SOUTH AFRICAN INSTITUTE OF INTERNATIONAL AFFAIRS
African Perspectives. Global Insights
SAIIA

RESTORING MULTILATERAL TRADE COOPERATION:

ROUNDTABLE

THURSDAY, 12 JUNE AND FRIDAY, 13 JUNE 2014
MASLOW HOTEL, JOHANNESBURG

REPORT OF PROCEEDINGS*

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PROJECT BACKGROUND

As the World Trade Organization enters a period of adjustment after the Bali package negotiated in December 2013, which included a new trade facilitation accord, there is a need to search for new ideas that can assist in revitalising multilateral trade negotiations. These negotiations must face numerous established challenges, while also adapting to emerging trends in global trade. The continued importance of Global Value Chains, for example, could increase the benefits associated with further integration of the world economy, while at the same time challenging those marginal to them. Many countries also have to adapt to the rise of mega-regional Free Trade Agreements (FTAs), such as the Transpacific Partnership and Transatlantic Trade and Investment Partnership, which threaten to distract the advanced economies from participation in WTO negotiations and institutions.

This Roundtable was convened as part of a World Bank-funded project, initiated by the Cordell Hull Institute and coordinated by the South African Institute of International Affairs in partnership with a network of primarily developing-world think tanks, aims to examine what these changes mean for global trade, and how negotiations can be realigned to overcome new and established challenges. A series of expert roundtables has been - and will be - convened in major emerging economies, and has produced a number of publications that will feed into multilateral trade negotiations. The partners to this project include:

- **Centre for Policy Dialogue** (Dhaka) [*cpd.org.bd*]
- **China Center for International Development** (Tianjin)
- **Cordell Hull Institute (Washington DC)** [*www.cordellhullinstitute.org*]
- **Fundação Getulio Vargas** (Sao Paolo) [*portal.fgv.br*]
- **Instituto de Pesquisa Econômica Aplicada** (Brasilia) [*www.ipea.gov.br/portal*]
- **Korea Institute for International Economic Policy** (Seoul) [*www.kiep.go.kr/eng*]
- **South African Institute for International Affairs** (Johannesburg) [*www.saiia.org.za*]
- **Indian Council for Research on International Economic Relations** (New Delhi)
- **The European University Institute, Global Governance Programme** [*globalgovernanceprogramme.eui.eu*]

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ABBREVIATIONS

ACP	African, Caribbean, and Pacific group of states
AGOA	African Growth and Opportunity Act
AMS	Aggregate Measure of Support
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ATPSM	Agricultural Trade Policy Simulation Model
BIT	Bilateral Investment Treaty
BRICS	Brazil-Russia-India-China-South Africa
DDA	Doha Development Agenda
DFQF	Duty-free and Quota-free (market access)
DSB	Dispute Settlement Body
EU	European Union
FAO	Food and Agricultural Organisation (UN)
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GVCs	Global Value Chains
IPRs	Intellectual Property Rights
LDCs	Least Developed Countries
MFN	Most Favoured Nation
MNCs	Multinational companies
NAMA	Non-Agricultural Market Access
NTBs	Non-Tariff Barriers
NTMs	Non-Tariff Measures
OECD	Organisation for Economic Cooperation and Development
PTAs	Preferential Trade Arrangements
RCEP	Regional Comprehensive Economic Partnership
SACU	Southern African Customs Union
SDT	Special and Differential Treatment
SMEs	Small and Medium Enterprises
SOEs	State-Owned Enterprises
TFA	Trade Facilitation Agreement
TFTA	Tripartite Free Trade Area
TiSA	Trade in Services Agreement
TPP	Trans-Pacific Partnership
TRIPs	Agreement on Trade Related Aspects of Intellectual Property Rights
TTIP	Trans-Atlantic Trade and Investment Partnership
US	United States of America
WTO	World Trade Organisation

BACKGROUND

As the World Trade Organization (WTO) enters a period of readjustment after the Bali deal, and in the wake of the failed adoption of the Protocol of Amendment to add the Trade Facilitation Agreement to Annex 1A of the WTO Agreement, there is an urgent need to search for new ideas that can assist in revitalising multilateral trade negotiations. These ideas must respond to emerging trends in global trade, notably the rise of mega-regional trade negotiations – the Transpacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (TTIP) - and the growth of global value chains (GVCs).

Accordingly, this report is based on a roundtable conducted in Johannesburg, South Africa, on June 11 to 13. It forms part of a larger project conceived by the Cordell Hull Institute and coordinated by SAIIA in partnership with the World Bank and a network of developing world think tanks, which aims to assist in this process of reflection by convening a series of expert roundtables in developing countries, and producing outputs that feed into evolving multilateral negotiations. The project commenced with a roundtable in Seoul, which explored trends in trade cooperation and their implications for the WTO. Discussions continued at a recently concluded roundtable in Brazil which explored agricultural issues, the impact of mega-regionals and plurilaterals on multilateral discussions, and new issues such as exchange rates and energy concerns.

The South African roundtable put particular focus on Africa in the WTO, and convened experts from across the continent and global trade experts. The Roundtable focused on the following issues:

- The Trade Facilitation Agreement (TFA), examining issues pertaining to its ratification and implementation, with particular reference to its Special and Differential Treatment (SDT) provisions including their potential to serve as a model for SDT rules and practices in a changing world.
- The future of the Doha Round in light of the Bali package, especially some of the structural issues such as the single undertaking and the consensus principle.
- Agriculture negotiations: implications of the Bali package and resolving the Doha impasse on agriculture, potentially through a plurilateral approach.
- GVCs, their resonance for African economies and for the framing of multilateral trade negotiations.

Below we briefly reflect the core thrust of discussions in each of these areas.

KEYNOTE SESSION - MEGAREGIONAL TRADING ARRANGEMENTS AND THE DOHA DEVELOPMENT AGENDA: IMPLICATIONS FOR AFRICA?

The **keynote speaker** outlined the origins, motivations behind, structure and content of mega-regionals; their potential impacts on the WTO; and possible responses of outsider countries such as those in Africa. He defined mega-regionals as being really a trans-regional phenomenon, one that cuts across regions and is responding to new and major trends in trade such as Doha pessimism and slowing trade; a murky picture on protectionism; the rise of the emerging economies; trade and production; as well as big new (and old) trade agendas. Two arrangements stand out: the TPP and the TTIP. They are particularly significant because the United States (US) is at their core, just as the US has been at the core of the post World War Two trading system, the General Agreement on Tariffs and Trade (GATT) and the WTO. However, the US is a relatively open economy with little to give to its trading partners. It acts as a significant demandeur for market access, including in sensitive sectors, and also uses political influence to steer negotiations.

Mega-regionals may, however, result in more competitive liberalisation with many other preferential trading arrangements (PTAs) being negotiated such as the European Union (EU) - Japan free trade agreement (FTA); the Japan – Australia FTA; the Regional Comprehensive Economic Partnership (RCEP); the China-US bilateral investment treaty (BIT); EU BITs; and etc. This is in response to such considerations as preference erosion resulting from the mega-regionals, in other words a hedging element to preserve market access, as well as geopolitical considerations. The PTA activity is also a response to mega-trends: Doha pessimism; slowing world trade; trade becoming an essential element of production and not just consumption; big new trade agendas on the horizon and the old ones that are still not resolved; as well as, protectionist measures in such countries as India, Brazil, Argentina, Ukraine, Belarus etc.

