



Trade Hot Topics

Post-MC11: Charting a way forward for LDCs, SVEs and SSA countries

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Introduction

The 11th World Trade Organization (WTO) Ministerial Conference (MC11) was held from 10 to 13 December 2017 in Buenos Aires, Argentina, against a backdrop of considerable changes to the global, political, economic and trading landscape, particularly since the time the Doha Round of multilateral trade negotiations was initiated in 2001, almost 17 years ago. These changes to the landscape and new geopolitical dynamics obviously lead to evolutions in Members' interests and positions on traditional negotiating issues, making it extremely difficult to make meaningful progress on them. To add to the complexities, a host of trade and trade-related issues with impacts on global trade have emerged, such as the rapid growth in e-commerce, the rise of global value chains and climate change, which all pose new challenges to the world economy.

In general, countries do not dispute the importance of these issues, but rather the 'how', the 'where' and the 'when' in terms of addressing them. Some Members insisted on finding solutions to longstanding issues, whereas some felt the Doha architecture no longer served their evolved interests and was no longer relevant to emerging issues related to modern business practice and trade. Consequently, MC11 saw modest outcomes.

More remains to be done to ensure the WTO and countries continue to engage to sustain the momentum created by the Trade Facilitation Agreement (TFA) and to build confidence in the multilateral trading system to bring global prosperity. The multilateral trading system is particularly important for the poorest, smallest and least developed countries of the world.

This issue of the *Commonwealth Trade Hot Topics* examines the outcome of MC11 and assesses the technical and strategic way forward for least developed countries (LDCs), small, vulnerable economies (SVEs) and sub-Saharan African (SSA) countries, especially from the perspective of a changing global, political, economic and trading landscape and the evolution of interests and negotiating terrain at the WTO.

The changing global economic and trading landscape

Several notable changes have taken place on the global economic and trading scene since the inception of the Doha Round in 2001. The growing importance of technology has given rise to changes in the way trade is conducted, requiring new rules, institutional frameworks and physical infrastructure. There is growing fragmentation of production, which has increased countries' interdependence. Climate change is acting as a

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'sword of Damocles', forcing countries to rethink production processes and the way they organise economic and social life. Recent scientific research has confirmed that Pacific tropical cyclones and Atlantic hurricanes are likely to intensify and become more destructive as a result of ocean warming. The same study shows that the number of severe hurricanes has increased by 25–30 per cent for each degree of global warming.¹

Further, the advancement of several developing countries into stronger competitive economies has triggered a rebalancing exercise in a global economy that has hitherto been dominated by a few developed countries. The rising economies can now project themselves outward and play an increased role in the global economy.

Another significant development has been growing anti-globalisation and anti-trade sentiment, which contributed to a dip in global trade in 2016 and 2017. In its Trade and Development Report 2016, the United Nations Conference on Trade and Development noted that the global economy was in a fragile state and that growth in 2016 had dipped to below 2.5 per cent, the rate experienced in 2014 and 2015. The WTO forecasted trade expansion in 2017² to be between 1.8 and 3.6 per cent, primarily because of the uncertainty of the global economy, which was partly a result of growing anti-globalisation sentiment and some countries pursuing protectionist and inward-looking policies that undermined high trade growth.³

These changes have meant that the global economic and trading landscape is different to the one that existed in 2001 when the Doha Round was agreed, and to that in 1995, when the WTO was launched and entrusted with the responsibility of providing a forum for trade negotiations among its Members, who now number 164.

Changing positions and negotiating dynamics

The changes that have taken place have had a bearing on the evolution of countries' interests and their positions at the WTO, including in terms of the manner in which they conduct trade negotiations. This is especially seen in the new alliances countries have created to help advance their evolved interests. The clearest example of this is that of the interests of some developing countries coming

to blend with those of developed countries, as in the case of e-commerce (WT/MIN(17)/60) and investment facilitation (WT/MIN(17)/59).

There are two main reasons for this evolution. First, prior to the Doha Ministerial Conference some developing countries did not have much interest in discussing e-commerce and investment, as at that time they lacked much understanding of the implications of multilateral agreements in these areas for their economies, but managed to gain in-depth knowledge which made them comfortable to discuss the issues. Second, some developing countries have developed capacity in these areas and become aware of the vital role of e-commerce and investment facilitation in trade and development. This coalescence of interests between developed and developing countries has led to the development of new alliances aimed at advancing these.

Some Members felt that the Doha architecture was no longer relevant to confront emerging issues related to modern business practice and trade. Should Member States conduct a reality check and look at the reforms necessary to enable the organisation to deliver on contemporary issues? The systemic reform agenda has unfortunately become embedded within a political agenda that is proving extremely difficult to pursue, at least for the time being, given lack of progress on the core Doha Round issues.

