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## *The Post-Cancún Debate: Options, Views, and Perspectives From South and North With Contributions From 9 Countries*

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## Preface: Cancún – What Now?

By Barbara Unmüßig

The abrupt end of the WTO Ministerial Conference in Cancún surprised a lot of people. Reactions varied greatly. NGOs and representatives of social movements in the North and South see the failure as a success. Government representatives, especially from industrial countries, saw it as a wasted opportunity for the expansion of free trade.

Yet the collapse of the Cancún negotiations is an unmistakable sign that there are conflicts, contradictions and imbalances within the international trade regime. Its most important organization, the WTO, is experiencing a real crisis. The current system of world trade is in need of radical reform. The people who do not understand this signal from Cancún are responsible for economic, social and political injustice and block formation, and for increasing rather than decreasing protectionism.

The resumption of the negotiations in mid-December 2003 in Geneva, however, did not indicate a move towards serious reforms. But business as usual will not be enough to overcome the WTO crisis. The various trade blocks have become even more wary of each other. The EU and the USA are gradually familiarizing themselves with the new post-Cancún realities and have indicated that they can do without the inclusion of the Singapore topics (investments, competition, public procurement), if liberalization progresses in other areas (agriculture, goods and services). But a far reaching reform entails genuine concessions on the part of industrial countries, above all a decrease in subsidies and better market access for products from the South. In addition, procedural problems must be solved, including the lack of transparency and the imbalance of power in the decision-making structures. And finally, the industrial nations must act on the justified demands of the developing countries who have been fighting for more room for maneuver and special and differential treatment for their economies beyond the tight corset of one size fits all.

### **Radical Reform for the WTO**

The present state of the multilateral world trade system is nothing to be proud of: it deepens economic imbalance. Even though formally its members are equals, its structure is hierarchical and opaque. It favors the industrial countries, mainly the EU, whose export of goods (40%) is far beyond that of the USA (13%) and Japan (7%). The industrial countries pursue liberalization and the opening up of markets or use the protectionist elements to their advantage, according to where their interests lie.

Until now, the World Trade Organization has massively supported these interests with its basic principles and rules and regulations. Whether it be trade, goods and services or intellectual property rights, the industrial countries continue to dominate world trade. In all of these areas they have global advantages and interests worth billions. On the other hand, emerging economies are beginning to catch up. Since Cancún, at the very latest, they have understood that the WTO may not be perfect but that it at least gives them a

multilateral framework within which they can demonstrate their increased political and economic clout. Those who support the removal of the WTO after the failure of Cancún seem not to have noticed that it was a historic turning-point; or they are simply naïve and careless in their dealings with the (power) political and economic complexities of the multilateral trade regime.

Was the failure of Cancún a reason to celebrate, because everything is to stay the way it was? Cancún should be seen as a stage-win, a point of departure to increase the pressure to reform on industrial countries. They must not only make massive concessions in their agricultural policy. What is apparent is that the WTO opponents have no realistic alternative to offer on just how the present world trade order is to be structured. What follows after the "derailing of the WTO"? What regulations, standards and procedures should a world trade order follow if it is to benefit developing countries and their people? Are bilateral negotiations, as they are being expanded under the present economic-political status quo, a viable alternative?

A WTO which not only deals with a dramatically increased range of tasks but also has delusions of omnipotence and expands the logic of free trade into all walks of life is certainly not desirable. It should return to concentrating on its original tasks, such as the regulation of tariffs and trade-distorting subsidies. An almighty super agency that deals with environmental, social, consumer and human rights policies solely according to economic perspectives cannot be the objective for people who are fighting for social, ecological and human progress.

So far, the developing countries, acting as one block, have managed to prevent the WTO from extending its area of responsibility to investments and competition. They should follow this path consistently. But at the same time they have to ask themselves whether they don't carry partial responsibility for the fact that the UN continues to lose influence in social and environmental matters, as desired mainly by the USA.

The relationship between international trade laws and international human and social standards and environmental law must finally be clarified. Thus it is imperative that the WTO recognize global conventions and agreements for the protection of human rights, work and social rights of ILO and confirm it as binding under international law. Hitherto, most developing countries have not taken a stand on this issue at all, and if they have, it was mostly negative, because they consider environmental and social standards a trade barrier.

### **Real Multilateralism**

Industrial countries are also gradually beginning to comprehend that the WTO will not fulfill the monopoly position that it was once invested with. It has become infected by the classic problems of multilateralism: politically unpredictable, prone to disruptions, inefficient, too slow. Particularly after Cancún, this accusation was brought forward by Northern protagonists of the WTO. So it is no wonder that the interest of the industrial countries in the WTO has waned considerably. Industrial countries, first and foremost

the USA, thus have seen the WTO as one instrument among many and pursue their most aggressive trade strategy outside of the WTO.

But many important developing countries, mainly regional subhegemonies such as Brazil, India and South Africa or the emerging economies of Southeast Asian are looking for trade-political advantages of biregional and regional trade agreements, even if those agreements are meant to merely complement or concrete the multilateral WTO framework.

The negotiating power that particularly Latin American countries such as Brazil enjoy was demonstrated in Cancún and the USA are starting to feel it in the framework of the FTAA negotiations. "Different speeds" for the negotiations were agreed on during the summit in Miami and sensitive topics such as investments, services and intellectual property are only negotiated among "interested countries" and "when necessary". The US American time frame to conclude FTAA negotiations rapidly has begun to falter.

Additionally, political and economic cooperation and integration zones for all regions - which are also to form the backbone of a world trade order - should be promoted, while extending the South-South cooperations. These positive dynamics of international trade policy should not veil two facts:

Firstly: Purely bilateral trade agreements between an industrial country and a developing country usually force the developing country to relinquish independent (economic) policies in individual sectors. Case in point: in the free trade Agreement between the USA and Chile, Chile was forced to relinquish limitations on the inflow of foreign capital when certain signals for a financial crisis appear. Singapore on the other hand was forced to relinquish a ten-year-old restriction on gum chewing in its free trade agreement with the USA. Whatever one's opinion on gum chewing or its ban, it shows that the governments of developing countries usually accept what the stronger industrial country dictates, if they want to benefit from the "pleasures" of more useful aspects of free trade agreements.

Secondly: The poorest developing countries - already victims of protectionist measures, even by emerging economies - could fail when regional trade blocks are extended. They would become the victims of exclusively regional trade blocks, internally liberalized, sealed off from the outside world. Not necessarily a vision for the "different" and just world that the globalization critics demand!

Developing countries would be able to demonstrate their political clout best within a multilateral trade framework, whereas economically weaker countries are more dependent in bilateral negotiations and thus will remain easier to blackmail. This becomes even more probable the more emerging economies and developing countries close ranks on a long-term basis, like in Cancún, in order to form a political and economic counterbalance within the WTO against the industrialized nations. The closer diplomatic and economic coordination between Brazil, China and India during the last few months thus leaves room for hope.

The free trade doctrine of the WTO is also no vision for the future. The compulsion to liberalize and privatize at any cost undermines the political space for different development strategies. The industrial countries must finally acknowledge the diversity of national development policies. That is why it is so important to reform the rules and regulations.

Even though 80% of the WTO members are developing countries and formally enjoy the same rights, they have undoubtedly been excluded from the preparation of important decisions and their clearly formulated majority positions have not been considered. Exclusive decision-making circles must be replaced by transparent procedures. How this can be done while maintaining efficient decision making processes has not been answered satisfactorily yet, but there are a number of concrete suggestions such as increasing the authority of developing countries and publishing all negotiation texts.

More than ever, international and fair trade policies require democratic, social and ecological rules. A WTO that has been reformed this way has the best prerequisites for their implementation. Because no other multilateral organization in the world has dispute resolution mechanisms that impede unilateral claims to power and the potential to blackmail by implementing trade policies. And unlike the IMF and the World Bank it is the only economic-political organization in the world that guarantees developing countries the same voting rights.

It is imperative to use this to the advantage of developing countries. Neither the condemnation of the WTO - no doubt, the organization still deserves strong criticism - nor its removal will improve the situation. Otherwise, according to neoliberal theory, the stronger one will prevail.

Until now, the existing rules and regulations of the WTO haven't really enabled a balance of interests between developing, emerging and industrialized nations. The cooperative negotiation of compromises by equal partners, in which everybody must make concessions, is not in sight yet. For all those who strive for this kind of balance of interests and for a development that is socially and ecologically sustainable and peaceful (governments, parliaments, social movements, NGOs) there is no alternative to a multilateral trade regime. To achieve such a just and democratic design is a long and hard struggle. For developing countries, Cancún was an important stage in that struggle.

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A few months after Cancún, the Heinrich Böll Foundation would like to use this policy paper to give authors from around the world a platform to introduce their regional perspectives for a reform of the world trade system and the WTO. The point of departure for most of the contributions is the immediate reaction of government, business and NGOs in each country and region to the break-down of the Cancún Conference. For *Mark Weisbrot* and *Todd Tucker* (USA) the crisis of the WTO is lastly also an expression of the growing scepticism in the South towards the neoliberal offers that politics are making; the importance of the liberalization of the agricultural markets is usually exaggerated in this context. *Rainer Falk* (Luxembourg/Germany) deals with the post-Cancún debate in Europe and analyzes the results of the "pause for reflexion", which

the European Union had prescribed for itself after Cancún. *Prishani Naidoo* (South Africa), *Gichinga Ndirangu* (Kenia) and *Yakubu Zakira* (Nigeria) provide a detailed look at the continuing debate on the African continent. For *Fátima V. Mello* (Brazil) it is mainly Lula's new foreign policy that is reflected in Brazil's active role in the WTO process, while *Geroldt Schmidt* (Mexico) detects increasing scepticism towards the trend of free trade agreements in the host country of the Fifth Ministerial. And finally, two contributions from Asia focus on the development of new alliances in the South. *Biswajit Dhar* (India) clarifies why the negotiations on agriculture have become the catalyst for the founding of the G20, while a text from the *Asia-Pacific Network on Food Sovereignty (APFS)* points out opportunities that the failure of Cancún may possibly contain for trade regionalization and South-South solidarity.

*Barbara Unmüßig is a member of the executive board of the Heinrich Böll Stiftung.*

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## The Cancún Ministerial and the U.S.: Public Perception, Reality, and Implications

By Mark Weisbrot and Todd Tucker

The September 2003 Cancún Ministerial meeting of the World Trade Organization was largely perceived as a “make-or-break” round of negotiations for US foreign commercial policy. It is clear that the result was a failure from Washington's point of view.

It is important to distinguish between the official discussion of what happened and the reality of the economic issues at stake. The most widely understood notion of what happened sees the talks collapsing as a result of the United States' failure to make compromises regarding the rich countries' agricultural subsidies and -- to a lesser extent -- increased access for developing countries to the agricultural markets of rich countries.

While this was definitely a significant factor, the impact of U.S. agricultural policy -- and the issue of market access for developing countries generally -- has been grossly exaggerated. Furthermore, the whole notion of the WTO as an organization designed to promulgate and enforce rules for "free trade" is a misrepresentation, from a purely economic point of view. This is because some of its most important rules actually increase the most economically costly forms of protectionism, in the areas of patents, copyrights, and other intellectual property rights. Also, again from a strictly economic point of view, it is not clear that the implementation of the WTO rules and agenda as a whole would provide a net gain to developing countries. This is because the losses due to increased intellectual property enforcement, economic dislocation, and other costs could easily outweigh the projected gains for developing countries from increased access to rich countries' markets.

Finally, the collapse of the trade talks also reflects the long-term development failure of the last 20-25 years, during which the vast majority of developing countries suffered a sharp slowdown in economic growth. This has led to heightened skepticism of the economic development strategies, often referred to in the Global South as "neoliberalism," that the developed countries have sought to embody in the WTO.

This first part of this paper will survey the various responses to the breakdown of the talks at Cancún from civil society in the United States; the second will discuss some of the most important economic issues at stake.

### **The “Can Do’s” and the “Won’t Do’s”: Official Response**

One of the most important developments at Cancún was an alliance of developed countries under the leadership of Brazil, India and China, calling itself the G20, which organized against the US and European Union positions on agricultural supports. This was generally portrayed as a failure of U.S. foreign commercial diplomacy, although it was hailed in some sectors as a significant advance in developing country coalition politics.

The Bush Administration and its Republican allies publicly criticized the G20 countries, while at the same time threatening to move on to regional and bilateral deals. “Whether developed or developing, there were “can do” and “won’t do” countries here. The rhetoric of the ‘won’t do’ overwhelmed the concerted efforts of the ‘can do’ ‘Won’t do’ led to an impasse”.<sup>1</sup> These comments from US Trade Representative Robert Zoellick summarize the Bush Administration’s take on the outcome of the Cancún Ministerial.

In a column in the Financial Times on September 22, Zoellick wrote of his dismay that the WTO had been transformed into “a forum for the politics of protest”.

Sen. Charles Grassley, Republican from Iowa and Chairman of the Senate Finance Committee, went further: “The United States evaluates potential partners for free trade on an ongoing basis. I’ll take note of those nations that played a constructive role in Cancún and those nations that didn’t”<sup>2</sup>.

The general trend of the Bush Administration’s post-Cancún strategy was expressed by Zoellick: “We are going to keep opening markets one way or another. We are not waiting forever. We are moving elsewhere”<sup>3</sup>. The move towards bilateral deals, which continues in the wake of the similar stagnation of the Free Trade Area of the Americas following its Eighth Ministerial in Miami in November, was accompanied by concerted efforts to peel apart the unity of the G20.

### **Expanding "Free Trade": the Media Response**

The Washington Post accused developing countries of being “under the influence of the non-governmental anti-trade groups that were out in force in Cancún.” The Post praised Zoellick’s efforts to advance on to bilateral trade deals, and accused activists and the G20 of not understanding that “trade is not a zero sum game, but rather a way of facilitating growth across the board. As the economic history of the past century has proven, countries with more open borders become richer faster: refusal to cooperate hurts no one more than the poor themselves.”<sup>4</sup>

The *New York Times* editorial board took a somewhat different position, faulting Zoellick’s team for not making enough concessions on market access for developing country agricultural exports. “The failure of Cancún amounts to a crushing message from the developed world – one of callous indifference”.<sup>5</sup> While differing in their assignment of blame, the major media was nearly unanimous in assuming that the collapse of the “free trade” talks was a setback for all concerned.