The mega-trends were then briefly elaborated upon. First, according to the Global Trade Alert, a large number of protectionist measures are at play and the most prominent practitioners are India, Russia, Belarus, Brazil and Argentina. Protectionism has, however, been kept at bay by and large and there is no convincing evidence of significant deterioration especially considering growth erosion in developed countries. A large part of the trade of the G20 countries is imports of intermediate products or exports of the same. For example, 60% of Korea's trade is represented by the export of intermediates or correspond to the import of intermediates. This is a consequence of the international integration of production or globalisation. The essence is that in a large number of countries, trade has become an essential element of production and not consumption. It is important to note here that the reason why protectionism has been kept at bay is because of the interests of those that depend on trade for production and not just for consumption. It will be very difficult to turn the tide of trade in the future and there should be optimism about trade liberalisation. The international integration of production through global value chains raises the stakes on trade policy and this is what MNCs are looking for as they animate global trade production.

Second, a profound change in economic power relations is taking place across the world and at unprecedented levels. Four of the seven largest economies - China, India, Brazil and

Russia - are developing countries. It is projected that by 2050, none of the EU powers that shaped recent history will remain part of the top seven economies. Part of the explicit motivation of the US and the EU in negotiating the TTIP is the diminishing time they have before they lose control to other countries. They are using this window of time to push forward their vision of what future trade rules should comprise. Related to this, there is a profound geopolitical motivation for the TPP, centered on the China-Japan regional rivalry. TPP affects the security situation in Asia, creating strong incentives for closer ties among traditional powers – the US, Japan, Canada, and the US's smaller Asian allies.

He noted that the content of the mega-regionals is far-reaching. They are intended to enhance and rewrite the rules of world trade to make them deeper and stronger. These rules will encompass, inter alia:

- security of investment
- security of intellectual property rights (IPRs)
- logistics (trade facilitation)
- market access (including for intermediate products)
- avoidance of export restrictions
- access to services
- data security
- mobility of workers
- state-owned enterprises (SOEs)
- government procurement
- regulations and non-tariff measures (NTMs)
- product standards
- e-commerce
- core labor standards
- level playing field in environmental rules

However, he argued that the mega-regionals will do very little to advance the Doha agenda: in part because developing countries are not engaged in the process with a few exceptions; and because mega-regionals are essentially agreements among the advanced countries and therefore hardly touch issues that are centre-stage in the Doha Round e.g. agriculture and tariff peaks.

Furthermore, he noted that the trade or economic gains anticipated from the mega-regionals are quite small. Cheong's study the TPP, based on a scenario of complete liberalisation of trade among the parties, shows that most countries may not gain anything, the percentage gain being so small that it is insignificant, whereas the countries that are not involved lose very little. For example, Cheong estimates the GDP effects as follows:

- New Zealand, Mexico +1.0%
- Singapore, Malaysia +0.5%
- US, Japan, Canada, Australia, Chile 0%
- Rest of the world -0.01%

The Peterson Institute estimates that TPP elimination of non-tariff barriers (NTBs) would add 0.75% to the GDP effects.

The Centre for Economic Policy and Research (CEPR) shows marginally larger gains for a successful TTIP:

- Exports: US +8%; EU +6%, based mostly on NTBs
- GDP gains from tariff deal: US +0.04%; EU +0.5%
- Total GDP gains (including NTBs): US +0.4%; EU +0.5%

But the speaker did not put too much store on these numbers, arguing that the idea that growth can be estimated based on NTB elimination, in particular, is objectionable.

He also pointed to some obstacles to the conclusion of the TPP and TTIP agreements. In his view the end result of the negotiations will most likely be imperfect agreements, with the economic gains being even smaller than the estimates. The negotiations face a host of challenges:

1. Economic weakness in the advanced economies generating liberalization and reform resistance;
2. Sensitivities in what needs to be negotiated;
3. Complexity of the agreements;
4. US internal divisions, particularly that United States Trade Representative Mike Forman does not have trade promotion authority, there is no consensus or clear support in congress for these negotiations, and it is likely going to be difficult to get US ratification of these agreements;
5. The TPP is unbalanced in terms of negotiating dynamics, specifically the gains are near zero for the US which means it has to do the absolute minimum in the negotiations and it is demanding a lot for doing nothing;
6. The TTIP, on the other hand, presents a clash of negotiating cultures and brings together two partners with a history of getting what they want through imposing what they want on negotiating partners, whereas both face significant domestic challenges, bring different approaches to regulation, and there is the complication that the sovereign states which comprise the EU have divergent national interests.

Nonetheless, the speaker noted that there are two views on the potential impact of the mega-regionals on the WTO: pessimistic and optimistic. The pessimistic view contends that the Doha Round is stuttering, the WTO is losing relevance and mega-regionals will worsen the problem. The gap between developed and developing countries will get wider, for example none of the BRICS are in the mega-regionals. The WTO is also fast falling behind on new regulatory issues while the dispute settlement system will also become less effective because the rules are being negotiated outside of it. The jurisprudence of the WTO is also not advancing rules. However, on the optimistic side, the WTO membership is still highly valued. These commitments mean that new members are willing to pay a high premium for membership. WTO membership is almost universal; there is only 3% of world trade that falls outside of the confines of the WTO but with almost all the participants negotiating membership. This sanguine view of the WTO is justified because of the WTO's enhanced relevance compared to when it was first established. This growth in importance is because trade has grown in importance, trade is now essential to production and the global economy is more reliant on trade. Nonetheless, the mega-regionals leave more gaps to be filled. The exclusion of BRICS is not just an exclusion of a large part of world trade today but the future of world trade.

He then outlined various ways in which countries can respond. They should monitor the negotiations; analyse the potential impact of the agreements and understand the impact on export interests (Africa, by and large, has preferential access and the trade diversionary effects are predicted to be very small for Africa. Rules on NTBs will have implications though and particular attention should be paid to such rules.); project the overall impact on the economy in the future; and, strategise on responses. He posited four possible strategies:

- An autonomous response. In his view this is the best response as the bulk of liberalization historically has been autonomous. This is more important because of the massive implied change in regulations should mega-regionals succeed.
- Docking station response, or signing up to the mega-regionals. This strategy is however doubtful since joining after the deal is done will be tough because of likely unbalanced negotiations. This will also be difficult for low income countries as disciplines will be far reaching for them.
- Pursuing own regional and bilateral agreements.
- WTO re-engagement and not letting the WTO falter; retaining it as a vital force. Developing countries left out of the mega-regionals have to take it upon themselves to ensure that the WTO is not discounted.

