move forward in its associated objectives, which include: contributing to transparency, predictability and increasing international trade. However, the work must continue for the success of this conference to be added to the completeness of the Doha Development Agenda.

In many cases, deadlines are included so least developed and developing countries can gradually implement the measures, according to their capacities and the collaboration given by other nations of the organization. Therefore, while a new round should not be expected for the next Ministerial Conference<sup>5</sup>, respecting the program should lead to the end of the Doha Round in 2017, coinciding with the maturing of these deadlines.

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<sup>5</sup> For the up to 4 year deadline set in some of the agreements.