Some US business interests blamed the G20. The National Association of Manufacturers, which represents 14,000 companies in the U.S., claimed that the G20 had made a

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<sup>1</sup> Chicago Tribune, September 15, 2003.

<sup>2</sup> Tayler, Letta, “Talks Collapse At WTO Summit; Signals growing power of developing nations”, *Newsday* (NY), September 15, 2003.

<sup>3</sup> Knowlton, Brian, “Failed Cancún talks give way to Bilateral Deals”, *International Herald Tribune*, September 23, 2003.

<sup>4</sup> “Cancún Collapse”, *The Washington Post*, September 9, 2003.

<sup>5</sup> “The Cancún Failure”, *The New York Times*, September 16, 2003.

huge miscalculation, and that US industry was not likely to offer more in the way of concessions on non-agricultural market access. The Farm Bureau, which represents agricultural interests, said that U.S. farmers can afford to give up only so much of their subsidies without assurances that American exports will increase.

Others, including the International Chamber of Commerce (ICC), Business Roundtable (BRT), and the Coalition of Service Industries (CSI), lamented the lost opportunity for all. Representatives from The ICC World Council and Executive Board - comprising CEOs and business leaders from 80 countries – declared that, “Trade across borders is an issue close to the heart of all businesses, no matter how large or small. The desire for a rules-based multilateral trading system is common to companies in all sectors, of all sizes, and in all corners of the globe.”<sup>6</sup> Business Roundtable Chairman and CEO of Boeing, Phillip M. Condit emphasized the importance of the Cancún talks for the global economy and developing countries stating that, “Reducing tariffs in developed countries will help low-income countries export and grow out of persistent poverty.”<sup>7</sup>

### **The NGO Response**

U.S. NGO's mainly sympathized with the South, although they offered differing interpretations of the breakdown and its significance for developing countries. Public Citizen's Global Trade Watch claimed that the failure of Cancún stemmed from the WTO's “ever-growing crisis of legitimacy.” “For the first time ever the developing countries got their say,” said Lori Wallach, director of Global Trade Watch. “The outcome is not surprising. The agenda is unacceptable.”<sup>8</sup> GTW and its allies have long argued that the WTO's incorporation of such non-trade issues as investment, intellectual property, and government procurement have made this organization a qualitative and overly intrusive change from its predecessor, the GATT (which dealt mainly with actual trade barriers); and that even its rules and procedures regarding trade disputes (e.g. the European Union's ban on hormone-fed beef) was a threat to public health and safety, inasmuch as they seek to substitute the judgment of un-elected, unaccountable WTO officials for the national regulatory agencies of developed countries.

Some US civil society groups celebrated that the G20 alliance itself was held together despite the odds. “Cancún was the first time that developing countries ... united in defense of their obvious common interests,” said Njoki Njoroge Njehu, a Kenyan who directs the US-based “50 Years Is Enough Network”<sup>9</sup>.

Oxfam America blamed the rich countries for the impasse, but also saw the collapse of the talks as a loss for everyone: “Ultimately, the US, like the EU and the rest of the

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<sup>6</sup> “Businesses large and small launch campaign to push for renewed WTO talks”, News Archives of the ICC, September 17, 2003. [http://www.iccwbo.org/home/news\\_archives/2003/stories/chambers\\_wto.asp](http://www.iccwbo.org/home/news_archives/2003/stories/chambers_wto.asp)

<sup>7</sup> “Foot-Dragging Behavior Will Lead to More Bilateral and Regional Trade Agreements”, Press Releases Business Roundtable, September 9, 2003. <http://www.businessroundtable.org/newsroom/document.aspx?qs=5606BF807822B0F1DD1409167F75A70478252>

<sup>8</sup> Bussey, Jane, “Talks collapse as countries clash on issues“, The Miami Herald., September 15, 2003.

<sup>9</sup> Dagher, Sam, “Rich nations must break trade impasse to fight poverty, says Wolfensohn”, Agence France Presse, September 23, 2003.

world, will suffer from a weakening of the rules-based multilateral trading system," concluded Oxfam America President Raymond Offenheiser in a September 24 op-ed in the Financial Times. Oxfam has had a major campaign to pressure the U.S. and other rich countries to reduce their subsidies and trade barriers in agriculture.

Some activist groups openly applauded the outcome at Cancún. Citizens' Trade Campaign, a national coalition of environmental, labor, consumer, family farm, religious, and other civil society groups, called it "a major victory for the social movements of the world." CTC claimed that "the collapse of these negotiations confirms that the U.S. and E.U. can no longer continue pushing their anti-development, anti-worker, and anti-environment corporate trade regime on the people of the world."

Beyond organized civil society, the general public was found in the wake of Cancún to be souring on "free trade" as well. An NBC News-'Wall Street Journal' poll on the economy and presidential race found the public holding a negative view of free trade. A majority of those polled - 54 percent - said free trade was "not worth it", while 35 percent were in favor.

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The real economic issues behind the North-South divide at Cancún were largely absent, or highly distorted, in the public debate that reached most Americans -- and indeed most of the world. The issue of agricultural subsidies and access to U.S. markets for agricultural goods was grossly exaggerated and misrepresented. Standard economic research shows that the impact of opening up the rich countries' markets to agricultural goods, and removing subsidies, is small, and in many cases negative.

To put the problem in perspective: the World Bank, one of the world's most powerful advocates of removing most trade barriers, has estimated the gains from removing all the rich countries' remaining barriers to merchandise trade -- including manufacturing as well as agricultural products -- and removing agricultural subsidies. The total estimated gain to low and middle income countries, when the changes are phased in by 2015, is an extra 0.6 percent of GDP. In other words, a poor country with an annual income of \$1000 per person would then have \$1006, as a result of removing these barriers and subsidies.<sup>10</sup>

And this would assume that such gains were distributed equally, in proportion to per capita income, among developing countries -- which is unlikely. For example, a recent World Bank study found that the removal of *all* trade barriers and subsidies in the United States would have no net effect on growth in sub-Saharan Africa.<sup>11</sup>

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<sup>10</sup> World Bank, *Global Economic Prospects and the Developing Countries 2002*. Washington, D.C.: The World Bank 2002.

<sup>11</sup> "Unrestricted Market Access for Sub-Saharan Africa: How Much Is It Worth and Who Pays" [[http://econ.worldbank.org/files/1715\\_wps2595.pdf](http://econ.worldbank.org/files/1715_wps2595.pdf)]

In terms of agricultural liberalization and its effect on specific regions, one of the most widely-cited economic models (Brown-Deardorff-Stern<sup>12</sup>) projects that many developing countries will actually lose from trade liberalization in important sectors, such as agriculture and textiles. There are three reasons for this outcome. First, some countries will be hurt by the elimination of quotas that now allow them to sell a fixed amount of exports at a price that exceeds the competitive market price. Second, trade liberalization changes the relative prices of various goods, and some countries will find that their export prices fall relative to the price of their imports (the "terms-of-trade" effect). Third, some developing countries currently benefit from access to cheap, subsidized agricultural exports from the rich countries.<sup>13</sup>

For example, the Brown-Deardorff-Stern model actually projects a net loss for South America, Mexico, Indonesia, the Philippines, and other countries from the liberalization of agriculture according to agreement of the Uruguay Round of the GATT (which created the WTO). So why did such countries as Brazil, one of the leaders of the G20 countries at Cancún, put so much emphasis on the removal of rich country agricultural subsidies and barriers? The most likely explanation is that it was a politically convenient argument to make: the rich countries were portrayed as hypocritical, not playing by the rules of "free trade" that they wanted to enforce on the developing countries. This is an argument that was accepted by powerful institutions within the high-income countries themselves, including the IMF, World Bank, and the international press. It is also true that there are powerful interests within countries that stand to gain from increased market access and/or elimination of subsidies (e.g. large soybean producers in Brazil). So this became the central issue in Cancún, in spite of the fact that concessions by the rich countries would not bring any large gains to developing countries as a group, and significant net losses to some regions.

Some of the most widely reported claims surrounding this debate were inaccurate. For example, it was often repeated in the press that the developed country governments spend more than \$300 billion annually to subsidize their agriculture. The actual number is probably less than one-third of this figure.<sup>14</sup>

It is also worth noting that from an economic point of view, the effect of subsidies on world market prices is no different from that of an increase in agricultural productivity. The idea underlying the Cancún confrontation, that developing countries could compete if only there was a "level playing field" is a dubious claim. In many areas of production poor farmers would be wiped out by free trade just as they would by subsidized competition. A more sensible policy than simply trying to level the playing field would be to allow developing countries to use tariffs for agricultural imports, subsidized or not, as necessary to preserve their domestic agriculture. Then those who would benefit most

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<sup>12</sup> Brown, D., A. Deardorff, and R. Stern, *CGE Modeling and Analysis of Multilateral and Regional Negotiating Options*, Ann Arbor, MI.: University of Michigan, School of Public Policy 2001.

<sup>13</sup> This and much of what follows is explained further in Mark Weisbrot and Dean Baker, *The Relative Impact of Trade Liberalization on Developing Countries*, Center for Economic and Policy Research: Washington 2002 ([www.cepr.net](http://www.cepr.net))

<sup>14</sup> The \$300 billion figure includes the increased costs to consumers from tariff and non-tariff barriers in agriculture, which cannot accurately be described as a government subsidy to producers in the high income countries (in fact some of it, e.g. quota rents, accrues to producers in developing countries).

from cheap, even subsidized food could have access to it, while others who needed to protect domestic producers could also do so.

The debate also neglected to take into account that many developing countries have a large portion of their population employed in agriculture, many of whom would be displaced by liberalization according to the WTO's agenda. In China it is nearly half the labor force, and even more in Pakistan and Bangladesh. The United States took a whole century, from 1870 to 1970, to reduce the percentage of its population in agriculture from 53 percent to 4.6 percent -- and still there was considerable social unrest that accompanied this long transition. Yet the agricultural liberalization according to WTO rules would compress this transition into 10 or 15 years, or perhaps even less. The economic and social costs of displacing tens of millions of small farmers would be enormous, as well as politically explosive in some countries. It should be emphasized that the economic costs of displacement are not taken into account in the economic models described above, in evaluating the net gains or losses from agricultural liberalization. That is because the standard economic models assume full employment, and therefore that anyone displaced from agriculture would find employment elsewhere.

The costs to developing countries of implementing WTO rules received very little attention, but it is likely that G20 governments took at least some of them into account in considering whether they should make further concessions. For example, the economic costs to developing countries of complying with the patent and copyright protections embodied in the WTO's TRIPS (Trade-Related Aspects of Intellectual Property Rights) could well exceed their gains from increased access to the markets of developed countries, even if the developed countries were to completely open up their markets and abandon their subsidies.<sup>15</sup>

This points to the inaccuracy of the popular understanding of the WTO as a body that seeks to promote "free trade." While there are economic arguments that can be made for patent or copyright protection<sup>16</sup> -- that monopoly rents are necessary to fund research and development (in the case of patents) or creative activity (copyrights) -- there are economic arguments for other forms of protectionism as well. From an economic point of view, both are forms of protectionism. The main difference is that the distortions caused by patents and copyrights are tremendously larger -- often in the hundreds of percentage points, as opposed to 30 or 40 percent at the high end for a tariff. (In the case of essential medicines, such as anti-AIDS drugs, the cost of this form of protectionism has also been very high in terms of the loss of human life).

There are also very significant potential costs to developing countries of complying with rules that restrict their ability to regulate foreign investment or government purchases. The high-income countries of today all regulated foreign investment, and intervened in many other ways -- including protection for their domestic industries -- when

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<sup>15</sup> Mark Weisbrot and Dean Baker, op.cit.

<sup>16</sup> These arguments have become much weaker as the costs of this protection have multiplied; half of US biomedical research is already undertaken in the public and non-profit sector, and the savings from funding the rest through public sector, and allowing generic competition (and free international trade) would be enormous -- see Dean Baker and Noriko Chatani, *Promoting Good Ideas on Drugs: Are Patents the Best Way? The Relative Efficiency of Patent and Public Support for Bio-Medical Research*, Center for Economic and Policy Research, Washington 2002 ([www.cepr.net](http://www.cepr.net)).

they were developing countries.<sup>17</sup> Those that industrialized later, such as Japan and South Korea, had an even stronger role for the state in their development process. The "new issues" that the G20 resisted at Cancún were widely seen as limiting the scope of action for developing country governments, and possibly preventing them from pursuing industrial or development strategies that had proved successful in the past.

Finally, these differences between the G-7 and G20 countries at Cancún are also partially a result of the sharp slowdown in economic growth in the vast majority of developing countries over the past 20-25 years. From 1980-2000, per capita GDP in the low and middle-income countries grew at about half the rate that it did in the prior two decades. As would be expected during a period of sharply reduced growth, most developing countries also showed reduced progress on the major social indicators, including life expectancy, infant and child mortality, literacy and education.<sup>18</sup> Although China and India are two major exceptions to this long-term economic decline, and were leaders of the G20, in much of the developing world they are seen as the exceptions that prove the rule. They still have among the most protected markets in the world, extensive currency controls, and in China's case, a mostly state-owned banking system.

In the Global South, this long-term economic failure has led to considerable skepticism regarding what is called "neo-liberalism" -- a set of policies that include indiscriminate opening to foreign trade and investment, large scale privatization, high interest rates and tight fiscal policies, and abandonment of industrial or development strategies. The skepticism is partly a result of the fact that the introduction of these policies coincided with the economic slowdown. This is especially true in Latin America, where per capita income grew by 80 percent from 1960-79, but only 11 percent from 1980-99; and has barely grown at all over the last 4 years.<sup>19</sup> Brazil, one of the leaders of the G20, had its worst decade of growth in the whole 20<sup>th</sup> century in the 1990s, and found many allies in Latin America for its confrontation with the United States in Cancún.

## **Implications for the Future**

The collapse of negotiations at Cancún raises serious questions about the future of the WTO. It may be that the G-7's ambitious project of binding the world to a set of rules governing non-trade issues such as intellectual property, investment, government purchases, and competition policy will prove to be impossible. At this point it is not even clear whether the United States, Europe, or Japan has the political will or ability to make the concessions regarding agricultural subsidies or market access in order to move the talks forward. But even if they did, it is not clear that it would be in the interest of developing countries to make further concessions on issues that could easily cost them more than they would gain from market access or the elimination of agricultural subsi-

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<sup>17</sup> See Ha-Joon Chang, *Kicking Away the Ladder: Development Strategy in Historical Perspective*, Anthem Press: 2000.