The **first discussant** focused on the key challenges that developing countries in particular face in respect of the mega-regionals, supplementing the challenges identified by the keynote speaker:

- Trade diversion – with mega-regionals covering two thirds of global GDP and trade volume and the deeper trading rules being negotiated, trade opportunities and interests will be transferred from non-members of mega-regionals to members.
- Trade in services – developing countries are weak in services trade and, in the new environment, services become more important because of global value chains.

- New rules – developing countries should not only focus on the DDA but also on new issues and engage in the thinking on how to participate in GVCs in the emerging trade environment. In this context, new rules that developing countries need to consider include: finance, labour, environment, processing and storage, marketing and customer services.

The **second discussant** gave a brief exposition of the change in attitudes to the multilateral trading system particularly from the US. Referring to a Richard Baldwin paper on the history of trade liberalization in the last 50 to 60 years, which speaks of the 'juggernaut effect' of the EU's integration versus the US's preoccupation with multilateralism, the discussant noted how, for the first time in history, a totally different system is emerging as the US is prioritizing regional agreements instead of championing multilateral trade agreements. This is a significant change that poses new challenges for developing countries. Mega-regionals comprise 50% of world trade and the other 50% is excluded. Within the excluded trade are the top economies of the future. Seeing as the Atlantic countries of South America and Africa are excluded from mega-regionals, what should their response be? His opinion was that these countries should engage more positively in GVCs. Many factors explain GVCs but three are very important: logistics – transport costs and infrastructure; human capital – education, training and wages; and technological advancement. China has advanced a lot in GVCs and wages have responded, rapidly increasing. Other countries are now getting part of the GVCs that were previously based in China. Many countries in Africa such as South Africa, Tunisia, Morocco and Algeria have an opportunity to engage in GVCs especially as manufacturing is already an important share of exports. However, there is a need for political responses such as reducing tariffs, investment in infrastructure, as well as efforts to promote education and innovation.

In the question and answer session the following issues were raised:

Aren't the potential impacts on African countries underestimated because of the likely impact of deeper rules in behind the border measures?

The characterization of mega-regionals is in trying to establish a superior investment climate more than a focus on market access. Excluded countries should be concerned especially as there will be a significant difference between African countries and countries in mega-regionals in terms of the investment climate. There is therefore a need for autonomous action on the margins to increase the excluded countries' attractiveness.

The issue of access to natural resources is important in some GVCs, how can market access be balanced with export restrictions?

The most important export restrictions in the world today exist in the US in the oil and energy sector, and it is ironical that this is a big issue in WTO negotiations. Export restrictions will become more of an issue, although it is uncertain to what extent they are included in the mega-regional negotiations. Yet this is not too big an issue as such restrictions for the most part hurt the country that imposes them.

Mega-regionals will impact the direction of trade especially from a GVCs perspective as mega-regionals determine who is in the GVC. How can these benefits be extended to non-members?

This will mostly result from an investment climate effect – there is a risk for excluded countries that there will be a discriminatory effect because of investment regulations and rules.

There is an assumption that BRICS will remain outside of the mega-regionals but what of the competitive liberalization scenario?

The chances that the US congress will negotiate an agreement that includes China and India are zero. There was trouble enough including Panama and Colombia. India has more worries regarding its investment climate than diversion of investment through mega-regionals. There is, however, significant value in the mega-regionals pushing countries to accelerate their own reforms, including in China and India. For example, China has realized that it is becoming an important foreign investor and needs reciprocity in foreign investment climates; therefore it is negotiating deeper BITs.

Solutions proposed for African countries are not relevant as most African countries are dependent on raw materials exports and so the manufacturing sector is still at infant level. It is also problematic that liberalization is a primary requirement for participation in GVCs. The focus by African countries should be on domestic and regional GVCs to move away from dependency on raw materials. The call for GVCs in its current form entrenches the 'supplier' status of African countries.

GVCs are not different from intra-firm and intra-industry trade but as the world evolves it is not just companies but other countries trying to participate in GVCs and find the best investment destinations. Countries need to gauge where they can competitively participate in the value chain. Comparative advantage no longer exists and Korea in particular has shown that resources are not necessarily the key to compete. It is also very limiting to think of GVCs as only for high-end manufacturers. There is an opportunity for African countries to transform natural resources domestically and this also applies to agricultural products and services. The liberalisation being called for is paced, and involves the evaluation of potential gains in terms of participation in GVCs. South Africa has hugely underperformed in both export and import competitiveness and there is need for self-introspection if that situation is to be improved.

SESSION 2: TRADE FACILITATION AND THE FUTURE OF SPECIAL AND DIFFERENTIAL TREATMENT

This session focused on one of the key outputs of the Bali Ministerial that, ironically, is fast becoming a contentious issue particularly for some African governments. **The speaker** began by noting two important initial issues about the TFA. Firstly, it has not yet entered into force. This will happen only when two-thirds of the WTO's membership has ratified the "Protocol of Amendment". Recent events in Geneva, wherein India effectively blocked the protocol's adoption as the deadline for passing the amendment expired, showed that this is not a straight-forward proposition. Secondly, the main reasons for the existence of extra flexibilities for developing countries and LDCs are principally related to certain market failures, which tend to be more prevalent in these countries. This is notwithstanding the fundamental need to ensure that trade agreements, such as the WTO, find a balance between predictability achieved through a set of universally enforceable obligations and flexibility to deviate from commitments under certain conditions. In this light, the TFA created a new paradigm for SDT in WTO Agreements. For the first time in WTO history, implementation of an agreement is directly linked to the capacity of the country to give effect to it. Under the TFA, each developing and LDC country can determine for themselves when they will implement each required measure and they can identify the provisions that they can implement only if they receive adequate and effective assistance. To take advantage of this flexibility a Member must classify each provision of the Agreement into one of three categories:

- Category A: provisions that the country will be fully implementing by the time the Agreement enters into force;
- Category B: provisions that the country can implement itself but with additional time; and
- Category C: provisions for which the country needs additional time, technical assistance and support for capacity building.

These categorizations must be notified to the WTO in accordance with specific timelines outlined in the Agreement. The country must also provide indicative, and later, definitive, dates for implementation of the provisions they have designated in categories B and C. The Agreement goes even further and provides additional protections such as:

- An Early Warning Mechanism, which allows a Member to request an extension of time if it experiences difficulties in implementing measures;
- An Expert Group, which would provide a Member with technical assistance where it still lacks capacity to implement;
- The flexibility to shift commitments between categories B and C. This allows a country to try to implement a measure on its own but, if necessary, it can move it to the category for which technical assistance is required.
- A grace period: developing and LDC countries will not be subject to the Dispute Settlement Understanding for an initial period of time after they commence with implementation to allow them time to make adjustments and work out the bugs.

Developing and LDC country obligations are therefore contingent on receipt of the necessary support. The TFA does not impose specific obligations on donors or detail how developing countries shall obtain the assistance they need. However, it does explicitly recognize that WTO Donor Members agree to provide the necessary assistance. And subsequent to the roundtable the Director General announced the establishment of an implementation fund, to be administered by the WTO. The first big implementation challenge will be to match the specific needs of developing and LDC countries with sufficient and effective donor support. The speaker noted further that there are positive signs that this challenge will be met. Trade facilitation assistance is on an upward trend - OECD figures suggest that in 2012 commitments to provide trade facilitation assistance stood at just under US$290 million, a 13-fold increase since 2006.

