

# Trade negotiations after Cancún:

## All parties must now re-evaluate their positions

The WTO negotiations in Geneva failed to produce a draft ministerial text which commanded consensus, a situation similar to that which preceded the ministerial meetings in Seattle and Doha. The fundamental differences in Geneva were substantial and deeply entrenched, such that a series of mini-ministerial meetings was not able to resolve them prior to the Cancún meeting. In addition, the hastily conceived US-EU proposal on tariff reduction formulas, particularly in agriculture, did not assuage the concerns of the developing countries. As a result, the expectations of the Cancún Ministerial were extremely ambitious in that instead of taking decisions on a few substantive issues, an agreement in Cancún would have required ministers to delve into fairly complex technical issues.

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The principal issue to be resolved in Cancún was the modalities for tariff liberalisation in agriculture and non-agricultural market access. Other important issues included TRIPS and public health, special and differential treatment for developing countries, the Singapore issues (investment, competition policy, government procurement and trade facilitation) and the treatment of cotton from the least developed countries. Developed countries believed that there was a need for greater efforts in trade liberalisation by the developing countries. In turn developing countries were disappointed by the attitude of the developed countries towards meaningful advancement on development issues. They felt that the wealthier and more developed countries could and should make more substantial concessions. The gap between these opposing perceptions was never narrowed and played a significant part in derailing the talks.

The deadlock on the Singapore issues allowed the developed countries to blame the developing countries for the break-up of the meeting, ignoring the fact that the most contentious issue was the relatively meager offers by the developed countries on agriculture, and in particular the inadequacy of the proposals to reduce trade distorting subsidies and domestic support. All indications were that it was most unlikely that the entrenched position on agriculture could be resolved to attain a consensus in Cancún. Had the meeting foundered on agriculture, it would have revealed that developed countries had made an unacceptable proposal, which did not adequately address the concerns of developing countries. The developed countries cannot escape some blame for the collapse because of their disappointing stance on agriculture.

### Collapse of the Cancún meeting

As is normal at WTO Ministerial meetings there are a series of formal plenaries and meetings, the “green room” (where participation is generally reserved for countries whose input and positions are considered to be key), and a phalanx of informal and subsidiary meetings. It is not clear why Chairman Derbez allowed the “green room” meeting to start with a discussion of the Singapore issues which were the subject of diametrically opposed positions on whether there was “an explicit mandate” to begin negotiations. Developing countries reiterated their position that there was no mandate and furthermore they would not countenance the inclusion of these issues in a post-Cancún WTO process.

It was surprising that no attempt was made in the “green room” to discuss agriculture, non-agricultural market access, TRIPS or other critically important topics. Perhaps starting the agenda with agriculture or deferring the resolution of the Singapore issues could have allowed progress to be made or agreement to be reached on some items, providing momentum to the deliberations.

### Developing country solidarity

The developing countries as a group remained united on issues such as special and differential treatment for developing countries, the Singapore issues, reduction of agricultural subsidies in the developed countries and cotton in the least developed countries. The developing country solidarity is a heartening sign of a new resolve, the emergence of a new dynamic in the WTO negotiation process and augers well for the future. It took the developed countries by surprise, occurring at a time when the “quad” countries of the US, EU, Canada and Japan were disunited and could not mount the traditional monolithic disposition towards developing countries.

Developing countries were united with respect to the paucity of meaningful proposals on issues of concern to them, and commonality of interests in broad thematic issues. Importantly, the developing country strategic alliance remained firm despite the existence of sub-groups united around special interest issues e.g., the least developed country issues and small economy issues. Traditional coalitions, such as the ACP Group, arrived in Cancún with previously agreed positions as expressed in the ACP Ministerial Declaration, and maintained solidarity throughout the meeting. Nascent coalitions blossomed and new alliances emerged, most notably the G22, and the Alliance for Special Products and Special Safeguard Mechanisms.