<sup>18</sup> See Mark Weisbrot, Dean Baker, Egor Kraev and Judy Chen, *The Scorecard on Globalization 1980-2000: Twenty Years of Diminished Progress*, Center for Economic and Policy Research: Washington 2001 ([www.cepr.net](http://www.cepr.net)).

<sup>19</sup> See Mark Weisbrot and David Rosnick, *Another Lost Decade? Latin America's Growth Failure Continues Into the 21<sup>st</sup> Century*, Center for Economic and Policy Research: Washington 2003 ([www.cepr.net](http://www.cepr.net))

dies. The World Bank only recently made a preliminary effort at estimating the cost to some developing countries of complying with the TRIPS agreement; if such estimates had been available 10 years ago, or if the WTO agreement had been the subject of public and legislative discussion in more of its signatory countries (including the United States, where most of Congress probably had little idea of what they were voting on), it may not have been approved. As more of the real economic issues -- especially costs and benefits -- become clearer, or even part of the public debate, the further implementation of the WTO's rules and agenda will probably become increasingly problematic.

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# Lessons Not (Yet) Learned: The European Union After Cancún

By Rainer Falk

At the end of January 2004, high-ranking trade politicians from 20 WTO member states got together during the World Economic Forum in Davos to informally discuss the chances for a quick resumption of negotiations within the framework of the Doha development round. Everyone was quick to assert their good will and best intentions, yet at the same time the politicians emphasized that it would take until summer 2004 to be able to discern whether real progress could be made in the negotiations. There was not even unity in regards to the recent initiative of the US-American Trade Representative, Robert Zoellick, which envisages a new WTO Ministerial in Hong Kong late 2004. According to Swiss President and Minister for Economics, Joseph Deiss, who had convened the informal get-together in Davos, such a Ministerial “should only be held in the perspective of a substantial breakthrough in the negotiations”<sup>20</sup>.

A breakthrough, however, depends to a great extent on the European Union: Will the EU draw the appropriate conclusions from the failure of Cancún?<sup>21</sup> The immediate reactions to the abrupt end of the conference and the discussions since then are not particularly promising. There are signs of tactical back-tracking in individual issues, but a realistic and basic new definition of the negotiation position is not yet discernable. At the level of official trade policy there are basic lessons still to be learned.

## 1. The European Commission: From Shock to “Pause for Reflection”

The breakdown of negotiations in Cancún was a development which trade politicians of the European Union and its member states had not expected. Before the ministerial, particularly European politicians associated with EU Trade Commissioner Pascal Lamy had still sung a song of praise about a development round and international social partnership between North and South. In an interview with “Le Figaro” Lamy extolled the WTO as “the UN of trade, without a Security Council”, in which the principle “one country, one vote” reigns. He added that current criticism was generated by the rash fear of globalization but that it had evolved since Seattle; the aim was no longer to destroy the WTO but to change it. He also insisted on the necessity for an institution that would protect people against the negative effects of a capitalist market system.<sup>22</sup> On day one of the ministerial Lamy’s fellow party member Dominique Strauss-Kahn in an editorial in “Le Monde” detected a “new spirit” invigorating Cancún. The main features of this new spirit, according to Strauss-Kahn, are firstly the application of the WTO regulations in favour of developing countries and their modification when they contradict these coun-

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<sup>20</sup> Quoted according to: Financial Times, January 22/25, 2004.

<sup>21</sup> Since the EU represents a common mandate in trade matters, the European Commission plays the leading role in developing a European negotiating position. The Commission’s suggestions are passed with a two thirds majority in the Council of the European Union; the European Parliament is not formally integrated into the decision making process, national parliaments are only involved insofar as it is planned for the member states. The Brussels level therefore is at the center of this article.

<sup>22</sup> Le Figaro, 1.9.2003.

tries' interests, and secondly the reorientation of negotiations insofar as the free trade principle is no longer considered as being *per se* compatible with sustainable development.<sup>23</sup>

With the actual negotiating positions of the EU and the opposing interests between the negotiating partners being dipped in such a rose-colored light and consequently so thoroughly misinterpreted, the shock was great when the new pressure groups from the South abruptly terminated the conference in Cancún ahead of time. Their clear “No” to the Singapore issues and particularly to the US American-European “offers” in agriculture negotiations nonplussed the trade policy community. All of a sudden the WTO was a “medieval organisation” again, the expression used by Pascal Lamy before the press immediately after the conference.<sup>24</sup> “This has been a major shock, there's no point in denying it”, Lamy added a short time later before the European Parliament in Strasbourg.<sup>25</sup>

But relatively soon the emphasis in public statements shifted from complaining about the failure to stressing the need for reflection and consultation. In Cancún, Lamy had still complained about the “lost opportunity for all of us, developed and developing countries alike”. Now he stressed the necessity for a contemplative pause to consider underlying reasons for the failure. And, Lamy added, it is now essential to clarify basic issues of EU trade policy, such as the relationship of bilateral and multilateral trade agreements, ways to reform the WTO and the role of developing countries in world trade.

Since last September the European Commission has held several dialogue rounds and consultations with the European Parliament, with business associations, trade unions and NGOs. The objective of this flurry of activity was to adapt EU trade policy to the changed situation. The reactions of the actors from industry and civil society to the failure of Cancún and the official EU reactions were thus closely linked.

## **2. Private Business: A New Kind of Pragmatism?**

European business associations did not even attempt to hide their disappointment about Cancún's failure. In unison with the EU Commission they lamented that a great opportunity had been wasted and that everyone had lost: industrial nations and developing countries, agricultural exporters and consumers. The German industry association BDI, however, also pointed out that “a *whole* lot was at stake in Cancún for the export-oriented German industry because they would have profited from better access to other markets”<sup>26</sup>.

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<sup>23</sup> Le Monde, 12.9.2003 (“Oui à l'esprit de Cancun!”).

<sup>24</sup> Pascal Lamy, Press Conference closing the World Trade Organization 5<sup>th</sup> Ministerial Conference, Cancún/Mexico, 14 September 2003, see: [www.europa.eu.int/comm/commissioners/lamy/speeches\\_articles](http://www.europa.eu.int/comm/commissioners/lamy/speeches_articles)

<sup>25</sup> Pascal Lamy, Result of the WTO Ministerial Conference in Cancun, Plenary Session, Strasbourg, 24 September 2003, at [www.europa.eu.int/comm/commissioners/lamy/speeches\\_articles](http://www.europa.eu.int/comm/commissioners/lamy/speeches_articles)

<sup>26</sup> BDI, Press release, Berlin, September 15, 2003 (italics: R.F.).

Until December, powerful interest groups had tried to formulate possible consequences from the failure of Cancún. For example, a statement issued in mid-December said that what was required to reinstate the negotiations was “the willingness of all important WTO members to develop compromises in a process entailing give and take... The BDI had learned its lesson in Cancún and postponed its demand for a WTO agreement on international regulations on investment and competition. What moved to the center of the negotiations were questions on market access, such as a reduction of tariffs and non-tariff trade barriers.”<sup>27</sup>

A position paper of the Union of Industrial and Employers' Confederations of Europe (UNICE) dated 5 December 2003<sup>28</sup> gives an idea of what a “process of give and take” could look like during the further course of the Doha round from the perspective of the European industry. The emphasis is on the overall objective of propagating “European business competitiveness in the new international trade environment”. “Therefore, UNICE looks for improved market access for goods, services and investments; non-discriminatory and effective protection of EU investment abroad; competition conditions for European companies similar to those enjoyed by their non-EU competitors...”. In view of power relationships that became evident in Cancun, UNICE emphasizes that aspects of market access should have priority during negotiations, i.e. the reduction of tariffs and non-tariff trade barriers, liberalization of the service sector and the start of negotiations on trade facilitation. This definitely includes a quick agreement on a negotiation framework for agricultural reform and liberalization, while “solution on cotton” is also to be a priority.

As far as the Singapore issues are concerned the European industry presently insists only with regard to trade facilitation on a “binding multilateral agreement within the single undertaking”. With respect to transparency in government procurement, investment and competition “UNICE supports a pragmatic approach, the plurilateral option seems the most feasible”.

The UNICE position regarding the three basic questions on trade politics addressed by the EU Commission is particularly interesting. They plead for a pragmatic combination of multilateral and bilateral/regional negotiation approaches, but stress that “the multilateral route must be pursued as a priority”. There is according to UNICE “no satisfactory alternative to a strengthened WTO rules-based multilateral trading system”. Concerning a WTO-reform UNICE is of the opinion that a short-term “fundamental reform” is inappropriate, but concedes that there is a need for organizational and procedural improvements, if the Doha round is not to be endangered. Regarding the role of developing countries, according to UNICE the special and differential treatment provisions should be differentiated according to the state of development and competitiveness of each country. The last point is coherent with the emphasis on questions of market access, especially in negotiations with emerging market economies.<sup>29</sup>

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<sup>27</sup> BDI, Press release, Berlin, December 15, 2003.

<sup>28</sup> UNICE, “Post-Cancun Trade and Investment Strategy”, Position Paper, Brussels, December 5, 2003.

<sup>29</sup> It is remarkable that after Cancún a number of national industrial associations in Europe clearly emphasized the necessity to take seriously the development-policy dimension of Doha’s negotiation mandate. For example, representatives of development and environmental organizations and the internationally oriented industry in Denmark have formulated “a joint agenda for the WTO”, which contains a demand for “much further reform of the European Union's Common Agricultural Policy and parallel to this a liberali-

### 3. The NGOs: Torn Between Rejecting and Influencing the Agenda

Representatives of European governments were probably not amused when European NGOs celebrated the failure of Cancún together with members of Southern conference delegations and civil society organizations. Quite understandably so: With the failure of Cancún, the attempt to force the agenda items investment, competition and government procurement on the South, which would have considerably limited the South's room for development, had also failed (at least for the time being). Nevertheless, realistic observers from the civil society "camp" realized that Cancún had been a success, but not a victory, just like the breakdown of the negotiations had been "a step backwards, but not a tragedy" for the supporters of liberal trade politics (in the words of the first Director General of the WTO, Peter Sutherland)<sup>30</sup>.

It is not quite apparent whether the approach of some civil society organizations that deal with trade matters aims at seriously influencing the trade policy agenda or at a permanent "derailing" of the WTO as a whole, the strategy favoured by a number of Southern NGOs. While no one is seriously considering getting rid of the WTO<sup>31</sup> there is after Cancún a debate on how a revival of the negotiating machine of the WTO can be stopped<sup>32</sup>. But then there is another demand: "There is an obligation on everyone to get the negotiations for a genuine Development Round back on track."<sup>33</sup> Because even if on the way to Cancún there often was "no trace of a development round"<sup>34</sup> to be seen: "For all its limitations, the WTO is the *only* place where developing countries have *some* chance of making trade rules fairer. In bilateral deals, whether with the US or the EU, smaller developing countries are in a much weaker bargaining position..."<sup>35</sup>

The European NGO community unanimously rejects the Singapore issues. For example, immediately following Cancún, more than 100 European civil society organizations (CSOs) called on the EU to remove WTO negotiations on the Singapore issues from their agenda "once and for all"<sup>36</sup>. This "no" also relates to the option which in the meantime has been propagated by the EU: plurilateral negotiations on investments and competition within the WTO, i.e. "voluntary" negotiations among the "willing", the re-

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zation of trade-distorting agricultural policies in other OECD countries". In view of the exceptional situation of the poorest countries it is stated that: "improving market access for poor countries is key. However, there is a need to give the least developed countries the right to protect domestic food production and enough time, flexibility and the necessary technical assistance to implement their WTO obligations." Hans Peter Slente (Director of Trade Policy, Confederation of Danish Industries)/Poul Henrik Harritz (President, Danish Society for the Conservation of Nature)/Vagn Berthelsen (General Secretary, Ibis), "Time to take Doha agenda seriously", Financial Times, December 9, 2003 (Letter to the Editor).

<sup>30</sup> See "Nach der 5. WTO-Konferenz: Cancún als Wendepunkt?", Informationsbrief Weltwirtschaft & Entwicklung, Sonderdienst No. 6/October 2003.

<sup>31</sup> Rather undeterred in this direction: Ulrich Brand, "Neue Macht der Peripherie", Blätter für deutsche und internationale Politik, No. 2/2004, p. 146ff.

<sup>32</sup> See Aileen Kwa, "The Post-Cancun Backlash, and Seven Strategies to Keep the WTO Off the Tracks", November 23, 2003. Internet: [www.focusweb.org](http://www.focusweb.org)

<sup>33</sup> So Oxfam International, "The Doha Development Round. A way forward", October 2003.

<sup>34</sup> Pia Eberhardt, "Auf dem Weg nach Cancún. Keine Spur von Entwicklungsrunde bei den Welthandelsgesprächen", WEED-Arbeitspapier, Bonn-Berlin, June 2003.

<sup>35</sup> The words of Michael Bailey of Oxfam International at a Conference of the Parliamentary group of the Bündnis 90/Die Grünen in Berlin on June 12, 2003.

<sup>36</sup> Appeal to EU Member States and the European Commission: Drop the demand to start WTO negotiations on the Singapore Issues once and for all from the EU trade agenda.

sults of which could later be given to the other WTO members for signature (see below). “We should not think that offering to make these agreements plurilateral, i.e. voluntary, will be welcomed by the developing countries - they fear they would eventually get dragged in anyway. Coalitions of the willing are not always a good thing!”<sup>37</sup>

Most of the trade-NGOs in Europe share the view that the European Commission’s negotiation strategy of “trade-off and arm twisting” is one of the main reasons why Cancún failed and why the negotiations could not be revived in mid-December of last year<sup>38</sup>.

More or less all those who take part in the debate are aware of the fact that concessions on the part of the EU and the USA in the agricultural area are an prerequisite for progress in the negotiations in the framework of a development round which actually deserves its name. This includes a clear time frame for the gradual discontinuation of agricultural subsidies, special market protection for developing countries in agricultural trade and a clear sign in the issue of cotton.