His view was that that the task is now for extensive coordination and cooperation mechanisms to be put into place. This is important for donors, beneficiaries and implementing agencies. Implementation will be a significant effort on the part of WTO Members, international and regional organizations, aid agencies and regional development banks. Efforts are already under way among the various donors, aid agencies and recipient countries. And of particular importance, developing countries are improving coordination and cooperation amongst their national administrations and private sector through the development of national trade facilitation task forces, an obligation under the TFA.

Will the TFA set a trend for future SDT, or current, WTO negotiations? The speaker pointed to many reasons for affirming this possibility:

- Developing countries and LDCs, in spite of impressive growth performance over the past decades, continue to face challenges and resource constraints that can make it difficult to adjust and take advantage of new trading opportunities. Despite, to some extent, narrowing income gaps with the industrialised countries, a long development path still lies ahead of them and, in fact, overall differences with developed countries still exist.
- Four fifths of Members are developing countries and they are emerging as key leaders in the WTO. Any reform of the system will have to accommodate their interests and concerns. Therefore it seems evident that SDT will continue to be a key component of future agreements.
- The current round of negotiations is known semi-officially as the Doha Development Agenda because a fundamental objective is to improve the trading prospects of developing countries. The SDT provisions of the TFA show that all Members are taking this objective seriously.
- The modes of coordination among donor members, aid organizations and recipient countries that are being worked out to implement the TFA might serve as the foundation on which SDT in other negotiations could be laid.
- The successes and failures in the coming years of implementing the TFA will give guidance on the best way forward in negotiating future obligations.
- The TFA reinforces the development dimension of the WTO by creating a Monitoring Mechanism on SDT under which developing countries can raise challenges faced in utilizing existing SDT provisions, so that members can find solutions.

The **discussant** opined that the TFA embodies a meeting of minds among WTO members. The estimated added value of $1 trillion is beneficial to international trade. However, this $1 trillion can only be achieved through effective implementation, in which light there is a need to consider the problematic provisions. The provisions that support SDT are not very clear on certain aspects. Specifically, the agreement provides that assistance will be provided and the extent and timing of implementation will be related to capacity. This is problematic for the following reasons:

- Implementation is not required until capacity has been acquired but at what point will capacity be determined to have been acquired? The donor will give assistance but it is still up to the recipient to determine if capacity has been acquired. In any case, the sources and the obligation to provide support in the agreement are imprecise. Trust and good faith become a very big element of this agreement.

- Categorisation of commitments could be problematic especially if the bulk of the WTO memberships, who are developing countries, opt for category C commitments.
- There is also the concern around the adoption of the agreement when the rest of the Doha Round is being conducted under the single undertaking. There is provision for this under paragraph 47 of the DDA, which allows for the provisional or definitive application of agreements, but the issue still remains a bone of contention.
- There is need for clarity on assistance for capacity building especially as the agreement does not provide for a definite obligation on the donors. Article 66 of the Trade Related Intellectual Property (TRIPs) Agreement is comparable to these provisions, especially the 'best efforts' aspect and the notifications are also very nebulous. The hollow assistance provisions in TRIPS rendered developing countries much wiser and more cautious.

There is therefore a challenge of making these SDT provisions in the agreement more effective and this requires a strong monetary mechanism; currently the nature of support will see many developing countries and LDC scheduling commitments under category C.

It was pointed out by the **moderator** that the real issues with the agreement are the enforceability and practicality of some of the provisions, and the threat of litigation. For example, the agreement provides for a grace period for implementation but how real is the threat of developed countries taking LDCs to the Dispute Settlement Body (DSB), and what would the possible DSB ruling be? Such litigation would potentially take countries back to the issue of capacity constraints and where would that leave the process? **One of the participants** however argued that dispute settlement in the WTO is short of true litigation. Therefore it is likely that no country will attempt dispute settlement proceedings; or they could be brought with the result that the panel recommends that the concerned countries talk it over. The latter outcome would reflect adversely on the implied departure from traditional SDT. In this perspective the TFA agreement is a test of a new way of dealing with SDT, amounting to a wonderful agreement that is also a big gamble.

The questions and comments raised in this session included:

What are the implications of the effort by the African group to re-open negotiations on the TFA on grounds of the Single Undertaking?

There are two possible scenarios that could arise – to break up the single undertaking or proceed on a provisional or definitive basis, but African countries would be better served if they proceeded on the basis of getting capacity. Capacity building involves a wide range of initiatives including training and simplification of processes. The only problem is that there is no mandatory obligation to provide support on the part of donors. Multilateral cooperation is based on trust and good faith. There are notification challenges but most countries do what they need to do. The understanding of different agencies as to what was being done was different and the agreement clarified what was being done and the priorities.

Section 2 of the Trade Facilitation Agreement is based on language put forward by the ACP group. The challenge of capacity self-assessment is addressed by the provision for establishing an expert group.

The WTO membership should be given credit for concluding the Bali agreement and all countries negotiated hard – any attempt to reverse this achievement takes away the credit for every country's input. The idea of the single undertaking should not be misunderstood as the single undertaking does not come before but after the process and everything is negotiable in silos until there is agreement on the entire agenda. Otherwise the duty-free-quota-free provisions for LDCs should also await the single undertaking if that is applied to the TFA, or the approach would be hypocritical. The agreement in Bali was for definite implementation. Ratification should look at the bigger picture of where the Doha Round is going – who will appropriate funds for implementation of an agreement that will not take place?

It is also important to note that the issue with the African group is not one of implication but a matter of approach. There is no consensus within the group on the issue of provisional or definitive implementation; the issue was raised in a report and should not be read as a formal declaration.

How does the TFA relate to the Kyoto Convention?
Kyoto is best endeavor whereas the TFA is binding.

The WTO has always had a mercantilist approach to negotiations – how does the development approach fit within that framework?
Is there any likelihood of a two-tier system or plurilateral approach to the implementation of the trade facilitation agreement?
Combining the two approaches of mercantilism and development is linked to the question of a two-tiered approach to implementation. It is unfortunate that an environment of suspicion now dominates the WTO. Trade facilitation implementation is not all about costs but is designed to actually increase government revenue.

SESSION 3: THE FUTURE OF THE DOHA ROUND - AFRICAN IMPERATIVES

This session focused on the future of the Doha Round in light of the Bali package. The **speaker** began by highlighting the 'achievement' of Bali and what it means in current WTO politics. He pointed out that many felt that Doha was dead but Bali showed that members can still get an outcome as 9 agreements were achieved in Bali. Bali was focused on LDC-related measures: the services waiver, rules of origin, DFQF, cotton, the TFA. These require further work by African countries, which should be pro-active as the process continues. Members are now working on a Doha work programme post-Bali. It is important to note that African countries should make these processes more useful for them. African countries do not yet see the benefit of small group processes or initiatives, generating thinking on new issues. They tend to react to issues brought into the system by others. The LDC group is currently working with the International Center for Trade and Sustainable Development to analyse the Bali decisions and how to operationalize them. This is not practical enough however. For example concerning the services waiver the LDC group was supposed to submit common approaches but there are significant differences among them. The Ministerial Decision asks for work towards a permanent solution on this issue. Similarly tariff rate quotas are useful for African countries if they are used in a pro-active manner, so a proactive approach by Africa would ensure that US quotas are refilled.