Impact of this on the MC11 negotiations

Failure to reach consensus on the Doha Round's development mandate can be traced back to paragraph 30 of the Nairobi Ministerial Declaration in 2015 (WT/MIN(15)/DEC), which noted that many Members had reaffirmed the Doha Development Agenda (DDA) and their commitment to conclude the DDA and that other Members had not reaffirmed the Doha mandate, as they believed that new rules were required in order to achieve meaningful outcomes in multilateral trade negotiations. Members could not also agree on a draft text for a Ministerial Declaration (RD/GC/6), partly because of entrenched differences: Members continued to diverge on approaches to the DDA and in terms of commitment to finding improved pathways to achieve developmental objectives. This lack of consensus on the agenda affected progress on

1 Radford, T. (2016) 'Ocean Warming Intensifies Power of Typhoons', Climate News Network, 11 September, <http://climatenewsnetwork.net/ocean-warming-intensifies-typhoons-power/>
 2 WTO Press Release, Press /791, 12 April 2017. https://www.wto.org/english/news_e/pres17_e/pr791_e.pdf
 3 The WTO's latest World Trade Outlook Indicator, released on 12 February 2018, suggests a recovery in 2018, with solid trade volume growth in the first quarter of 2018.

many remaining developmental issues of interest to LDCs, SVEs and SSA countries. There was no Ministerial Declaration at MC11. Major Decisions reached were as follows:

- Ministerial Decisions on Fisheries Subsidies (WT/MIN(17)/W/5)
- Work Programme on Electronic Commerce— Ministerial Decision (WT/MIN (17) W6)
- Work Programme on Small Economies— Ministerial Decision (WT/MIN(17)/W/2)
- TRIPS Non-Violation and Situation Complaints— Ministerial Decision (WT/MIN (17)/W/7s)

Indeed, the chair of MC11 raised concern regarding the lack of progress, noting that differences in opinion on the DDA had hampered advances on issues considered essential by developing countries for their sustainable growth and development (WT/MIN(17)/67). Progress had been limited in some promising areas such as fisheries subsidies disciplines. Following impetus given to this latter issue after adoption by world leaders in September 2015 of the Sustainable Development Goals, there were expectations that the WTO could deliver a meaningful agreement on this. Sustainable Development Goal target 14.6 sets a deadline of 2020 for eliminating illegal, unreported and unregulated (IUU) subsidies and for prohibiting certain forms of fisheries subsidies that contribute to overcapacity and overfishing, with special and differential treatment (S&DT) for developing and least developed countries. After protracted discussion, it was finally agreed to continue to engage constructively in the fisheries subsidies negotiations with a view to adopting an agreement by the next Ministerial Conference in 2019 (Box 1).

Box 1: Ministerial Decision on Fisheries Subsidies (WT/MIN(17)/W/5)

Ministers agreed on the need to build on the progress of discussions on the non-paper/ integrated text (TN/RL/W/274/Rev.1), and continue discussions on fisheries subsidies for an 'agreement on comprehensive and effective disciplines that prohibit specific forms of fisheries subsidies that contribute to overcapacity and overfishing, and eliminating subsidies that contribute to IUU-fishing' for adoption by Ministers at the Ministerial Conference in 2019. Ministers also agreed that S&DT should be an integral part of the fisheries subsidies negotiations.

They also agreed to strengthen transparency concerning fisheries subsidies by re-committing to the implementation of existing notification obligations under Article 25.3 of the Agreement on Subsidies and Countervailing Measures.

On other substantive issues under negotiation such as agriculture, non-agricultural market access, services, development and trade and environment, Ministers expressed their disappointment over the lack of progress and gave their commitment to continuing to move the negotiations forward.

Some Members made strong statements to demonstrate their desire for a fresh start in crucial negotiating areas that serve existing business realities rather than the Doha framework, to enable like-minded WTO Members to continue discussions in these areas without being held back by Members that are not yet ready to act. This signified the desire by some countries to depart from the Doha framework and its development agenda towards a reform of the WTO more attuned to a changing global economic and trading landscape. It also signified increased pressure for the WTO to allow like-minded countries to discuss issues of interests to them without the involvement of other countries—a move that will have implication for inclusiveness.

Thus, MC11 could not bridge the gap left by negotiators in Geneva on all issues under discussion, and left the issues to be further discussed in Geneva and for consideration at the next Ministerial Conference in 2019. It failed to bridge differences on the centrality of development to multilateral trade negotiations and on concluding the remaining development issues, which would benefit LDCs, SVEs and SSA countries. However, the post-MC11 programme has provided negotiators with an opportunity to reinvigorate discussions, mainly to find connections in areas of divergence, as well as to answer several fundamental questions that are dividing the WTO regarding what the WTO should be doing and what Members collectively want from the organisation.