There is another controversy that has hindered a clear formulation of NGO-demands regarding market access: While some see no problem in supporting the South’s demand for an improved access to Northern markets, others consider it to be the first step towards a strategy of export-led growth<sup>39</sup>. This controversy will probably become more pronounced, especially since in and after Cancún a comparable constellation became apparent on the state level: While the G20 under the leadership of Brazil, India and China demand the discontinuation of agricultural subsidies and the lowering of tariff barriers in the North (which serves the interests of large agricultural exporters), the SP-SSM Coalition (Alliance for Strategic Products and Special Safeguard Mechanisms) composed of 32 smaller developing countries wants above all the protection of Southern agricultural markets from cheap export competition, mainly from the North. Both positions do not exclude one another. But the discussion on how one is to act towards the new (government-) alliances in the South has just begun, also among European NGOs. However, the statement that the new cohesion in the South is a positive development which should be seen as an opportunity, also in view of a resumption of the negotiations, will probably meet approval.

#### **4. The EU’s New "Flexibilized" Approach to Negotiations**

After a process of reflection that has lasted almost three months, the European Commission approached the General Council of the WTO in Geneva with a strategy paper in December to revive the Doha round. While this paper contained a number of tactical adjustments, it surprised everyone with a confirmation of the EU’s negotiating approach of October 1999 (!) and July 2003, in other words a long time before the Cancún disas-

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<sup>37</sup> Michael Bailey, op.cit.

<sup>38</sup> See e.g. Rudolf Buntzel-Cano, “Nur der Abschied vom Basarverhalten kann die WTO retten”, Zeitschrift Entwicklungspolitik, No. 1-2/2004.

<sup>39</sup> See a summary: Thomas Fritz, ““Make trade fair”: aber wie? Der neue Handelsstreit”, Informationsbrief Weltwirtschaft & Entwicklung, W&E 05/2002.

ter and even before the failed Seattle Ministerial.<sup>40</sup> Not much reflection seems to have taken place during the widely quoted “pause for reflection”. Consequently there was no real need for clairvoyant talents to see that the new EU strategy paper does not present a way out of the dead-end after Cancún.

Some observers say that it was the Zoellick initiative in mid-January 2004 which somewhat changed the leaden atmosphere of the negotiations, and that it freed Pascal Lamy from his “brooding *tristesse*”, into which he had fallen after the failure of Cancún<sup>41</sup>. In a letter to all 146 member countries of the WTO, US-Trade Representative Robert Zoellick had pressed for a quick resumption of the negotiations in the framework of the Doha round. He suggested that by mid-2004 a number of basic agreements between the negotiating partners should be reached and a new Ministerial Conference should be scheduled in Hong Kong for late 2004. While after Cancún the USA had focused on the G20, they now assume that the industrial nations will have to fix a date by which they will abolish all export subsidies in the agricultural area. As far as trade in industrial goods is concerned Zoellick emphasizes that in future not all developing countries can demand “special treatment” status. In reference to the Singapore issues he merely supports treating the topic of “trade facilitation”.

At least in one respect the EU can feel justified by the Zoellick initiative: there is no way around a multilateral approach in trade policy. A position the EU has held at least in their verbal statements. The EU emphasizes that multilateralism remains a top priority of European trade policy. It is also evident that the USA must revert to WTO rules and regulations when obligations in the areas of industrial goods, services and intellectual property must be enforced. Thus the threats that the WTO would be replaced by regional or bilateral trade agreements in the future were not really meant seriously<sup>42</sup>. In the substantial negotiation matters on the other hand the Zoellick initiative did not change in the EU positions. Quite on the contrary: there are a number of parallels that cannot be ignored.

All in all, the European Commission’s negotiation approach, presented in mid-December of last year, can be seen as an attempt to “flexibilize” the old approach by tactically reorganizing issues in order to reach old objectives under changed conditions and with a long-term perspective. A Commission communication to the Council and the European Parliament, describing the new approach, reads: “The process of reflection that the Commission has carried out so far suggests that the fundamental objectives that the EU set for itself before Seattle (...) have stood the test of time. Was *has* appeared in

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<sup>40</sup> Compare Council conclusions on the Commission communication “Reviving the DDA negotiations - the EU perspective, Brussels, 9.12.2003.

<sup>41</sup> Guy de Jonquieres, “Fear may give the Doha talks the jolt they need”, Financial Times, February 11, 2004.

<sup>42</sup> See also the prognoses of Bhagirath Lal Das (“The future of the WTO after Cancún: Its rescue lies in reform”, W&E, Sonderdienst No. 7/December 2003) and Jagdish Bhagwati (“Don’t Cry for Cancún”, Foreign Affairs, January/February 2004).

need of some review is our strategy to achieve those objectives.”<sup>43</sup> Yet this kind of flexibility is lacking even in some of the basic questions.<sup>44</sup>

**a) Singapore issues:** The most obvious change in the EU’s negotiating position with regard to the Singapore issues is the so-called “plurilateralism”. The European Commission originally developed this approach in the so-called Options Paper<sup>45</sup> at the end of October. The EU is now willing to treat each of the four Singapore issues in itself and to remove them from the Single Undertaking in the framework of the Doha round. Yet it should be noted that this means out of the current negotiation round, not out of the WTO negotiation process as a whole. At the same time the European Commission wants to “explore the potential for negotiating some, or even all four Singapore issues, outside the Single Undertaking, and to the extent necessary on the basis of participation in negotiations and adoption of the final results on a voluntary basis, by interested members only.”<sup>46</sup> The Commission obviously doesn’t mind the fact that the plurilateral approach contradicts the EU’s principle of multilateralism – a contradiction which seems to be negligible in view of the greater objective: “to encourage a climate attractive to productive foreign investment”.

**b) Agricultural policy:** In order to demonstrate its willingness to negotiate in agricultural matters, the EU continues to present a so-called “open offer”. It consists in the willingness to completely eliminate export subsidies for agricultural products, which are of special interest for developing countries. However, there is neither a time frame for when this is to happen nor a list of the products that are of special interest for developing countries. Furthermore, the EU bases its willingness to cut back in the area of agricultural subsidies on two prerequisites, according to the motto: “It must be said that we will not accept a framework for negotiating modalities at any cost.”<sup>47</sup> First of all, negotiation modalities to be agreed on before-hand should acknowledge that the so-called amber box subsidies have a stronger trade-distorting function than the so-called blue box subsidies. Secondly *all* forms of export subsidies must be included in the negotiations, which, according to the EU, also includes differentiated export tariffs, for example as used by Argentina for soy beans, or dumping in the guise of food aid, as practiced mainly by the USA.

**c) Market access:** But the EU is also basing its prospective cooperation on the developing countries’ willingness for “ambitious results in the field of industrial products”

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<sup>43</sup> Communication from the Commission to the Council and to the European Parliament, “Reviving the DDA Negotiations - the EU Perspective”, COM(2003) 734 final, Brussels, November 26, 2003.

<sup>44</sup> The fact that ministers for development and environment at times send out signals that demand developing and environment criteria in trade matters, should not obscure this fact. For example, the German Minister for Development Heidemarie Wieczorek-Zeul and the German Minister for the Environment Jürgen Trittin reacted favourably to an e-mail-campaign of the German branch of the Fair-Trade Campaign (see [www.gerechtigkeit-jetzt.de](http://www.gerechtigkeit-jetzt.de)). The (power politically decisive) trade and financial ministers usually represent precisely those positions that have been coordinated with the Commission.

<sup>45</sup> See European Commission, Directorate-General for Trade, “Singapore Issues - Options post-Cancun”, Brussels, October 30, 2003 (Ref. 514/03).

<sup>46</sup> Communication (see note. 24)

<sup>47</sup> Franz Fischler, EU Agriculture Commissioner, “Re-launching WTO talks”, European Parliament, Strasbourg, January 13, 2004.

(Lamy).<sup>48</sup> Negotiations in this area (Non Agricultural Market Access - NAMA) remain a priority for EU industry, because “this is a subject in which the EU has significant potential trade gains”, is what the quoted communication openly states. That is why the negotiating strategy of the EU aims at particularly inducing those developing countries that are further in their development and with the potentially largest markets to lower tariffs considerably. In doing so, it uses the “development policy” argumentation that this would also benefit the South-South trade. Yet in reality it is questionable whether the introduction of a general obligation to lower tariffs in the framework of the WTO is an appropriate means to do this. Perhaps a more suitable approach would be to implement the Global System of Trade Preferences (GSTP) for the extension of South-South trade<sup>49</sup>.

**d) Reform of the WTO:** The new EU negotiating strategy contains disappointingly few ideas for a WTO reform. Moreover, these ideas do not aim at removing imbalances between individual member groups that are inherent in the WTO construct, but only at the removal of “organisational and procedural shortcomings”. Aside from the usual plea for more “technical assistance” for the smaller negotiating delegations, the EU mainly want to strengthen the role of the Director General and to better define the role of the host country in preparing ministerial conferences “without changing the basic rules or constitution of the WTO, and without distracting in any way from the substantive negotiations”<sup>50</sup>. One can only hope that the decision making structures for the EU’s own trade policies did not serve as a role model for these ideas: As the World Wide Fund for Nature (WWF) recently vividly demonstrated in a study<sup>51</sup>, they are anything but a democratic role model. The central role in designing European trade policies lies in the hands of the European Commission, the so-called 133 Committee to be precise, in which representatives of member states, usually civil servants, discuss the Commission’s suggestions. The Council of the European Union, formally the highest committee of the EU, tends to merely “yes” the suggestions. The European Parliament is completely excluded.

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*Translation German-English: Elizabeth Mayer*

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<sup>48</sup> Pascal Lamy, EU Trade Commissioner, “The relaunching of negotiations under the Doha Development Agenda, Strasbourg”, January 13, 2004.

<sup>49</sup> See Bhagirath Lal Das, op. cit.

<sup>50</sup> Communication, op.cit.

<sup>51</sup> See WWF, “A League of Gentlemen. Who really runs EU Trade Decision-Making?”, Brussels, November 2003.

## Beyond Cancún – Where To Go? South African Responses

By Prishani Naidoo

The crisis experienced in the World Trade Organisation (WTO) talks in Cancún, Mexico in September 2003, has been met with mixed responses from government, business, labour, NGOs and civil society more broadly in South Africa. While government, business and labour have looked favourably on the role played by South Africa amongst developing countries uniting against the power of the US, the EU and Japan, arguing that the emergence of the Group of 20+ developing countries in Cancún signals a shift in the balance of power between developing and developed countries in the WTO, other civil society formations have been more scathing in their attacks on the WTO, using Cancún and its failures to highlight the impossibility for fairness and equity in the WTO. What is clear is that developments in the WTO following Cancún must be observed as part of a much bigger world economic system in which alliances are not always clearly defined and in which South Africa's role as a major economic player among developing countries and in the developed world is constantly growing and changing.

### Responses from Government

For the South African government, Cancún was both a failure and a success – a failure in that negotiations overall did not produce any concrete outcomes; a success in that it highlighted the possibility for developing countries to show their collective strength within the WTO, thereby representing a shift in the balance of forces within the world trade system and keeping 'development' on the agenda.

In statements given by Thabo Mbeki, Trevor Manuel and Alec Erwin just after Cancún, the emergence of the Group of 20+ countries (G20+) was celebrated as a positive development for the developing world in the world economic system. For Trevor Manuel, South Africa's Minister of Finance, the emergence of the G20+ was an "important moral and political victory that significantly strengthened the bargaining power of developing countries and sought to constrain the dominance of the powerful countries"<sup>52</sup>.

"The G20+ was effective. Aside from bringing together countries that represent 70% of farmers in the world, big countries with some political weight. They were China, India, Brazil, most of Latin America, Thailand, Indonesia, South Africa, Nigeria and Egypt. They carried some weight. They put forward a very technically sound proposal and they were able to co-ordinate around agriculture in such a way that when the US and the EU came back with a number of proposals, they were able to respond and give counter-proposals to that."<sup>53</sup>

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<sup>52</sup> "Manuel: Cancún Meeting Was A Moral Victory", Mail & Guardian, October 9, 2003.

<sup>53</sup> Xavier Carim (South African lead negotiator in Cancún), interviewed by Ben Turok, New Agenda, 4<sup>th</sup> Quarter, 2003, p. 9.

Ultimately, the Cancún talks were to flounder around non-agreement between “rich and poor nations” (Ernesto Derbez)<sup>54</sup>, with the G20+ insisting that the US, EU and Japan reduce subsidies to their farmers, and that the Singapore issues (investment, competition, trade facilitation and transparency in government procurement) not form part of the agenda of the talks at Cancún. The talks eventually collapsed mainly over the refusal of the EU, US and Japan to reduce or remove government subsidies to their farmers. These subsidies, the G20+ argues, make farm produce from the developed economies extremely cheap with the result that agricultural goods from the developing world are unable to compete with them. In this way developing economies also become ‘dumping grounds’ for excess produce from the developed world. For South Africa, the emergence of the G20+ symbolised the insistence on the Cancún round of talks being a continuation of the Doha Development Round, with the issue of development and the interests of developing countries continuing to hold priority in the WTO. For the South African government, just maintaining the issue of development as central to the Cancún round of talks was success enough for the G20+ as the possibility for including discussion of the Singapore issues was a clear threat to the development agenda. (The South African government did not, however, oppose the tabling of the Singapore issues overtly). In Alec Erwin’s words, “The concerted effort of developing countries led by the G20+ ensured that we were able to secure some positive shifts from the EU and the US in these key areas of agricultural trade. Obviously, maintaining the ambitions of Doha on these areas was continuously emphasised as an important element that should not be lost sight of. We are therefore of the view that we were able to enter some serious dialogue on these and other important issues of the Doha round. It is necessary to keep in mind that this round should continue to be a developmental round.”<sup>55</sup>

It has been with this sense of optimism that the South African government has proceeded with participation in the post-Cancún talks about resuming negotiations in 2004. Seeing these talks as a continuation of the Doha Development Agenda mapped out in 2001 by the WTO, the South African government has committed itself to strengthening the G20+ within the WTO in an attempt to uphold the interests of developing countries within the world system of trade. For the South African government, the WTO, despite all its problems and inequalities, is the only vehicle promising fairness within a multi-lateral system of trade. It has therefore committed itself to pursuing its interests through the WTO as a member of the G20+.

In the words of Alec Erwin, “Our disappointment at not achieving a concrete outcome in Cancún is tempered by the advances that have been made. For the first time in the WTO, the developing world, united not on ideological grounds but on key and well articulated interests, acted in concert to advance its development agenda. This is historic. It marks a new chapter and a new dynamic in WTO negotiations that could be decisive in advancing negotiations to address the basic structural fault line in the global economy that obstructs development and growth. The significant outcome of Cancún is that we will build on this alliance.”<sup>56</sup>

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<sup>54</sup> quoted in: Financial Times, September 15, 2003.