The post-Bali Work Agenda is dependent on the ambition displayed by members. But where do members start? If on the basis of the 2008 texts, what assurance is there that the same texts that were declined then will be accepted now? It is necessary that members reflect on the guiding principles towards this process as proposed by the Director-General: be realistic; look at what is doable; make contributions rather than demands; inclusiveness; and place development at the centre of the discussions. Coordination between capitals and negotiators is also important, as is analysis at the domestic level and consultations with domestic stakeholders. If this is not done, then negotiators drift and this is dangerous.

Post-Bali, the next Ministerial should not be the same so key issues such as NAMA, agriculture and services should not be swept under the carpet. Members need to re-evaluate positions on: preserving the development mandate; issues of concern to Africa in particular; and, the overall approach should be focused on big issues.

Africa should not be complacent and think that once big players and big issues are settled then small issues will be sorted.

The **first discussant** concentrated his contribution on the point that trade as seen in Africa is mostly a zero sum game and intricate analysis on some of these issues is missing in most African capitals.

The **second discussant** concentrated on African challenges with the WTO and what African countries need to do to get the most out of WTO processes. Each African country needs to look at its internal process and set-up in the negotiations on Doha going forward. Looking specifically at Kenya, there are issues around tariff escalation and export restrictions for products such as coffee, with the government’s intention being to create a coffee processing industry. There are a few trade laws being considered whose conformity with the WTO is questionable. Looking at the implementation of the Bali outcomes, Kenya is very keen on trade facilitation, especially considering the regional integration element. Paperwork is in progress and systems are being put in place to implement the agreement. However, Kenya is in a regional trade arrangement, the East African Community, with four LDCs, which makes negotiation and implementation very difficult. For example, at a post-Bali meeting in Nairobi, Kenya was very hands-off on LDC issues, including cotton, even though it is one of Kenya’s exports. There are other concerns that are not being addressed such as the huge volumes of imports from China that render domestic products uncompetitive.

There is a general failure by governments to discuss and initiate conversations on new issues with engagement only at the last minute. Analytical work remains a challenge. The best approach is to be proactive and processes should not be driven by agreements. Nevertheless, regional integration remains key to Africa’s development agenda.

The **third discussant**, however, was more optimistic of Africa's capacity to respond to development and had a different take. He opined that whatever happens to the Doha Round, the key is what happens on the ground, for example with the Tripartite Free Trade Area and other initiatives that predate Bali. Questions have to be asked of the impact or contribution of the Round to development in Africa. There is a lot of political capital being channeled to regional integration and the DDA process has to be seen to be feeding into that process. Economic Partnership Agreements are seen to challenge the African regional integration process and hence they are problematic. The nine agreements that came out of Bali, are they still relevant today? What does the special and differential package mean in reality and can it be related to what is happening on the ground? Should the DDA be allowed to stall the regional integration process? Both processes can be pursued concurrently but African countries need to be clear on what comes first, sequencing is very important.

In the discussion session that followed, the following issues were raised:

The WTO is based on colonial trade agreements, concluded pre-independence. What can Africa hope for in a trade framework based on colonialism? Should Africa not be demanding more? Despite liberalisation, the manufacturing and agriculture sector in Africa have lagged behind.

Some of the reasons for which the WTO is blamed have more to do with domestic failures than anything else. Issues in bilateral and regional agreements are not much different from WTO issues. Coordination in that respect is important. Even if the African priority is regional integration, it does not automatically mean that the WTO process should be put on the backburner.

In trade policy logic there are two camps: inward looking/import substitution and the GVC/openness camp. Doha could be beneficial for Africa, embracing GVCs, but the problem is that the mercantilist logic is firmly entrenched in the WTO. Africa has very few offensive interests in the Doha round such as in services mode 4 but the few offensive interests are very unlikely to succeed. Consequently the default position is one of defense.

The narrative should be careful of patronizing Africa with such assertions that Africa gets into negotiations without a clear picture of what is being done or not having done enough analytical work as this is not accurate. Africa is better prepared and better understands implications of agreements than is assumed. It is impractical to assume that there will be a time when 'African' interests will ever be the same especially as these are different countries and speaking with one voice will never happen.

SESSION 4: AGRICULTURE NEGOTIATIONS: IMPLICATIONS OF THE BALI PACKAGE AND RESOLVING THE DOHA IMPASSE

This session was focused on the agriculture negotiations, particularly the implications of the Bali package and resolving the Doha impasse on agriculture. The **speaker** gave an extensive exposition of the challenges of both the Bali package on agriculture as well as the Doha negotiations on agriculture overall before making suggestions on how to resolve the negotiating impasse. The speaker began by noting that the approach taken in 2001 to launching the Doha Round was deeply flawed, both politically and structurally. The Doha Round will never be successfully completed on the basis of the negotiating modalities and approaches that are on the table and only a new way of thinking about things will get the multilateral trading system back on track. Furthermore, adopting a “single undertaking” approach to the negotiations was a serious mistake. In 2001, many would have argued that the Uruguay Round agriculture negotiations produced a “sloppy result” where big players like the USA and EU had far too much flexibility in how they implemented their commitments. Reacting to this, developing modalities for the Doha negotiations that attempted to cover every single concern for every one of 150+ participants without the national flexibilities that were accommodated in the Uruguay Round was a big structural mistake. This mistake created a situation where very little happened in the Doha talks between 2004 and 2008 and virtually nothing has happened in the six years since 2008.

What are the implications for the Doha Round of the Bali Package? In his opinion Bali will not revive or save Doha. What happened at Bali on agriculture is an illusion of progress. It is unclear what paragraph 8 of the Bali text means, specifically where it seeks to ‘undertake to ensure to the maximum extent possible’ some subsidies-related undertakings while stating in paragraph 13 of the same document that the declaration does not affect the rights and obligations of Members under the covered agreements. What was agreed in Bali on export competition is worthless. He argued that the Bali Ministerial Decision on public stocktaking is a step backward from current disciplines and the work programme in paragraph 8 is actually a commitment to unravel part of the outcome of the Uruguay Round. This is not even an illusion of progress. The Decision on Cotton at Bali when held up against the ambition reflected at Hong Kong is lamentable.

His view was that the only really useful element of the Bali package on agriculture is the understanding on Tariff Rate Quotas administration. Whether or not this understanding leads to greater fill rates remains to be seen, but it is at least a genuine effort to begin doing something about an issue that has been a real problem since the end of the Uruguay Round. Although these Bali decisions are called ‘low hanging fruit’, none of these areas was the source of the impasse in the agriculture negotiations. Of the three pillars, export competition has become relatively easy to deal with. The real problem in the Doha agriculture talks is the market access pillar. This is where things blew up in 2008 and nothing in the Bali Package does anything to move this part of the talks forward.

