WTO's agreement on new global trade deal

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It's taken almost two decades of work but the World Trade Organisation (WTO), for the first time since its establishment on 1 January 1995, has delivered a trade deal.

The decision-making process was a long one – owing to it requiring consensus by all 159 WTO member states.

The trade deal, the "Bali Package", comprises a new multilateral agreement as well as certain decisions. The Bali Package does not address all of the matters regulated under the WTO nor does it address all of the negotiating issues of the Doha Rounds of negotiations. As such it does not result in substantially freer trade, but it does provide formidable progress in concluding the Doha Road which has been ongoing since 2001.

The most significant aspect of the Bali Package is the new WTO Agreement on Trade Facilitation. This agreement aims to simplify custom producers by reducing costs, making trade simpler and improving speed and efficiency. This is particularly important for developing and least developed countries and for Africa. Within Africa, exporters have long struggled to get their products to market due to onerous and ineffective customs procedures, despite free trade agreements in existence where duty does not need to be paid on goods. The agreement contains many provisions to achieve the aim of facilitating trade; such as accepting electronic payment, accepting both electronic and hard copies of documents for which the original was previously sought. Within Africa, both SADC and the Tripartite Free Trade Agreement (consisting of SADC, COMESA and EAC) may use this agreement to facilitate trade among its members.

This will go a long way to unlocking some of Africa's potential. It has been estimated that this agreement will add $1 trillion to the global economy by simply reducing the cost of trade in goods.

Furthermore, important decisions have been taken in way of trade in agricultural products. The first such decision relates to subsidies. Generally subsidies are illegal under WTO law and countries may take measures against any subsidy, such as imposing countervailing measures to counter the effect of a subsidy or declare a dispute at the WTO to have the subsidy removed. In respect of developing countries, an interim decision has been taken to allow developing counties to provide trade distorting domestic support for public stocking programmes related to food security. As such until a permanent solution is found these programmes may not be legally challenged.

The second decision is also in respect of subsidies in agriculture, particularly export subsidies. Subsidies which are contingent on export performance are called export subsidies. Although these measures are not allowed under WTO, the fact remains that they still do exist. The decision gives a firm political commitment from WTO members to keep export subsidies significantly below their current export subsidy commitments at the WTO. Although it is not an agreement which can be relied on, this will assist Africa in levelling the playing field in trading in heavily subsidised agricultural products from more developed WTO members.

Another very significant decision has been taken in respect of tariff quota administration, specifically where the tariff quota is underfilled. A tariff quota is a system whereby volumes within a quota (say 1 million tons) enjoy a lower duty (say 0%) than outside of that quota (where, by way of example, the tariff could then be 25%). The problem being that, in practice, these tariff quotas are often underfilled. This decision tries to prevent under-filling from occurring and as such is a significant decision for products originating in Africa as it presents an opportunity for potential duty-free or more preferential access to lucrative markets.

There are also opportunities for least developed countries (LDCs) to access developed members' markets through duty-free and quota-free access for at least 97% of all products. In addition, LDCs will enjoy a services waiver whereby they are allowed preferential access to developed members' services markets.

As such, while the Bali Package does not present the world with free trade, it does provide substantial benefits for the private sector.

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