<sup>55</sup> "Erwin Disappointed About Failed WTO Talks", SABC News, September 15, 2003.

<sup>56</sup> "SA's Minister Responds to the Collapse of the Negotiations", DTI Press Release, September 16, 2003.

On 13 and 14 November 2003, an exclusive, informal ministerial meeting was held in Cairo between a group of 12 African ministers. The meeting was convened by the Director-General of the WTO, Supachai Panitchpakdi, and discussion revolved around the steps to be taken by African ministers in moving the talks forward. According to Egyptian Foreign Trade Minister, Youssef Boutros Ghali, "Participants called for a resumption of multilateral negotiations under the aegis of the WTO. African countries reiterated their commitment to the agenda of the Doha talks, which marks a real opportunity for African countries to increase the volume of their contribution to international commerce, and at the same time consolidate their development objectives."<sup>57</sup>

There have also been motions towards more bi-lateral trade agreements and what theorists have called the strengthening of 'south-south trade links' on the part of South Africa as well as other member countries of the G20+. Since September 2003, the South African Customs Union (SACU – Botswana, Lesotho, South Africa and Swaziland) and Mercosur (the Latin American trade bloc) have agreed to accelerate talks to establish a free trade area. At the same time, the possibility has emerged for a three-way agreement including India. The individual blocs have also been independently pursuing discussions with India to strike up bilateral deals. There have also been state visits of President Lula Da Silva of Brazil to South Africa amongst other African countries, and of President Thabo Mbeki to India. However, the South African government has emphasised the fact that it is still committed to the WTO and to getting talks back on track and can only see the possibility of a multilateral world trade system working in the interests of developing countries. "The setback in Cancún is serious and we need to do something about that, but at the same time we will pursue negotiations bilaterally to look for advantages and to improve our competitive position in different markets at a bilateral level, but without losing site of multilateralism... From a South African point of view, we have always said that we must improve south/south trade. Over the last ten years, the biggest increases in trade globally, have been amongst developing countries. We are finding that our exports on aggregate are growing fastest to countries in the south."<sup>58</sup>

However, government has also felt the need to emphasise that such bilateral arrangements must fall within the parameters of the bigger multilateral trade system framed by the WTO. It has also gone to great lengths to show that the G20+ is not defined solely by its members' location in the south, but by its members' commitment to a certain set of issues. According to SA's ambassador to the WTO in Geneva, "The formation of the G20+ is an event of great significance in the multilateral trading system. It provides the opportunity for more equal negotiating capacities in the WTO. Developing countries should see this as an opportunity-not a threat. The G20+ is not based on a North-South divide. There are several countries (e.g. the Cairns Group) who share South Africa's conviction to create freer and more equitable global markets in agriculture. This is an issue-based alliance."<sup>59</sup>

When the WTO General Council met in December 2003 in a two-day meeting to work out the agenda for getting the stalled negotiations back on track, South Africa attended

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<sup>57</sup> "Africa Readies for WTO: Round Two", Mail & Guardian, November 24, 2003.

<sup>58</sup> Xavier Carim, op. cit., p.11.

<sup>59</sup> Faizel Ismail, *An Insider's Insight*, in: Africa After Cancún: Trade Negotiations In Uncertain Times, SAIIA Trade Report, No. 2, December 2003, p. 16.

with a commitment to the G20+ and to getting the talks back on track. However, the issue of agricultural subsidies would still be an issue for South Africa and the G20+. According to Xavier Carim, a major stumbling block in these talks would continue to be the EU reform programme for its common agricultural policy (CAP), “which did not go nearly far enough to meet the needs of developing countries.”<sup>60</sup>

## **Business**

South African business has not come out with any positions contrary to the government’s with regard to the Cancún talks. The South African firms, Anglovaal Mining and Tongaat-Hulett, sit on the WTO business advisory group set up in the run-up to Cancún by the WTO Director-General. In the days after the collapse of the talks the South African Chamber of Commerce (SACOB) released the following statement, “The collapse of the WTO talks in Cancún, whilst disappointing, does not mean all is lost in the efforts to reform and liberalise the global trading environment. SACOB believes that progress was made with respect to several issues and the acceptance by developed countries that developing countries have genuine grievances, particularly in respect to agricultural subsidies, which need to be addressed. Whilst the negotiations will revert to the corridors and offices of various institutions in Geneva, greater emphasis will be given by countries to bilateral trade agreements between developing countries as well as with developed countries. SACOB feels that such bilateral agreements, if consistent in nature, can serve as building blocks for the future of a multi-lateral system.”<sup>61</sup>

## **Labour**

The Congress of South African Trade Unions (COSATU), the largest South African trade union federation, was represented in the official South African delegation to the WTO talks in Cancún in September 2003. The key principles guiding its negotiations at Cancún and after include the following:

- “not accepting any cut in tariffs or negotiation on the new issues that could result in job losses or the ability of government to drive development;
- developed countries should improve access for developing countries without requiring further concessions from our part;
- the North must end measures to support agricultural subsidies where they effectively prevent exports from, or undermine production in, the South;
- TRIPS must ensure that African countries have access to affordable medication as and when needed. That means that developing countries must be allowed to produce, import and export generic medication when and as they see fit;
- Basic services – that is, services that the state must supply to bring about development – must be ringfenced from GATS. That includes at least health, education, electricity, water and welfare services;

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<sup>60</sup> “West Is Still Hindering Talks Says Carim”, Business Report, December 8, 2003.

<sup>61</sup> SACOB Business Confidence Index, September 2003, p.8.

- we as South Africa are a symbol of democracy throughout the world. We must maintain that reputation by supporting the fight for more transparency and democratic decision-making at the WTO.”<sup>62</sup>

For COSATU, the final draft text which was not adopted at Cancún “posed many dangers”. “There was not sufficient movement on cutting back subsidies for agriculture in developed countries; deep and far-reaching tariff cuts were proposed; and there were proposals to launch negotiations on trade facilitation, transparency in procurement, and investment.” In the final analysis for COSATU, however, it was the emergence of the G20+ that became the decisive factor in the talks failing to reach agreement: “The G20+ represented more than 50% of the world’s population and held firm in spite of reports of attempts to split it. In this regard, it was a wake-up call for the WTO and represents a significant shift in the balance of power internationally.”<sup>63</sup>

In the weeks after Cancún, COSATU has anticipated that the US and the EU will pursue their agendas in bilaterals, with regard to South Africa, through the trade agreement currently being negotiated between SACU and the US in particular. It has therefore called for greater attention to be paid towards strengthening the G20+, and for the union movement to explore building its links with other forces in civil society, in particular NGOs and new social movements. With regard to the South African government, it has largely been supportive of its positions, except to voice its surprise at the government’s announcement of its willingness to concede on the Singapore issues if adequate concessions are made on agricultural subsidies by Japan, the US and the EU. For COSATU, such a move would be disadvantageous to developing countries as “The WTO’s emphasis on freeing up transactions and protecting existing property rights might undermine the capacity of developing countries to pursue development strategies.”<sup>64</sup> In this regard COSATU supported an ICFTU position against the Singapore issues being included on the Cancún agenda.

### **NGOs, New Social Movements, and Community Movements**

Civil society in South Africa represents several positions on the WTO. While there are NGOs, such as the Environmental Monitoring Group (EMG) and the Gender and Trade Network (GENTA), which have made written and verbal representations on the WTO to official government processes and structures, in an attempt to lobby for change within the WTO system (e.g. greater transparency) around specific issues, most of organised civil society in South Africa position themselves outside of and against the WTO, calling for an alternative system of economic relations to govern world trade that would be fairer and more equitable to poor people. Even groups like EMG and GENTA find themselves moving between official and unofficial processes around the WTO, sometimes participating in official processes and teams and sometimes joining the protests in the streets.

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<sup>62</sup> SA Labour Bulletin, Vol. 27, No. 5, October 2003, p. 35-36.

<sup>63</sup> Ibid., p. 36.

<sup>64</sup> SA Labour Bulletin, Vol. 27, No. 4, August 2003, p. 50.

There has, however, been no consistently organised grouping dedicated solely to the WTO in civil society in South Africa. Instead, various groups have indirectly taken on the WTO in relation to specific effects of its policies e.g. water privatisation or trade liberalisation in the textile industry. At various points, depending on the nature of the issues being discussed or fought, various groups have come together to collectively map out strategies for taking on the WTO. Around Cancún, several South African NGOs, community movements, and new social movements came together in the Phantsi WTO Campaign, spearheaded by the South African Trade Strategy Group based in Cape Town. The campaign would unite a significant number of South African civil society organisations in demonstrations and actions designed to highlight the inequalities and unfairness of the WTO system. Its members include Earthlife Africa, Green Network, Nkomazi Sanitation Committee, Jubilee South Africa, Municipal Services Project, Water Action Campaign, Orange Farm Water Crisis Committee, Rural Support Services, Soweto Electricity Crisis Committee, Anti-Privatisation Forum (APF), South African Water Caucus, the Environmental Monitoring Group (EMG) and the Alternative Information & Development Centre (AIDC). Significant issues taken up by the campaign and its members around Cancún include a call to reduce agricultural subsidies in the developed world, a call to stop the GATS, whereby all services (including basic services such as water) will come to be traded for profit in a global system, and a call for no talks on investment, competition and government procurement policies. The reasoning behind these calls speak to the consistent call by new social movements and community movements to return the power of people to the people themselves, and to curb the power of transnational companies and their profit-motives which are entrenched and expanded through institutions such as the WTO.

Members of the Phantsi WTO Campaign as well as representatives of COSATU have been particularly concerned about the South African government's willingness to make concessions in the Cancún and post-Cancún talks on the Singapore issues if the EU, the US and Japan make concessions with regard to agricultural subsidies. They argue that South Africa will be deviating from its alliance position in the G20+, in which the majority of member countries are opposed to the Singapore issues being on the negotiating agenda. They use this to point to South Africa's 'special' position in the bloc of developing countries, in which it has much to gain from its own lobbying and posturing above and against the interests of other developing countries, particularly in Africa, where South Africa is fast becoming an economic giant. While the South African government might then appear to be progressive in supporting the G20+, it should also be expected to deviate from its positions when South Africa's own interests come into play over and above those of the G20+ as a whole.

While organised civil society groups in South Africa have found it difficult to consistently participate in regional forums and campaigns, many South African activists were part of the Africa Trade Network (ATN), which released a statement post-Cancún, congratulating developing country governments for standing their ground against the more powerful nation-states and recognising the efforts made by African civil society organisations towards delegitimising the unfair trade rules of the WTO.

The South African Landless People's Movement (LPM) has also continued to strengthen links and alliances made with peasant movements organised against the

WTO talks in Cancún when a few of its representatives joined the mass demonstrations and protests in Cancún in 2003.

Two significant issues that continue to be taken up in campaigns at a local and national level by South African civil society groups are those of the GATS (in relation to the privatisation of basic services) and TRIPS (in relation to access to treatment for HIV-AIDS). In relation to water privatisation, South African organisations joined a global call from civil society for Ministers at Cancún to halt the discussions on GATS. A civil society statement read, “Barely a year ago at the UN World Summit on Sustainable Development in Johannesburg, heads of the governments made commitments to halve the proportion of people without access to water and that of those without access to sanitation by 2015. But the evidence from many communities, especially those in the developing world, is that the global water crisis will worsen if water is subjected to WTO rules that put corporate interests ahead of the right to water as fundamental to life. In order to make these obligations a reality, we call on Ministers meeting in Cancún to halt the current GATS negotiations and keep essential services, such as water, out of the WTO.”<sup>65</sup> However, unlike in other WTO bodies like the Committee on Agriculture (where negotiations are currently suspended), negotiations on the GATS have continued post-Cancún. The WTO continues to be a target in local actions of groups like the Anti-Privatisation Forum (APF), which are currently engaged in campaigns against the privatisation of basic services, such as water and electricity.

Groups demanding free access to anti-retroviral drugs (ARVs) for HIV-AIDS patients, like the Treatment Action Campaign (TAC), continue to lobby and campaign within the TRIPS framework for the greatest possible concessions on the part of developing countries and pharmaceutical companies with regard to the importation and production of generic drugs, with some success. On 17 October 2003 the South African Competition Commission issued a finding upholding a complaint laid by TAC and others against two pharmaceutical giants, GlaxoSmithKline SA and Boehringer Ingelheim, stating that both companies had charged excessive prices for their patent-protected ARVs and had unlawfully refused to issue voluntary licenses to generic competitors, thereby unreasonably restricting production of necessary medication. According to Professor Baker, a health activist in the US, the above decision “represents the first good faith application of the historic Doha Declaration on the TRIPS Agreement and Public Health, a 2001 WTO agreement that prioritises public health over absolutist patent protection”<sup>66</sup>. However, while South Africa has not been negatively affected by the TRIPS discussions, other poorer countries do stand to lose from some of the agreements reached in these discussions. For example, in spite of an agreement which seems favourable to all developing countries in that it allows for greater production and importation of generics reached in the weeks before Cancún, some civil society activists have argued that “consensus has come at a terrible cost to the developing world because the deal... still leaves importing countries without manufacturing capacity at the mercy of exporters such as South Africa – requiring that compulsory licenses be issued in both importing and exporting countries.” (Mail & Guardian, September 8, 2003)

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<sup>65</sup> Civil Society Submission to the WTO 5<sup>th</sup> Ministerial Conference in Cancún, 10-14 September 10-14, 2003.

<sup>66</sup> Health Gap press statement, October 17, 2003.

While civil society formations in South Africa might position themselves differently in relation to how they take up their grievances within the world economic system, there is generally a critical approach to the WTO and the talks post-Cancún, with vigilance being paid to the interests of the most in need in society. While the majority of groups continue to fight the WTO in their separate campaigns addressing the effects of WTO policies rather than the WTO directly and there seem to be many opportunities for the coming together of seemingly different groups around the WTO specifically, it is unlikely that a single, consistent and coherent voice against the WTO in civil society will emerge in the near future in South Africa. It is more likely that struggles against the WTO will intensify through continued struggles against the direct effects of its policies on people.