He noted that there are about 620 6-digit tariff lines in chapters 1-24 (minus chapter 3) covering agriculture and food items. Under the draft modalities, developed countries would get to designate about 40 [37] lines as “sensitive” and deviate from the formula cut. Developing countries get to designate 50 [49] lines as “sensitive” and maybe up to another 112 lines as “special” so that more than 160 of the 620 six-digit lines end up being carved out of the formula. But in his view that is not really the worst of it. Today, if a country wants to be protectionist in agriculture they are free to do so within their bindings. Yet if the draft Doha modalities are agreed, countries will be sanctioning certain products as “sensitive” and “special” and once that happens there will never be progress in future market access negotiations. When price- and volume-based special safeguard mechanisms are added that could be triggered, for example, by as little as a ten percent rise in imports, then the draft

Doha modalities create an ugly situation. The Bali package does not even begin to deal with these problems.

So there is therefore a need for thinking outside the box to resolve the Doha agricultural impasse. In the same vein, he noted that trade in services negotiators from countries that want to see some genuine progress have come to the same realisation. There are now about 23 or 24 WTO Members (counting the EU as 1) negotiating the Trade in Services Agreement (TiSA). TiSA will cover about 70 percent of global trade in services. It is technically an economic integration agreement falling within the scope of GATS Article V. It is also, arguably, a critical mass agreement because many of its elements are sure to be MFN in application. For a number of years now, the WTO has been operating under the assumption that "single undertaking" agreements are the normal way of negotiating in the multilateral system. This is wrong. Historically most of the important steps forward have come through critical mass agreements. This is true for market access and it is also true for rules.

But could a critical mass agreement work in agriculture? In 2009 the speaker and some colleagues undertook a research project with colleagues from India, China, Indonesia and Brazil, which demonstrated that it could work well, from a technical standpoint. This used the International Trade Centre's "Market Access Map" database to identify the most-traded 30 agricultural products (at the 6-digit level of the Harmonized System) and a group of 38 WTO member countries that account for 80% or more of that trade across all 30 products. Four of these 38 are African countries: South Africa, Nigeria, Egypt and Morocco. Using the Agricultural Trade Policy Simulation Model (ATPSM), an agreement was simulated among these countries, to eliminate tariff and non-tariff barriers and trade-distorting subsidies on an MFN basis. The simulation was run across the 30 product groups and also on cereals, meat, dairy and sugar commodity groups. The simulations showed that, under reasonable assumptions about what would be a feasible coalition of interest in opening world agriculture markets (the "critical mass" coalition), and what the scope of such an agreement would be, a technically simple agreement engaging less than one quarter of all WTO members would achieve a significantly bigger global result than the laborious, complex modalities of the global Doha Round. The Critical Mass Agreement envisaged would be voluntary and opt-in; would cover both market access and subsidy issues; and, its benefits would be extended on an MFN basis to all WTO Members, even though its obligations would be binding only on those who opted in to the agreement.

Would a critical mass approach to agriculture negotiations be politically feasible? At the end of the research project in 2009 a small conference was organized in Canberra with representatives of the EU, Brazil, Australia and the United States. The government representatives at the conference pointed out a number of problems they saw with adopting a critical mass approach for future negotiations on agriculture, including: a mercantilist-motivated need to obtain concessions in other sectors to balance the "losses" in an agriculture negotiation; an inability to tolerate "free-riders" (like India) should a major developing country elect to stay out of the agreement; and the perceived risk that a critical mass approach to agriculture would contribute to a multi-speed WTO system. They also voiced the view that agriculture cannot be negotiated in the same way as non-agricultural topics like information technologies - in part because comparative advantage in agriculture is not distributed along developed and developing country lines. What the conference discussion revealed is that governments believed they were stuck with an approach that is not working, but they are still not willing to consider seriously moving to another framework such as critical mass.

His take was that all of these problems can readily be accommodated in the context of a critical mass agreement for agriculture. For example, there is no inconsistency between a critical mass for agriculture and a concurrent negotiation in industrial goods and services that would “balance” the losses in agriculture. In addition, the current modalities, with their plethora of SDT provisions for developing countries and LDCs, recently acceded members, small and vulnerable economies, etc. would, in fact, create a multi-speed WTO and a good number of free-riders. Producers are sure to complain at the loss of exports and protected home markets but the modeling shows that consumer welfare gains more than make up for the loss in producer surplus. In fact, welfare gains are the biggest by far in the most protected markets, like Japan, Korea and the EU. Of course, one needs to look at the overall national interest to appreciate this.

Knowing that a critical mass approach could work for agriculture, his suggestions for breaking the impasse in the Doha agriculture talks include:

- Drop the single undertaking in favour of the critical mass approach;
- Abandon the draft Doha modalities;
- Adopt a more flexible (Uruguay Round-type) approach to market access and domestic supports; and,
- Eliminate export subsidies as per the Doha approach.

The **first discussant** also began by discussing the concept of “low hanging fruit” and how it emerged as a particularly apt pun in the agriculture negotiations. In his view, it was a ploy of necessity. This is because the 4 areas considered in Bali are extracted from the main draft text in the agriculture negotiations: the “draft modalities” of 2008. The text, however, is arcane, and contains 664 sets of square brackets (unresolved issues). Crawford Falconer, the chair of the agriculture negotiations at the time, had himself said that negotiators were not going to make progress by taking time off to “have a cup of tea”. So instead they took the time to nibble at some low hanging fruit.

Looking at the Bali deal in particular, the food security chapter was needed to avoid a deal breaker by India. There are apparently about 15 African countries that have similar food stock buy-in programmes to India. His view was that African countries plenty enough scope in the existing agricultural subsidies menu to get on with their food security programmes (notably Aggregate Measure of Support (AMS) de minimis[1], development box[2] and green box)[3] without this new 'AMS-in-the-green box' deal. The United Nation's Food and Agriculture Organization (FAO) work shows that Africans under spend relative to what they are allowed to in the Agreement on Agriculture. Africans are not near to or already breaking their de minimis availability.

He noted further that a well driven-in peg on a potentially slippery slope is that market price support remains Amber Box, but will not be challenged. This is a systemically sane realization contrasted to the original proposal to place it into the green box. The Bali text states that Members agree to an interim mechanism and to negotiate an agreement for a permanent solution, aiming at doing this by the 11th ministerial conference. As the 11th conference is just over a year away, the interim solution that will be present until a permanent solution is found, is probably here for an indefinite period, given that it is unlikely that the permanent solution can be distilled in under a year. The text is thus essentially entrenched for some time ahead.

The discussant further argued that green box Issues around land rehabilitation, soil conservation and resource management, drought management and flood control, rural employment programmes, issuing land ownership titles and settlement programmes have been credited to the G33[4] but in fact more correctly belong to Africa. Looking at the Bali green box deal and comparing it to the Africa Group position in WTO document TN/AG/GEN/15 of 6 April 2006, the resemblance is quite remarkable. This tells a story of backing the right horse, riding him relentlessly, and dressing him up when people say he is an ugly nag. The general services text[5] represents a mark of maturity in Africa's approach to the agriculture negotiations, which he found quite encouraging when viewed in tandem with West African tenacity on cotton.