The way forward for LDCs, SVEs and SSA countries

As discussed above, the evolution of country interests and positions has left the WTO facing the challenge of balancing discussions to 1) find solutions to longstanding issues and 2) try to satisfy a strong urge to expand the negotiating agenda to include emerging issues that are

relevant to new economic sectors. Given their limited capacity, LDCs, SVEs and SSA countries have always been opposed to an expanded agenda, particularly in view of the implications for them of such an agenda while longstanding issues of interest to them remain unresolved. They also face strategic challenges to their effective participation in multilateral trade negotiations, especially given their limited negotiating capacities. They also face the challenge of trying to catch-up with developed countries and at the same time avoid being left behind in new economic sectors.

Given the transformative nature of interests and the negotiating terrain, it is imperative for LDCs, SVEs consider ways that enable them to continuously and vigorously enlighten or demonstrate the need for all the elements of the development dimension at the centre of the multilateral trade negotiations and at the same time to prepare to participate in engagements on issues of modern business that are relevant to them. Consideration should be given to LDCs, SVEs and SSA countries cooperating with both developed and bigger developing countries, not only through existing coalitions but also on present common interests—that is, creating new coalitions. Such an approach would help LDCs, SVEs and SSA countries influence the negotiations, as they cooperate with different and more significant powers on different negotiating issues of interest to them.

Critical to this approach is the evidence-based representation of interests that is grounded in robust analysis that takes into account the transformative nature of these interests, to enable the construction of persuasive proposals. The multilateral trading system has demonstrated dynamism concerning interests, strategies, agenda-setting and the negotiating terrain: countries advance their changing interests by attempting to reshape the negotiating agenda, with implications for other countries' interests and negotiating strategies. In this regard, LDCs, SVEs and SSA countries can conduct case study-based analysis to strengthen their positions. For example, showing benefits from long periods of derogation from WTO rules can strengthen their position on S&DT. Evidence-based proposals would also help deepen understanding of these issues by their negotiating counterparts and influence a change in their perceptions. Analytical work is also critical in areas relevant to modern business practice and trade, to generate an understanding of the challenges facing LDCs, SVEs and SSA countries

and of how they can harness the opportunities these issues bring regarding revolutionising productive capacities, business and trade.

LDCs, SVEs and SSA countries must also demand continuation of the open-ended inclusive approach, particularly in view of the desire among some developed countries to pursue discussion on some critical areas with like-minded partners. A strong rules-based, transparent and predictable multilateral trading system is a prerequisite for growth, employment and sustainable development. Small and weak countries need a robust, rules-based and transparent and predictable trading environment the most. The TFA negotiations were a success partly because they allowed for the assessment of S&DT based on individual country implementation capacity rather than the traditional approach of granting flexibilities based on the group to which the country belongs. Such an open-ended inclusive approach will allow LDCs, SVEs and SSA countries to cooperate with both developed and major developing country players on shared interests. Besides, this approach represents a workable and tested model that will ensure the participation of these countries in both the Ministerial and the Geneva processes.

As such, it is essential that the LDCs, SVEs and SSA countries stress the importance of the multilateral trading system and preserve and strengthen it in order to 'promote the rules-based, open, transparent, inclusive, non-discriminatory and equitable trade embodied in the WTO' and 'provide it with the tools it needs to face the challenges of the 21st century' (WT/MIN (17)/53) as well as to provide space to promote LDCs, SVEs and SSA countries' interests.

Conclusion

The period since the inception of the Doha Round in 2001 has witnessed several changes to the global economic and trading landscape, which is now different to the one that existed when the Doha Round was agreed. This has led to an evolution in some Members' interests, which has resulted in them reviewing their positions on several negotiating issues. This in turn has contributed to major divergences among Members and a failure to reach consensus on almost all negotiating issues, both in Geneva and at MC11.

Given that the global economic and trade landscape has undergone considerable transformation, and the possibility that the interests of LDCs, SVEs and SSA countries have also undergone transformation,

these countries should consider taking stock of the Doha framework and assess whether their interests have changed with the changing global economy. Such an assessment would also help them understand the evolution of their interests in a more substantive way and advance them in a better way.

Furthermore, LDCs, SVEs and SSA countries should consider assessing the implications of the changing interests of others countries for their economies and for their strategic engagement at the WTO,

particularly given their limited capacity to engage effectively in all WTO discussions. In addition, an assessment of the Doha framework would enable LDCs, SVEs and SSA countries not only to be more proactive in advancing their interests but also to adopt new strategic options in a negotiating terrain that is constantly changing. Moreover, this will provide LDCs, SVEs and SSA countries with an opportunity to identify areas for reform of the WTO to meet their demands.

International Trade Policy Section at the Commonwealth Secretariat

This Trade Hot Topic is brought out by the International Trade Policy (ITP) Section of the Trade Division of the Commonwealth Secretariat, which is the main intergovernmental agency of the Commonwealth – an association of 53 independent states, comprising large and small, developed and developing, landlocked and island economies – facilitating consultation and co-operation among member governments and countries in the common interest of their peoples and in the promotion of international consensus-building.