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# Beyond Cancún: Reflections from Kenya on Key Issues in the Post-Cancún Period

By Gichinga Ndirangu

Kenya is widely considered a critical voice and important player at the WTO within the African Group. Since the failed third Ministerial Conference of the WTO convened in Seattle in November 1999 when Kenya, as chair of the African Group, led a walkout on the conference, the country has remained an important player at the negotiations.

At the Doha Ministerial conference, Kenya lobbied strongly on the adoption of the declaration on TRIPS and public health which was widely considered the most significant outcome of the conference. At that same Ministerial, Kenya chaired the ACP group which built up a strong case on realigning WTO trade agreements to capture the development dimension in favor of poor countries. The adoption of the Doha development agenda, establishing key negotiating thresholds on agriculture, intellectual property, special and differential treatment, was widely viewed as an important milestone in accommodating the concerns of developing countries.

During the period preceding the Cancún Ministerial, significant attention was devoted to the need to bridge consensus across contentious issues due for negotiation. Five mini-ministerials (select, in-depth caucusing by several countries) were convened in build-up to Cancún with an aim of creating an understanding between developing and developed countries ahead of the Cancún Ministerial. Kenya was invited and participated in all these mini-ministerials.

At Cancún, Kenya was invited, on Africa's behalf, to facilitate the development group which principally focused on concrete policy proposals aimed at strengthening measures on special and differential treatment. Since the collapse of the Ministerial, the country has continued to play a critical role in working closely with other African and developing countries in defining the post-Cancún framework.

## **1.1 Perceptions on Cancún Fall Out**

### **1.1.1 Civil Society**

Kenyan civil society organizations, as indeed several African governments, were critical from the outset of the preparatory process that preceded the fifth Ministerial conference. The unrepresentative draft text released by the WTO secretariat to form the basis of the negotiations was heavily censured for emphasizing the concerns of developed countries while ignoring, in large measure, issues raised by developing countries on core areas like agriculture, non-agricultural market access and the Singapore issues.

The collapse of the Ministerial was therefore seen as indicative of a flawed process designed to deliver pre-determined outcomes while excluding the constituent demands of developing countries. More significantly, though, the collapse has since been viewed as

indicative of a reawakening by developing countries as power relations were reconfigured at the multilateral level.

The collapse of the Ministerial in essence manifested a new-found determination by developing countries to resist one-sided outcomes that failed to represent their core development demands. In the estimation of Kenyan civil society, this represented a strategic shift in WTO negotiations and power relations.

The unwillingness of both the EU and US to commit to substantial reductions on trade distorting domestic support while at the same time insisting on tariff reductions on both agricultural and non-agricultural products by developing countries, is blamed by Kenyan CSOs as having created significant differences that gradually led to the collapse.

A principal concern of CSOs in the wake of the Cancún collapse, is the new risk posed to the Doha development agenda. CSOs have sensed a renewed sense of inertia as attention shifts away from the DDA in favor of significant attention to the Singapore issues.

It has been felt that in the post-Cancún period, and with significant attention being trailed on salvaging the future of multilateralism, concrete progress is needed in reducing trade barriers and trade distorting subsidies. At the same time, Kenyan CSOs are opposed to an expansion of the WTO agenda into the new issues and remain convinced of the need to focus attention instead on the need for rapid progress in implementing the DDA.

While the emergence of issue-based alliances by developing countries was seen as an important counter to the dominance of developed countries, there is concern that the potential break-up of this solidarity on account of intense pressure from developed countries could significantly weaken the bargaining strength of poor countries.

Significantly, Kenyan CSOs have since the collapse renewed calls on the government to resist and oppose attempts by the EU, US and Japan to resist any possible expansion of the already overloaded WTO agenda. The CSOs remain wary over renewed pressure to show both flexibility and willingness to agree to negotiations on the Singapore issues. In their estimation, these issues should not be subject to legally binding disciplines at the multilateral level linked to the dispute settlement mechanism.

In addition, in view of the continued agitation to initiate negotiations on the issues in the post-Cancún period, CSOs have expressed concern on the implication of limiting the policy space of governments to regulate foreign competitors and pursue developmental objectives.

There is a begrudging that rather than focus attention on the fundamental issues that developing countries raised at Cancún, debate over removing Singapore issues from the single undertaking principle is drawing attention away from the Doha work program.

Further, CSOs are wary that the pursuit of a plurilateral approach in initiating potential negotiations on the Singapore issues will further undermine multilateral processes and

create a two tier organization which pressures and exposes poor countries to sign up on unfavorable terms.

### **1.1.2 Business Community**

The Kenyan business community, and their counterparts from the region, have since the collapse of Cancún expressed views on its disappointing outcome. At the East African business summit, they collectively viewed the collapse as representing a lost opportunity in the quest for “a more vibrant and relevant trading system”.

Largely, the business community shares the view that a successful conference would have fostered an enabling business environment to support economic progress based on an assumption that proposals that foster trade expansion would have received adequate attention.

The business community in Kenya and the East African region continues to emphasize the strategic importance of strengthening public-private interaction within the context of actualizing the Doha development agenda. Within this context, it is plain that the limited progress registered at Cancún in reaffirming progress on the DDA is viewed as a drawback to economic prospects in the region.

However, in the wake of the collapse, the business sector is confronted by the challenge of being more actively drawn and engaged in the negotiations to influence outcomes in the upcoming phase. Their role has been fairly muted and their voice less forthcoming on concrete policy proposals as yet.

More intent on opening up further trade liberalization to improve export competitiveness through a reduction of trade barriers, the business community has acknowledged the significance of post-Cancún deliberations. Trade rules which facilitate access to markets are recognized as essential in supporting the growth of industry by enabling it to exploit economies of scale.

This export orientation is premised on the understanding that export growth supports economic development. In 2002 for instance, Kenya registered a 5.8 per cent expansion of exports and it is felt that a more enabling set of trade disciplines at the multilateral level would further boost growth.

Still, the business community begrudges the failure of the Ministerial as a lost opportunity in addressing existing bottlenecks that stymie growth of competitive export products primarily, agricultural. Growth in this sector is constrained by the highly subsidized and severely restricted terms of market access in the North.

The interest of local entrepreneurs is thus to ensure a rapid and sustained dismantling of all tariff and non-tariff barriers for which no work program was agreed upon in the face of Cancún’s collapse. In sum, the business community remains keen on the articulation of trade disciplines geared towards supporting the evolution of a fair and market-oriented system.

Under such a system, the elimination of subsidies and other barriers to trade would enhance a level playing field for local competitors. A predictable global framework on market access is thus an important expectation of the business community in the post-Cancún period.

But the failure has also renewed interest in regional trade agreements amongst the business community. The business fraternity has recognized that the uncertainty of multilateral negotiations could further damage business prospects unless there is corresponding attention to alternatives.

Regional trade arrangements are hence being recognized as holding significant potential in bolstering economic growth and integration. Still, this approach is seen merely as a compliment, not a substitute, to the multilateral framework. The latter is still regarded an important avenue for spreading out the benefits of economic relations on a wider scale beyond the confines of regional trade.

## **1.2 Scenarios in Post-Cancún Period**

The Cancún Ministerial marked a shift in the power balance which helped establish, in part, the influence of developing countries. This shift is expected to strengthen calls for a more empowering and enabling trade framework based on fairness and equity where the development concerns of poor countries receive prominent recognition as negotiations tee off to a new start.

The collapse has been widely seen as highlighting a divergence on both positions and strategy between developed and developing countries; one which fundamentally questions the commitment of rich countries to the meaningful integration of poor countries in the global trade system.

Having marked the emergence of new configurations such as the G20+ and the Special Products (SP) alliance, it is likely that agricultural reform will remain firmly in focus. While it is likely that progress will be stitched in controversy on agricultural reforms, industrialized countries will need to show willingness to concede to meaningful reforms to secure all-round momentum.

The G20+ and SP alliances can only be expected to play a critical role in influencing the pace, scope and content of trade negotiations in relation to projecting the constituent demands of developing countries.

However, the opposition that the EU and US are expected to mount against these emerging blocs could lead to a further division and manipulation of developing countries which could weaken a united negotiating front. The policy challenge that this presents is one of identifying and encouraging developed countries sympathetic to the development concerns of poor countries at the WTO, to express their support and solidarity in ways that exposes their renegade counterparts and maintains the solidarity of developing countries.

In Kenya, various stakeholders engaged in the WTO policy debates, are not especially optimistic that the gridlock on agriculture will be resolved quickly enough. The fact that negotiations on agriculture are locked in the “single undertaking principle” under which corresponding progress must be registered on other agreements – services, investment and intellectual property — enhances and explains this level of uncertainty.

The inability to register progress on agriculture at Cancún and the difficulty of building consensus on negotiating elements in the other agreements, has cast doubt over the possibility of signing on the single undertaking by January 1, 2005 – the cut-off date set for completing negotiations under the Doha Work Program.

Ever since the collapse of the fifth Ministerial, Kenya has sought to de-emphasize the demand for initiating negotiations on the so-called Singapore issues. The Cancún experience brought out the divisiveness of these issues but also underlined their significance in winning the support of industrialized countries.

Thus, while the government has openly rejected three of these issues – competition policy, investment and transparency in government procurement – its stand on trade facilitation remains nuanced. On the latter, the post-Cancún period has seen a mellowing of Kenya’s outright opposition to its inclusion in the WTO agenda. Indeed, and on the contrary, Kenya now favors a continuation of the clarification process before any formal commencement of negotiations on trade facilitation. Advisedly, it does not rule out nor oppose the possibility of initiating negotiations for modalities on the subject.

This is both a strategic and tactful approach; one that seeks to avoid gridlock on the most significant development issues in the post-Cancún period whilst limiting the expansion of further trade liberalization into all the four issues. Thus, Kenya paints a potential scenario in which a “give and take” environment is created to accommodate the demands of both rich and poor countries as a prerequisite to reconstructing the multilateral framework.

The fall out in Cancún has emphasized the need for this sense of pragmatism which on the balance, should unlock the benefits that developing countries have been craving for namely, addressing existing asymmetries and taking cognizance of the development dimension.

However, an important side-bust to this scenario, is that only limited progress can be secured in the ongoing negotiations unless developed countries deliver on the commitments made at Doha where the primacy of the development dimension was acknowledged as part of the Doha development agenda (DDA).

In Kenya, the predominant view is that future progress at WTO negotiations will be imperiled if developed countries persist in questioning and reinterpreting, rather than working towards a faithful and rapid implementation, of the Doha package.

### 1.3 A Road Map to Reform Proposals

Following the collapse of the Cancún talks, there is a shared unanimity that the WTO must move fast to reclaim lost ground ahead of the Sixth Ministerial in Hong Kong. Confidence building measures are needed to bolster the faith and confidence of developing countries in multilateral trade negotiations with a clear focus on various substantive and process issues.

*Asymmetries:* Complaints by developing countries regarding the mixed benefits and outcomes of the Uruguay Round agreements must be conclusively addressed before the WTO trade agenda is burdened further. It will be difficult for developing countries to negotiate effectively while existing problems in implementing current agreements have not been rectified and addressed.

*Institutional reform:* This needs to be activated in order to provide a stable and sound environment for conducting negotiations. The impetus, as widely suggested by both government and civil society, should be towards infusing democracy and transparency in decision-making and conduct of negotiations. This will contain and check the dominance of powerful cartels of industrialized countries while strengthening the negotiating voice and muscle of developing countries.

Institutional reform at the WTO is critical to redress the imbalances in-built in the WTO's historical development. The WTO itself originated from a negotiating process of unequal partners. The resultant agreements and decision-making processes were fundamentally determined by these inequalities in power relations. As a result, developing countries have viewed the WTO agreements as fundamentally imbalanced.

But Kenyan CSOs are wary that institutional reform may be less focused on addressing these shortcomings and more biased towards the call by both the US and EU for an overhaul of the consensus framework that defines the WTO. In the wake of a growing assertiveness by developing countries at the WTO, it is felt that Kenya and other developing countries will be more susceptible to pressure to negotiate plurilaterally which would reinforce the power of rich countries.

These concerns are not merely confined to Kenyan CSOs. The government too recognizes the need for institutional reform to secure the values of inclusiveness and transparency. The need for an organizational structure that allows countries to negotiate with sufficient policy flexibility and certainty is considered an important prerequisite.

Thus, the overarching concern is one of undertaking measures to create a transparent, democratic, all-inclusive and consultative decision-making process. Kenya views the enhancement of the credibility of the WTO system, especially in the wake of the Cancún failure, as both vital and urgent.

*Agriculture:* The agreement on agriculture (AoA) is clearly the most contested and one that ignites the most controversy of all the six WTO trade agreements. The failure to register meaningful progress at Cancún cuts it out as the issue that will be most contested in the post-Cancún period.

The Doha Ministerial conference in November 2001 agreed on a time-bound review of the AoA to address a number of systemic imbalances and concerns identified by developing countries. Under this framework, new trade rules on agriculture were due for completion by March 31, 2003 on the three key pillars of the agreement – domestic support, market access and export subsidies.

However, the wide differences between developing and developed countries – and primarily, the reluctance of developed countries to undertake far-reaching reforms – undermined progress and now threatens a timely completion of the review. Indeed, there was no agreement on modalities for agriculture in the build-up to the Cancún Ministerial which cast doubt over the possibility of achieving a time-bound review of the AoA.

In view of the strategic role of agriculture as a source of employment and livelihood security in Kenya and other developing countries, the inherent in-built inequalities in the AoA has resulted in strong calls for factoring in additional flexibilities. This has resulted in Kenya's articulation of several proposals on special and differential treatment. Among these include: a new special safeguard mechanism, protection against dumping through access to simplified anti-dumping provisions and the right to protect strategic crops through the use of tariffs.

*Public health:* As one of the prime movers on the declaration on TRIPS and public health, Kenya is still intent on securing a sustainable, predictable and legally secure solution to support access to life-saving medicines. Kenya has suggested the need for further clarification to the pre-Cancún compromise on public health to realize a more permanent and concrete solution that is effective and simple in facilitating access to affordable medicines.

#### **1.4 The Way Forward**

The collapse of the Cancún Ministerial has opened fresh opportunity to reflect on how best multilateral negotiations should be carried out with a view to maximizing benefits to developing countries. Kenya and other developing countries should insist on a review of the experience gained from implementing the Uruguay Round agreements based on both quantitative and qualitative data indicators. This would stimulate more attention to the Doha Development Agenda to ensure more positive developmental outcomes.