He noted that on export subsidies WTO members have consistently managed to disappoint ever since Hong Kong in 2005 where they reached the hallowed but now moot and irrelevant date of 2013. The phrase "exercise utmost restraint" as included in the Bali text and pertaining to export subsidies – reminds one ominously of that applied to cotton subsidies elimination: "ambitiously, expeditiously and specifically". That has taken the WTO nowhere. Crawford Falconer said in December 2008, "I regret that I can only report that neither I nor,

[1] *Minimal amounts of domestic support that are allowed even though they distort trade — up to 5% of the value of production for developed countries, 10% for developing countries - http://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm*
[2] *"…measures of assistance, whether direct or indirect, designed to encourage agricultural and rural development and that are an integral part of the development programmes of developing countries." http://www.wto.org/english/tratop_e/agric_e/ag_intro03_domestic_e.htm*
[3] *Domestic support for agriculture that is allowed without limits because it does not distort trade, or at most causes minimal distortion. http://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm*
[4] *Group of 33 - Also called "Friends of Special Products" in agriculture. Coalition of developing countries pressing for flexibility for developing countries to undertake limited market opening in agriculture - http://www.wto.org/english/tratop_e/dda_e/negotiating_groups_e.htm*
[5] *This refers to the Bali text pertaining to general services as found in Annex 2 to the Agreement on Agriculture*

as far as I can tell, anyone else involved in the consultations are any wiser today on what the deal will be". In the discussant's view there will be no deal on cotton because the US cotton lobby, the National Cotton Council, is the most efficient spin-doctoring outfit known to mankind outside of the tobacco industry.

Finally, he posited that while the tariff rate quotas text is simply good housekeeping, it has textually gone too far into the mire of detail overload. He accorded full marks to Barbados, Dominican Republic, El Salvador, and Guatemala who decided to commit not to avail themselves of the extended special and differential treatment available under paragraph 4 of annex A of the Bali text (the USA being the only other country to do so).

SESSION 5: GLOBAL VALUE CHAINS AND AFRICA

The **main speaker** focused his intervention on the critique of GVCs, some of the broad responses to that critique and the implications for Africa. There is a broad range of governments critical of the GVCs "narrative", and this critique focuses on two dimensions: the WTO dimension and the trade policy dimension. The WTO critique posits that the entire GVCs narrative is an attempt to divert focus away from the DDA, and an attempt to reframe negotiations in the WTO. In this view the GVCs narrative also seeks to introduce new issues to the WTO and recast the negotiation modalities, particularly through critical mass/plurilateral approaches.

The trade policy critique sees GVCs as nothing more than the "Washington Consensus", demanding unilateral liberalisation and free market economies. Liberalisation is seen as counter to the industrial policy logic. Related to this power relations within value chains are seen as making it difficult for developing country companies to upgrade within value chains, necessitating active state interventions, inter alia: disciplining multinational companies in favour of local suppliers, and export restrictions on natural resources in order to promote domestic value addition. The GVCs narrrative is therefore seen as ignoring the central question of who captures the value in value chains and therefore ignoring industrial development priorities.

In response to the critique, however, the speaker argued that GVCs are not a diversion from the DDA because nothing is happening in any case. This requires thinking about the WTO plus agenda, rules need to be updated and that is why plurilaterals are being advocated. The DDA addresses "at the border" issues while GVC issues largely affect what happens "behind the border". This is one deficiency that mega-regionals are addressing, and substantially explains their genesis.

Furthermore, he noted that there are trade policy choices to be made when it comes to GVCs. A country can either embrace GVCs or reject them. If it embraces them, then it becomes part of a "beauty contest" to attract MNCs, who have the power to decide where to invest and will go to the countries with the most attractive investment environment. MNCs essentially seek reduced transactions costs, superior logistics and infrastructure, all of which require state actions on a range of fronts. Convincing MNCs to invest in a country also requires sophisticated "wooing" on the part of the state, notably through a well-resourced and politically powerful investment promotion agency. And it needs a productive and educated workforce, which demands a smarter and more facilitative role for the state.

What are the implications for Africa? The speaker suggested that GVCs provide an opportunity for countries that want to attract value chain jobs. He began by noting that African countries are already plugged into GVCs but through the export of commodities. Furthermore, Chinese jobs are currently moving out of China and there is no reason why they cannot come into sub-Saharan Africa. There are a few challenges however. Geography is a challenge as not all African countries are positioned to benefit from this process and landlocked countries least of all. The uneven geography of investment relocation is also dependent on competitive advantage. Market size is another challenge, since African markets are small by global standards albeit there is longer term market potential. There is also the challenge of institutional obstacles centred on the weakness of states in Africa unlike in South Korea, for example. It is a recipe for disaster when weak states try to intervene strongly in the economy. As a way forward, African countries should prioritise unilateral economic reforms; the WTO is not directly relevant to some of the necessary reforms. The role of regional leader economies, or “gateways” such as South Africa, Kenya and Nigeria, should not be disregarded as they are important to regional integration and development of regional value chains. However, he cautioned that regional value chains should not be built around import substitution; rather the key question is how regional value chains would link to GVCs.

The **first discussant** observed that the “Africa rising” narrative has attracted a flood of new entrants into the continent and not just in natural resources, for example Turkish investors are buying up white goods factories in Swaziland and foreign auto manufacturers have set up in Lesotho. Investment in Africa is not going to be a uniform process and it is true that some countries, particularly the coastal ones, will benefit more than others. With regard to state reaction and participation in the process, an example can be found in post-1994 South Africa where former President Thabo Mbeki developed a critique of globalization but nonetheless insisted on it being a reality that had to be dealt with. Since 2004 we have seen the rise of leftists in the South African government and the elaboration of the concept of the “developmental state” even though South Africa does not have the necessary strong institutions to support such a developmental state. The Walmart case provides a good example of this. The Walmart investment was a long term pitch for the African market and the South African government response was schizophrenic – the then President Motlanthe welcomed them and three government Ministers opposed it, only accepting it on condition that Walmart accepted mandatory local procurement which it did. The case was even referred to the Competition Commission and public interest considerations were made a part of the deal.

He also argued that meeting development needs requires FDI and capital and there is no choice in the matter. Countries have to engage with GVCs. South Africa, in particular, has positioned itself as a gateway and has much strength such as its financial sector, stock exchange, communications sector etc. and this is a real advantage on the continent. The policy in South Africa is however, confused and an endless story of “yes and no”. There is a real opportunity in GVCs for South Africa which the country is failing to tap into.