ITP is entrusted with the responsibilities of undertaking policy-oriented research and advocacy on trade and development issues and providing informed inputs into the related discourses involving Commonwealth members. The ITP approach is to scan the trade and development landscape for areas where orthodox approaches are ineffective or where there are public policy failures or gaps, and to seek heterodox approaches to address those. Its work plan is flexible to enable quick response to emerging issues in the international trading environment that impact particularly on highly vulnerable Commonwealth constituencies – least developed countries (LDCs), small states and sub-Saharan Africa.

Scope of ITP Work

ITP undertakes activities principally in three broad areas:

- It supports Commonwealth developing members in their negotiation of multilateral and regional trade agreements that promote development friendly outcomes, notably their economic growth through expanded trade.
- It conducts policy research, consultations and advocacy to increase understanding of the changing international trading environment and of policy options for successful adaptation.
- It contributes to the processes involving the multilateral and bilateral trade regimes that advance more beneficial participation of Commonwealth developing country members, particularly, small states and LDCs and sub-Saharan Africa.

ITP Recent Activities

ITPs most recent activities focus on assisting member states in their negotiations under the WTO's Doha Round and various regional trading arrangements, undertaking analytical research on a range of trade policy, emerging trade-related development issues, and supporting workshops/ dialogues for facilitating exchange of ideas, disseminating informed inputs, and consensus-building on issues of interest to Commonwealth members.

Selected Recent Meetings/Workshops Supported by ITP

18 December 2017: Reducing Risks, Vulnerabilities and Enhancing Resilience held in London, United Kingdom.

10 December 2017: Trade and Climate Change: Opportunities and Challenges for SIDs, LDCs and Sub-Saharan Africa held in Buenos Aires, Argentina in collaboration with UNCTAD.

29 -30 November: Dhaka Retreat and Public Dialogue on Towards Eleventh Ministerial of the WTO Reclaiming the Development Agenda held in Dhaka, Bangladesh in collaboration with Centre for Policy Dialogue, Friedrich-Ebert-Stiftung Dhaka, Think Tank Initiative and LDC IV Monitor.

23-24 October 2017: Inaugural Meeting of the Commonwealth African Trade Negotiators Network held in Cape Town, South Africa.

26 - 29 September 2017: Commonwealth Working Group on Trade and Investment, held in London, United Kingdom.

12 July 2017: Enhancing Connectivity to Enable Graduation with Momentum in LDCs, Global Aid for Trade Review held in Geneva, Switzerland in collaboration with UNCTAD.

26-27 June 2017: Emerging Global and Regional Trade Issues for the Caribbean, St. Lucia.

6 June 2017: Trade in Fish Related Aspects of SDG 14: What Next?, held in New York, United States in collaboration with UNCTAD and WTO.

25 - 26 May 2017: African Regional Consultation on Multilateral, Regional and Emerging Trade Issues, held in Port Louis, Mauritius.

5 May 2017: Making UK Trade Work for Development Post-Brexit, Expert Group Workshop held in Oxford, United Kingdom in collaboration with the Blavatnik School of Government.

Selected ITP Publications

- Soobramanien, T. and Worrall, L. (eds) (2017). *Emerging Trade Issues for Small Developing Countries: Scrutinising the Horizon*. London: Commonwealth Secretariat.
- Baker, P. (2017). *E-Commerce and Digital Trade: A Policy Guide for Least-Developed Countries, Small States and Sub-Saharan Africa*. London: Commonwealth Secretariat.
- Keane, J and Bambill-Johnson, R. (eds) (2017). *Future Fragmentation Processes: Effectively Engaging with the Ascendancy of Global Value Chains*. London: Commonwealth Secretariat.
- Vickers B. (2017). *A Handbook on Regional Integration in Africa: Towards Agenda 2063*. London: Commonwealth Secretariat.
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- Cali, M with Kennan, J (2010). *The Global Financial Crisis and Trade Prospects in Small States*, Economic Paper No. 90. London: Commonwealth Secretariat.
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- Srinivasan, T N (2009). *LDCs, Landlocked Developing Countries and Small States in the Global Economic System*. London: Commonwealth Secretariat.

Selected Ongoing Policy Research Projects

- Trade and Sustainable Development Goals
- Multilateral trade negotiations – specific issues for LDCs, SVEs and SSA
- Brexit and related trade policy issues
- The development impact of the Doha Round on least developed countries (LDCs)
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- Development issues under EPAs
- Trade in services
- Topical issues in regional trading arrangements and regional integration
- Trade in services issues for small states and low-income countries
- Implementation of the Istanbul Programme of Action for LDCs
- Intra-Commonwealth trade and development cooperation
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