Additionally, there should be an examination and unpacking of the inequalities and excessive burdens that have been imposed under the existing WTO trade agreements. Political momentum should be engendered towards seeking a rapid and fundamental review of these agreements in the broader context of stimulating progress on the Doha Development Agenda.

Significantly, Kenya and other developing countries should insist on greater recognition of mutuality of interest and differentiation of treatment. This would mean that in the implementation of multilateral obligations on core areas like agriculture, a full recognition is made of different levels of development thus allowing countries at different

levels of development not to bear disproportionate costs and obligations in implementing multilateral agreements.

It will be important for developing countries to strengthen national processes on the WTO with a view to securing better co-ordination across line ministries and Geneva-based negotiators. More important, greater sectoral co-ordination will ensure a broader focus on the development agenda in line with the remit of the DDA.

In the post-Cancún period, the key emphasis should be towards ensuring that the multilateral system responds to the immediate development needs of developing countries. Kenya has highlighted the need for closer attention on improving provisions for special and differential treatment. It wants S&D provisions strengthened and made more effective to address the asymmetries within existing trade agreements. These provisions should seek to respond to the development needs of poor countries and secure sufficient scope for policy flexibility.

In the coming months, though, it is the stability of other groups such as the G20+, the Alliance for Strategic Products and Special Safeguard Measures, the broader LDC, ACP and AU grouping and the EU/US matrix which will be most critical in defining the pace and scope of the negotiations.

The success of forthcoming negotiations will largely hinge on accommodating their main development concerns to create a balanced outcome between the competing demands of both rich and poor countries.

In this regard, an early affirmation of the Doha development mandate would help temper their concerns and provide an important springboard in firming negotiations. While backtracking on the Singapore issues, already vigorously opposed by most developing countries including Kenya, could help send an important political signal, developed countries will be required and expected to show pragmatism at the negotiations. This could necessitate making concessions on some of the issues such as Kenya's indication of a willingness to concede on trade facilitation in exchange of an early harvest on other core issues on the negotiating agenda.

Following the collapse of the Cancún Ministerial, there is a growing sense of recognition on the need to be more adept at the negotiations to safeguard core national interests. The impetus must be towards securing tangible gains on priority areas like agriculture and ensuring that power shifts increasingly in favor of poor countries. But there are several imperatives which must be carefully weighed and considered to support this in the post-Cancún period.

*Building on strength:* Developing countries must invest more in negotiating skills. Negotiations at the WTO are pegged on countries trying to accommodate each other's interests. This will call attention on balancing the competing interests of individual countries to ensure that the benefits mutually reinforce each country's trade interests.

The aim should always be to create a win-win situation. To do so, countries must be able to clearly identify and articulate their key trade interests. Sufficient capacity must

exist to enable negotiators unpack various negotiating proposals and identify key elements that inform an individual country's trade interests. Thus, building trade capacity is an important starting point in the post-Cancún period.

*Bargaining chips:* It must be recognized that the negotiating terrain will change significantly post-Cancún. The urgency to complete outstanding negotiations and the push to introduce new issues creates a dynamic environment in which countries will be required to make trade-offs. Understandably, trade-offs tend to favor countries with sufficient flexibility to make offers. This would tend to disadvantage most developing countries like Kenya which, after many years of implementing structural adjustment programs, experience structural weaknesses in their economies and are thus constrained in making concessions. In the circumstances, they could potentially negotiate from a position of weakness.

*Solidarity:* The extent to which countries can benefit at multilateral negotiations is to a certain extent hinged on identifying and forging tactical alliances. Countries that negotiate individually are often exposed to undue and enormous pressure which undermines their capacity to defend strategic trade interests.

Collective negotiation with like-minded countries spreads and evens out such pressure which makes it more difficult to target and isolate individual countries or overlook their key demands. For this reason, developing countries must carefully and consciously identify strategic allies with whom to bargain at multilateral negotiations.

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## Post-Cancún Fall Out - A West African Perspective

By Yakubu Zakaria

The stalemate that ended negotiations at the recently concluded Fifth Ministerial Summit of the World Trade Organization (WTO) in Cancún - 2003 was greeted with euphoria in many West African countries including Ghana and Nigeria. The deeper reason for the rejection according to West African observers was the non-transparent and undemocratic process of drafting the WTO text in Cancún. The collapse of the negotiations further revealed fundamentally entrenched positions among the rich, middle-income and poor nations. The events culminated in the division of WTO members along polar paradoxical lines of the 'North and South', with acronyms such as the G7, G20, and G90 gaining further currency. Not surprisingly, the first few weeks after Cancún were characterized by the distraction of many countries through what became known as the "blame game" and the peddling of hints of accusations about who caused the failure of the Fifth Ministerial Summit of the WTO in Mexico. Many observers in West Africa also saw the stalemate as a strong signal to the economically advanced countries that developing countries have come of age in the global trade negotiations.

In retrospect, there were varied interpretations amongst stakeholders as to the likely effects of Cancún failure on the world economy and West Africa in particular. Amongst governments and non-governmental organisations in West Africa, there was a general feeling that Cancún was a success for developing countries. Many West Africans particularly celebrated the non-adoption of the Derbez text. Nevertheless, there were also misgivings amongst all the stakeholders that the failure of Cancún will allow developed countries a free-ride until the next Ministerial. Consequently, developed countries are expected to continue flouting WTO rules until such time that sanity and transparency are restored in the organization. For West African NGOs, the decision to end the meeting without any substantive declaration was a major setback. In particular; non-governmental organisations are worried about the spectre of uncertainties that will continue to haunt WTO negotiations following Cancún failure. Notwithstanding these setbacks the stakeholders have reaffirmed their commitments towards the Doha Declarations and Decisions.

### **West African Governments**

In the English speaking West African countries of Ghana and Nigeria, the governments held a series of Post-Cancún conferences to deliberate on the effects and strategies for future negotiations. Nigeria, in particular, is very much concerned that nothing tangible came out of Cancún. The series of Post-Cancún meetings in Ghana and Nigeria revealed that agricultural issues were primarily in the forefront of government and non-governmental discussion. Nigeria is particularly worried about the impact of dumping after the Cancún failure. This concern has compelled the Obasanjo government to introduce a new anti-dumping trade policy in January 2004.

In Ghana, the main concern of the Cancún failure has been on market access for non-traditional and traditional agricultural produce such as pineapple and cocoa. The Ghanaian government is worried that in spite of the fact that West African countries including Ghana, Cote d'Ivoire and Nigeria produce nearly 90% of the world's cocoa only 4% of global chocolate is produced from the sub-region. This according to the government is due to 'the distortionary effects of tariffs' on agricultural produce imposed by the developed countries. Consequently, raw cocoa beans attract 0% tariff at the EU whereas processed cocoa and especially chocolate attracts 18% tariff. Thus tariff escalation is used to discourage value addition in developing countries. Primary products from West African countries can only become competitive if Northern subsidies and tariffs are removed. The general feeling is that very little can be achieved in global trade after the failure of Cancún. This has become apparent in view of the fact that America is in an election year, and little or absolutely no compromise can be expected from her. Nevertheless, there is still some amount of confidence amongst the West African governments about the future the WTO. The majority of the NGOs in these countries however share a contrary view.

In the Francophone or French-speaking West Africa, the biggest bone of contention for governments in these countries has been cotton, a commodity that represents a major dispute over agricultural trade at the WTO. The countries are most affected because more than ten million rural dwellers in these countries directly depend on cotton as a means of livelihood. In Burkina Faso for instance two million of the country's 11 million people depend on cotton for their livelihoods, while an estimated five million depend on it indirectly. Invariably, the Francophone West African countries were more severely affected than Brazil in the cotton saga.

In communiqués jointly issued in Dakar, Bamako, Ouagadougou and Cotonou the West African Network of Peasant Organization and Agricultural Producers (ROPPA), the African Cotton Companies' Association expressed their concern about American and European subsidies resulting in the demise of the cotton sectors of their respective economies. In particular they saw the American initiative as a violation of the Peace Clause of the Agreement on Agriculture (AoA). The Peace Clause prohibits agricultural subsidies on any product exceeding the 1992 ceiling. Ironically, the United States' subsidies on cotton since 2001 have been equivalent to twice this ceiling.

In Burkina Faso, the governments recently expressed its concern regarding the distortionary effects of further liberalisation in its impoverished economies. The most pressing issue currently on the agenda of French West African governments is how to fight American subsidies on cotton. The subsidy on American cotton has caused them losses mounting to US\$334 million between 1999 and 2002. Governments and non-governmental organisations in French West Africa are more united on cotton. Consequently, any future negotiations between these countries and the WTO would hinge on cotton, northern subsidies and market access. For over two decades, the economies of many Francophone countries including Burkina Faso, Mali, Senegal, Central Africa Republic, Cote d'Ivoire, Benin Republic, Togo, and Cameroon have suffered severe setbacks as a result of huge subsidies in the north and from competition of synthetic yarns and fabrics from Asia and Europe. Today, the US spends US\$ 6 billion a year on cotton

subsidies alone. The plea from Francophone countries is that their countries are losing substantial amounts of export revenue as a result of Northern subsidies on cotton.

### **West African NGOs, Reform Proposals, and Strategies After Cancún**

The non-governmental organisations in West Africa in the aftermath of Cancún negotiations have continued to place emphasis on substantive issues and about rules at the WTO. In Ghana and Nigeria, the NGOs have been very critical about the Singapore issues, which led to the collapse of the negotiations. At a post-Cancún workshop organised by the Nigerian Trade Network (NTN) in Abuja in early December 2003, participants unanimously agreed that "follow-up negotiations by the WTO on agriculture would not yield fruitful results in view of existing entrenched positions between developed and developing countries". Nevertheless, Nigerian NGOs are concerned about ongoing multilateral and bilateral negotiations between the government and the developed countries. They are particularly of the view that "bilateral agreements such as the AGOA and EU-ACP can be used by the developed nations to subvert any other gains made by African countries in Cancún".

Introspect, the barrage of criticism that built up against the WTO regime prior and after Cancún stems from a myriad of factors. Principally, West African observers see the terms; aims and effects of the WTO agreements over the years, as well as the way the organisation conducts its activities as grossly imbalanced. Events at Cancún have led to a rethinking in many West African countries for alternatives to the WTO regime. The Post-Cancún workshops and deliberations organized by governments and non-governmental organisations in the West African sub-region were largely focused on alternative tactics and strategies in their transactions with WTO. Invariably, many West African countries including Ghana and Nigeria have in recent times been calling for the strengthening of regional economic institutions such as the Economic Commission of West African States (ECOWAS). With a population of over 250 million people, the ECOWAS market for instance portends a viable option to many of its members.

A Post-Cancún workshop held in September 2003, in Accra, Ghana by non-governmental organisations observed that "West African countries were better organized and able to articulate their interests in Cancún than in previous WTO meetings". It also observed that a broad spectrum of governmental and non-governmental organizations from the North and South including the Third World Network (TWN), Oxfam GB, Christian Aid and Action Aid must take credit for educating and mobilizing relevant stakeholders before the summit. The forum observed that the key question for African countries represented at Cancún was on how to proceed on substantive issues.

Reflecting on the recent developments in Cancún, the Deputy Secretary General of the General Agricultural Workers (GAWU), Mr. Kingsley Ofei observed that "we need to realise, that WTO and trade cannot be ignored" because of their "devastating effects on our population". Similarly, at the 6<sup>th</sup> Annual Review and Post Cancún Strategy Meeting held in Accra Ghana between 2 – 5 December 2003, civil society organisations under the aegis of the Third World Network (TWN) made the following declaration:

- We have together with thousands of civil society organisations all over the world, opposed to continued attempts by the manipulations of industrial countries of the North that dominate the economic system of the world to further open up the economies African and other developing countries for the benefit of their trans-national corporations.
- We hope that the collapse of Cancún conference would lead to the abandonment of the undemocratic practices at the WTO.
- We reiterate our position that agreements, processes and the institution WTO are imbalanced against African and developing countries.
- We reaffirm the basic demand of civil society as contained in the global civil society platform statement of "Shrink or Sink", that the entire WTO institution must be transformed or face total collapse. In pursuit of this we demand the following:
  - a. That all four of the Singapore issues be dropped entirely from the programme.
  - b. We reject the Derbez text as a basis for developing a framework for discussion on agriculture, as it would lead to an outcome that would favour developed countries at the expense of African countries.
  - c. We urge the strengthening of developing country alliances forged for Cancún agriculture in particular between G20, and the SP and SSM alliance.
  - d. In solidarity with the African cotton producers, we support the proposal submitted by these countries for redress.
  - e. We call for the reinstatement on the comprehensive proposal review of TRIPs as put forward by African countries.
  - f. We reject the negotiations for Economic Partnership Agreement, which would not ensure free trade between the African region and the EU.
  - g. Regional integration of Africa must be pursued on their own without independently of the EPA processes.

## **Conclusion**

Following logically from these arguments and conjectures, West African countries are wary of the WTO agenda being more focused on the global economy without reflecting identified needs and criteria within their respective countries. Consequently, governments and NGOs from the sub-region are united on the fact that the WTO is not a fair institution, however, they differ greatly on how to tackle WTO related problems. While the governments are generally more favourably disposed to conservative approaches because of bilateral and multilateral commitments, the NGOs in contrast want more radical and proactive methods in dealing with the current issues. Generally, West African countries are in favour of the removal of the most blatant inconsistencies and anomalies identified in future WTO negotiations. Above all, they want provisions to be made for regular, independent external monitoring of the functioning and effects of all WTO agreements, rather more impartial and holistic than currently constituted by WTO regular and special review processes.

Invariably, the allowance for the continuation of direct and indirect subsidies and other governmental supports to agriculture in the highly industrialised and economically advanced nations is regarded as one of the blatant of the many inconsistencies of WTO. West African countries are also concerned that the WTO agreement on subsidies as being particularly unproductive. Accordingly, the governments and non-governmental organizations are currently adopting strategies to identify the hurdles in the WTO and how to overcome them. In line with this objective, the Economic Commission for Africa (ECA) and Ghana held a Post-Cancún meeting at Addis Ababa, Ethiopia, on 28<sup>th</sup> November 2003.