The **second discussant** submitted that supply chains are becoming more global because of the fragmentation of global production processes and such considerations as lower transport costs, freer trade, the internet and investment needs. The role of the state is in providing a level playing field for business and especially small and medium enterprises (SMEs). APEC has been very active in trying to plug SMEs into GVCs and has undertaken studies and capacity building initiatives in industrial sectors: agribusiness, auto industry, electronics and retail services. GVCs are not only for manufacturing but services too, and as GVCs grow, so do services. GVCs are essential and not an option. Attracting MNCs that are already in GVCs is one way to plug into GVCs. Government has a role to play in creating infrastructure for GVCs and trade facilitation becomes very important in that process. Rules and institutions are also integral to the process and it requires mutual responsibility and trust between government and business.

In the discussion session the following issues were raised:

Comment: Lesotho has a fascinating GVCs story where they developed an auto sector by attracting Nissan, BMW and other auto manufacturers in a targeted GVC strategy. There are 15 landlocked countries in Africa that have more potential for regional rather than global value chains. There are excesses involving MNCs, however, that need to be taken note of, such as Daewoo of Korea buying up nearly half of all the land in Madagascar, which then become a huge political issue. Some GVC agreements give MNCs powers that actually override local government policies and regulations. This suggests that any analysis of trade rules relevant to GVCs should consider the extent to which limitations should or could be placed on a GVC's role in the economy.

Lesotho's story about attracting auto investment is fascinating and it would be interesting to know whether trading arrangements – AGOA and EU preferences – played a key role. In Lesotho, you have a textile GVC stimulated initially by AGOA, with a number of companies moving from South Africa to Lesotho. South Africa must in some cases let industries go, both because South Africa cannot be competitive and because it is in the interest of the region. The Southern African Customs Union (SACU) are embarked on creating a common industrial policy. But differences in their philosophies and industrial base are making this complicated. Both countries and companies need to choose their GVC niches. For companies it is about which tasks in the GVC fit best in which countries? For countries it is about their strengths/weaknesses and the GVC consequences of those?

This panel reinforces the view that, from the standpoint of WTO negotiations, GVC issues remain conceptual and lacking in force. Who is driving this debate? Government? Civil society? Industry? The DDA, for instance, is hampered by the fact that business is not driving the process.

GVC issues must relate back to the global trading system. If the WTO is not the center, rules will be formed in a fragmented way in FTAs, RTAs and MRAs.

Comment: The discussion should be about how countries and regions (Costa Rica, ASEAN, etc.) are making themselves more attractive to GVCs. Africa needs to look at its industrial policies and also recognize that MNCs themselves, through licenses and franchises, may create barriers to trade.

Comment: Walmart is not interested in helping the local economy in SA and creating local jobs and has broken promise after promise. The private sector seeks profit maximization only and a strong state intervention is needed to regulate MNCs in the GVCs. South Africa has also just created an SME Ministry and perhaps it will focus on preparing SMEs to \ participate in GVCs.

KEY TAKEAWAYS OF THE ROUNDTABLE AND WAY FORWARD

The **first panelist** observed that the roundtable had shown that there is now less focus on trade and more on where goods and production are based. The new negotiations are not moving the DDA to a different forum but changing emphasis from market access to rules. This is consistent with the nature of trade Furthermore, there is need to focus on those that are not participating in the new, mega-regional negotiations, such as the BRICS and other developing countries. There is need to think about the implications of this from the standpoint of Africa. There is also the question of who is running the game and whose agenda will be the focus of those talks? It is near the end of days for the QUAD[6] who are literally non-existent in the WTO but alive in the mega-regionals. The mega-regionals are their basis for establishing rules consistent with their economic policies.

There are two important things to note. First, rules of mega-regionals will likely become rules of world trade, and second, mega-regionals will create the balkanization of trade in the world. There will be other sets of rules and access areas that have different rules. This will create a difficulty of conducting trade between the two and lessons of history become history in this instance. It still remains that it is better to do things multilaterally than in individual competing blocks.

With regard to the agriculture discussion, without a return to multilateralism, it will be difficult to deal with subsidies, trade distortions, etc. One of the US' advantage in the mega-regionals is that there is no discussion on agriculture. Would the EU and the US be willing to accept the critical mass proposal as advanced in the roundtable's session on agriculture? Also, how is the US going to get back into a meaningful discussion on agriculture reform?

The GVC debate, on the other hand, makes some of the issues in the WTO irrelevant and has created a new set of challenges e.g. competition for investment instead of markets. In the analysis of value chains, how can the issues that are amenable to multilateral negotiations be best determined and analysed?

The **second panelist** started off by addressing the disjuncture that now exists between the reality of trade and the rules and negotiations on trade. With reference to trade facilitation, Bali does not acknowledge that there is a lot that has actually been done in this area. In fact, the African position on trade facilitation is not reflective of what is happening on the ground.

He opined that many ideas were proffered in the roundtable, particularly on agriculture and GVCs, but there still remains the challenge of how to get these ideas into the system. Are the procedures and the structural frameworks of the system open to new proposals? It is clear from the discussions that the WTO has new roles that are beginning to come through and those roles need to be identified.

Business is still not very involved in the discussions taking place. There is the challenge of how to get alignment between business and government and questions on what impact this will have on positions in negotiations.

Investment is at the heart of most of these discussions. Mega-regionals are about creating the best investment climate through the regulatory framework. What are the odds that investment can be dealt with in the multilateral trading system? If not tackled then investment will forever be looked at through other lenses all the time.

The services agenda also, is a theme in all the discussions and yet there is reluctance in sub-Saharan Africa to engage with the services liberalisation agenda. Just like investment and the structure of the multilateral trading system, there is need for greater emphasis on these issues in future discussions.

The **third panelist** suggested that members leverage off what was agreed to in Bali, ratify the TFA agreement and have it implemented by a two thirds vote. Aid for Trade resources should be used to help governments implement the agreement. Institutional mechanisms should be part of implementation. Members should also start thinking about how they can use the TFA as a model for TiSA and other negotiations, including processes for implementation and for future modification.

The binding constraints that prevent business from moving up the supply chain should be investigated. This requires getting down to the nuts and bolts of the issues to address specific issues. A grassroots bottoms-up approach is needed for follow-up on policy recommendations.

Lastly, there is high growth in the emerging economies, particularly BRICS, but this also correlates with high trade barriers and these countries need to focus on the various non-tariff barriers that impede trade.

The **fourth panelist** started off by saying that the economy cannot be closed or controlled in the global world as people, capital and goods move all over. People find a way around tariffs, including through smuggling. Too much regulation encourages the unregulated system. The question is how to manage openness in an intelligent way. Negotiation almost always leads to vacuous outcomes and the structure of the negotiation always determines

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[6] *Canada, EU, Japan and the United States – these are the countries that were dominant in the WTO prior to the Doha Round, essentially the old guard of the WTO.*

the outcome. In the multilateral trading system, there are too many countries and not enough to offset competing interests. The system will also have to find ways of managing openness and at the same time autonomous reforms have to be encouraged. Ninety percent of the liberalisation effort is domestic. The process does, however, involve detail, sequencing, logistics, time, and the lining up of political ducks to ensure a positive outcome.

NEXT STEPS

The project is getting into its second phase and various dissemination activities as well as roundtables have been lined up in other developing regions as well as at the WTO on the occasion of the Public Forum in October 2014.