### WTO: pause, rewind or fast-forward

Some have opined that the Cancún meeting was a once-in-a-generation opportunity to advance the multilateral trade agenda. This gross exaggeration was calculated to mobilise support for a decision on the terms of the developed countries and to deter dissent. Those not predisposed to agree to any terms would be portrayed as spoilers. Predictions that the collapse of the Cancún meeting would lead to the demise of the WTO are overblown, as the outcome will not impair its essential functions, which are



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## Cancún

From left to right, Martin Redrado, secretary of Trade and Foreign Economic relations, Argentina; Ivonne Juez de Baki, Ecuador's Minister of Foreign Trade; Youssef Boutros-Ghali, Egypt's Minister of Foreign Trade; Celso Luiz Nunes Amorim, Brazil's Minister of Foreign Affairs, and Alexander Erwin, South Africa's Minister of Trade and Industry, join hands after their joint meeting during the Cancún Ministerial.

negotiating new rules, implementing existing ones and adjudicating disputes in the application of rules. All three functions will continue as: (1) The Ministerial mandate to negotiate the Doha Development Round is still in place and has a schedule of completion of January 2005, (2) The process of implementing existing rules will continue unabated, and (3) disputes will undoubtedly continue to arise.

### Multilateral versus bi-lateral

Even before leaving Cancún, US Trade Representative Robert Zoellick began to berate those countries which refused to accede to the commencement of negotiations on the Singapore issues, disparaging them as "won't do's" and accusing them of being involved in political posturing and rhetoric. In a thinly veiled threat, he stated that the US would pursue bi-lateral initiatives with those countries deemed to be serious about trade liberalisation. However, this bi-lateral process has been going on since the FTA with Canada transformed into NAFTA, and other initiatives which were moving apace before Cancún, with the recent conclusion and Congressional approval of free trade agreements with Chile and Singapore. Additionally, negotiations with Central America started months before anyone could have predicted deadlock in Cancún. Similarly, a commitment was given to the Dominican Republic to commence negotiations in early 2004.

### Recrimination and the "blame game"

Zoellick warned that the losers were the developing countries, who in his view threw away the opportunity to make gains in the multilateral trade system. Such a perspective is predicated on predictions of how much a deal in Cancún could boost world trade and thereby lift exports and growth in the developing countries. The World Bank estimated that a new round of trade liberalisation would raise global output by \$290 billion to \$520 billion, supposedly lifting 144 million people out of poverty by 2015. Other estimates are less optimistic; for example, it has been calculated that ending agricultural protectionism would boost growth in the global economy by \$100 billion dollars, but only \$8 billion would accrue to poor countries. These figures cast doubt on the notion being propagated that developing countries were the big losers, when the reality is that in today's world economy the major beneficiaries and therefore main losers would in

fact be the developed countries. Approximately 25 per cent of growth in the US economy emanates from exports and the figure is higher for most other developed economies.

The viewpoint that the failure of the talks is attributable to the stubbornness of the developing countries diverts attention from the unacceptable proposals of the developed countries on agriculture, and their disregard for developing country interests in special and differential treatment, implementation and development issues in general. The last minute US acquiescence to the agreement on TRIPS and public health seemed reluctant and less than genuine. Furthermore, the lateness of the EU-US compromise proposal on agriculture did not allow time to mobilise support or revise the proposal.

### Prospects for progress

All parties must accept some responsibility for the lack of a result and should therefore refrain from attempting to place blame on others. While the original deadline for completion of the Doha Development Agenda seems in jeopardy, it is far more important to achieve a balanced development round promoting agreement than to adhere to any particular schedule. The prospects for progress in the WTO negotiations will centre on the negotiations in agriculture. The reform of the elaborate system of subsidies and domestic support in agriculture in the US, Japan and the EU is an extremely difficult task and commitments to reducing or eliminating these trade distorting measures through the WTO would not be welcomed in an election year in the US nor in European capitals determined to reform the CAP over the longest possible time period. After a period of sober reflection member states must resume the negotiations in Geneva as soon as feasible. They must review their positions technically and politically and recommit to full engagement in the WTO negotiations without being substantially diverted by simultaneous involvement in bi-lateral and regional initiatives. This is not a time for despondency or complacency; the pause, which inevitably follows Cancún, is an opportunity for a thorough re-examination encompassing all the disciplines and issues. It is a time to realise in a globalised world that national economic well-being can best be attained and sustained in a multilateral trade system in which there is opportunity and development for all. ■

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