In particular, the countries are questioning why disputes under the anti-dumping agreement mainly used by developed countries e.g. the US, as protectionist devices against competitive exports from West African countries, are expressly excluded from submission to the WTO's dispute settlement system. As a counter strategy the West African countries have stressed the need to provide a certain amount of 'space' for their countries including the Special and Differential Terms (SDTs). This was originally negotiated under the General Agreement on Tariff and Trade (GATT) in the pre-neo-liberal development era. Over the years however, the adoption and adaptation of the SDTs has not worked satisfactorily. This stems from the recognition that the treatment of the unequal as equals is basically inequitable. Ironically, the 'differential' rights and exemptions are under constant pressures from within the WTO and undermined and contradicted by programmes outside the WTO mainly by the International Financial Institutions (IFIs) such as the World Bank and the IMF.

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## Cancún Points the Direction of Lula's Foreign Policy

By Fátima V. Mello

Brazil had never experienced such a broad public debate over the World Trade Organization (WTO) before the recent Ministerial Conference in Cancún. The mainstream press, television, and the alternative press placed Cancún at the top of their slates, and for a clear reason: Cancún was the litmus test for the new Administration's foreign policy. Although Lula took office last January, he had still not shown Brazilian or international public opinion what kind of stance he would take at the international trade negotiating tables.

Before Lula's first year in office, a Brazilian Administration's foreign policy had never occupied such a central position in the public debate. In an inventory of Lula's first year, the mainstream *O Globo* newspaper reported that "in recent history there has never been a Foreign Minister with such an outstanding position in the Administration and with such great visibility in Brazilian society as Celso Amorim. In the last three months, Brazil's foreign policy has been in the spotlight of events, projecting a positive image of the country. And this certainly boosts people's self-esteem. In addition to Lula's official trips, there was the success in Cancún, the setback in Trinidad and Tobago, and then the tense negotiations with the United States over the FTAA, resulting in a change in the Area's framework which is closer to what Brazil has recommended. The year 2003 is now drawing to a close with an achievement of the utmost importance for South American integration: the trade agreement between Mercosur and the Andean Community"<sup>67</sup>.

This article is intended to summarize the current state of the intense debate in Brazil over Cancún and its spin-offs, indicating some of the key perspectives among different players concerning the current and future role of the WTO.

### **WTO and South American Integration are the Priorities**

To understand the current debate over Cancún in Brazil, it is important to keep two factors in mind: first, the Brazilian government considers the WTO an absolutely crucial and irreplaceable forum for its interests, because within this multilateral organization it is possible to negotiate a more balanced correlation of forces. Second, in addition to the priority ascribed to the WTO, Brazil – always negotiating collectively with Mercosur – is conducting negotiations to reach regional trade agreements with the European Union, the Andean Community, and within the sphere of the FTAA (Free Trade Area of the Americas), in addition to having launched or renewed a dialogue over the course of 2003 with African and Middle East countries, besides an initiative for integration between Brazil, India, and South Africa. In other words, Brazil's foreign policy in the trade area sees a broad range of negotiations as the "game board" on which the country should seek permanent equilibrium in order to achieve its best interests.

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<sup>67</sup> *O Globo*, December 20, 2003.

For example, even as it wagers on the G20, Brazil is making efforts at constructing South American integration, a longstanding and top priority for Brazilian diplomacy. Important steps were recently made in this direction with the signing of the Mercosur-Peru agreement, followed just a few weeks later by the announcement of the agreement between Mercosur and the Andean Community.

Given that the priorities are South American integration and reinforcement of the WTO's multilateral framework, Brazilian diplomacy has wagered on the emptying of the FTAA "game board", where it is aware that the correlation of forces is highly unfavorable to Brazil. Recent trends in the negotiations leave no doubt as to the Brazilian strategy to attempt to maintain the WTO threshold and move as far away as possible from the NAFTA (North American Free Trade Agreement) model, which extrapolates the WTO rules in various aspects<sup>68</sup>: the result of the last Ministers' Meeting in Miami stemmed from the Brazilian proposal for an agreement between the 34 countries of the Americas (except Cuba) with minimum common commitments which do not go beyond the WTO rules (but maintain the broad agenda of issues under negotiation); based on this minimum consensus, the countries could negotiate broader additional agreements with a bilateral or multilateral format.

### **How the Brazilian Government Views Cancún**

Based on coverage by the mainstream press, analyses by government agencies, and interviews by Minister Celso Amorim in the Senate concerning Cancún, Brazil continues to focus maximum diplomatic efforts in order for the WTO to continue to occupy a central role. In other words, it would go against Brazil's interests if the WTO lost importance and the developing countries had to face the developed countries under the more unfavorable conditions involved in bilateral or regional negotiations, without the WTO's multilateral framework as a consistent reference.

Therefore, the government vehemently rejects any and all attempts at holding Brazil responsible for Cancún's failure. According to the government, the reasons for the collapse at Cancún included contradictions from Doha, both on the question of new issues<sup>69</sup>, which overloaded the Cancún agenda, as well as (and principally) the lack of commitment by the United States and the EU to honoring the Doha agreements on agriculture – for example the proposal submitted by the US/EU a month before Cancún, undermining any possibility of implementing the so-called "development agenda" and producing a polarization in agriculture on the eve of the Ministers' Meeting. Another problem was the lack of skill in conducting the meeting, beginning with the draft for a Declaration of the Ministers presented by the chairmanship of the General Council before the arrival in Cancún, which contained a blatantly biased vision: while incorporat-

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<sup>68</sup> One of the most famous examples of the WTO-plus provisions contained in NAFTA is the investor-to-state clause in Chapter 11 (Investments), which allows private investors to sue governments if they feel that national laws can jeopardize their potential profits. After nearly a decade of NAFTA, this clause has given rise to various court cases, in which there is a clear trend towards loss of decision-making capacity by states on policies and regulations in the areas of environmental protection and public services, among others.

<sup>69</sup> The so-called new issues, or Singapore issues, are the following: investments, government procurement, competition, and trade facilitation.

ing elements from the US/EU proposal, it ignored proposals on agriculture from the group of countries which would come to be known as the G20.

For the Brazilian government, the key issue is agriculture (followed by TRIPs and public health). Brazil focused maximum effort on the creation of the G20 precisely in the attempt to unlock the agricultural negotiations. According to Minister Celso Amorim, the G20 countries placed all their political and technical capacity in submitting solid proposals that served countries with different sizes and interests and guaranteed the possibility for joint action by the group.

Although Brazil continues to reiterate that agriculture is the key issue for G20, and that any attempt to expand the group's action is difficult, of course a group including such countries as Brazil, India, China, and South Africa, among others, will have geopolitical implications that cannot be overlooked and that will affect the prevailing balance of forces in the international system. Regarding trade relations, bilateral dialogues have begun to emerge within the G20, in addition to discussions between blocs of countries, demonstrating that the buildup in relations among G20 members may have another expected result beyond unlocking agricultural negotiations in the WTO.

An important spin-off of Cancún was a meeting of the G20 in Brazil last December 12. The declaration by the attending Ministers<sup>70</sup> highlights the need to fully achieve the objectives of the Doha Agenda, calling for an intensification of negotiations in 2004 and highlighting that the needs of countries that depend on preferences should be taken into account, thus opening the way for fuller exploration of areas of convergence between the G20 and the African Group.

In short, the Brazilian government's assessments of Cancún point to some key ideas that will orient the country's next steps in the negotiations in Geneva, namely: consensus will only be possible if the negotiations are true to the Doha mandate; agriculture is central to the Round and will underlie the other areas; it is no longer acceptable that agreements between a handful of countries form the basis for consensus; the only way of achieving consensus is to seek non-exclusionary commitments which take the interests of the various WTO members into consideration.

It is important to highlight that in Cancún, for the first time, the Brazilian government not only allowed, but encouraged participation by NGOs, social movements, and trade unions in the official Brazilian delegation. Of course these players did not actually participate (and continue not to participate) in the process of formulating the official positions submitted to the negotiations by the Brazilian government. But the fact that they were included in the delegation and thus had access to the meetings is an unprecedented fact for the WTO which had spin-offs for the FTAA negotiations as well, since these nongovernmental players have joined the government delegations (both in Trinidad and Tobago, during the meeting of the Trade Negotiations Committee, and in Miami, at the 8<sup>th</sup> Ministerial Conference of the FTAA).

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<sup>70</sup> Attending the G20 meeting in Brasilia were delegations from Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Philippines, South Africa, Tanzania, Venezuela, and Zimbabwe. Ecuador and CARICOM sent representatives. The Director-General of the WTO Supachai Panitchpakdi and EU Trade Commissioner Pascal Lamy participated as special guests.

## **How the Brazilian NGOs and Social Movements View Cancún**

The G20 is built on a three-track approach: elimination of subsidies that distort agricultural trade and production, the search to expand access to markets, and the recognition of needs related to food security for domestic development (that require effective mechanisms for special and differentiated treatment). In the eyes of the Brazilian NGOs and social movements the latter point is the most important, and it was the creation of G20 that allowed for its inclusion on the Brazilian diplomatic agenda.

According to Brazilian NGOs and social movements, the country's interests cannot be limited to the need for expanding agribusiness exports as a function of macroeconomic policy options. The NGOs and social movements contend that family and peasant farming, crucial for supplying the domestic market and thus for food and nutritional security, is long overdue on Brazil's foreign policy agenda, in the sense of defending it from indiscriminate liberalization and avoiding its exposure to competition from major multinational food companies.

Despite having publicly praised Brazil's strategic effort in the creation of G20, the country's NGOs and social movements identified two critical points: first, Brazil fails to prioritize the defense of family and peasant farming, and it was necessary for other countries, especially India, to raise this point as a priority for its domestic development (had it depended on Brazil, the issue would not have entered the G20 agenda). Second, Brazil has not even supported the initiative by seventy countries (led by Malaysia) to resist the inclusion of new issues. At the end of the Ministers' Meeting, Brazil had agreed to separate the four Singapore issues and had signaled its agreement to negotiate at least one of them – trade facilitation – while signaling that it would not offer resistance if negotiations on government procurement were limited to issues of transparency.

The perspectives of the NGOs and social movements on Cancún and the WTO in general vary on a wide range of issues and can be summed up schematically in two major fields:

- 1) One basic segment of Brazilian NGOs and social movements criticizes the basic principles of the WTO, that is, the pursuit of growing trade liberalization as the road to economic growth. This view contends that the WTO rules only benefit the large global corporations and financial capital, keen on freeing themselves from any type of regulation established by national legislations. The WTO agreements, in this view, do not serve to regulate the corporations' activity, but rather to limit the capacity of governments and to prohibit them from regulating the corporations. According to this line of argument, the developing countries should discover ways of freeing themselves from the vicious circle of having to export more and more to generate foreign exchange to honor commitments to pay the interest on their foreign debts. In other words, they should focus on the needs of their domestic markets, valuing the diversification of local production, with the additional advantage of shortening the circuits between producers, distribution, and consumers, saving the energy expended on transportation to consumer centers far removed from production. In short, the challenge is to work for de-globalization and thus for the creation of alternatives to the WTO and its rules, since the principles underlying its agree-

ments - national treatment, most-favored-nation, progressive liberalization, etc, - treat unequal countries with huge asymmetries as if they were equal and thus end up producing more inequalities.

- 2) According to another segment of Brazilian NGOs and social movements, the WTO's problem is that its rules are distorted and that double standards are applied which especially penalize the poor countries. They contend that international trade should be governed by multilateral rules, in the absence of which, countries with less power are left at the mercy of the more powerful. According to this line of argument, the more favorable correlation of forces for the poor countries launched in Cancún – with the creation of the G20 and alliances between LDCs (least developed countries), ACP (Africa-Caribbean-Pacific), and the African Union – could open positive possibilities for reform and democratization of the WTO. According to Adriano Campolina of Action Aid “With this new balance of power, Cancún became an opportunity for substantive progress on issues demanded by the developing countries. The failure means the persistence, although for a given period, of the unfair rules that benefit the rich countries. Still, since the proposal for the final declaration did not reflect the new balance of power generated by the coalitions of developing countries, it was better to have no agreement than to have a detrimental agreement that would waste this new political situation. In addition, while it is true that it was not possible to achieve progress in agriculture, it is also true that the developing countries succeeded in blocking an aggressive offensive for opening negotiations on new issues. In short, the developing countries emerged from Cancún united and strengthened. Upon returning to multilateral trade negotiations, these countries will be in a better position than Cancún to substantially alter the trade rules.”<sup>71</sup>

Despite these different perspectives, there is no doubt that in light of the Brazilian government's protagonism in international trade relations, the country's NGOs and social movements should tackle the challenge of moving beyond domestically-focused action and begin to work more actively in building international alliances with other players from civil society. After all, the linkages in G20 and the initiatives for regional integration need to be monitored by the nongovernmental players and should be pressured by interests from society. The analytical capacity of these players should be expanded, for example, in the sense of advancing the debate on the kind of expansion in the G20 agenda that may interest civil society, or the significance South American integration may have in the sense of differentiating itself from the creation of one more free trade area, or whether civil society organizations should invest in the debate on building common food security policies for the Southern Cone.

### **Future Perspectives**

The collapse of Cancún signaled something deeper than the meeting's impasses per se (an overloaded agenda, poor handling of the final negotiations, etc.). In reality, WTO's crisis of legitimacy has become increasingly visible since Seattle, involving the huge concessions the poor countries had to make in Doha in order to reach a consensus. This

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<sup>71</sup> Campolina, Adriano, “Significados e Desafios do Colapso de Cancún” [The Meanings and Challenges of the Collapse of Cancún], Action Aid, October 2003, mimeo.

crisis has two key factors. First, Cancún showed once and for all what Seattle had already exposed concerning the anti-democratic decision-making process: the poor countries no longer accept the imposition of decisions made in the “green-room”, mini-meetings of Ministers, or exclusively by the “Quad” (USA, EU, Japan, and Canada). Creation of the G20 is a direct response to this demand for a more balanced correlation of forces, and the United States and the EU showed in Cancún that they are not willing to give in to more democratic forms of decision-making; in post-Cancún these countries began to invest more incisively in bilateral and regional agreements and even defend the multilateral format for negotiations within the sphere of WTO.

Second, the WTO reveals that behind the impasses are many doubts as to the pertinence of the liberalizing premises that gave rise to the WTO in the first place. Not even the developed countries, which defend the liberalizing rhetoric, prove willing to apply to their own economies the policies they defend for other countries, although they continue to defend and even impose them on the countries of the South. One should also remember that the inclusion of new issues, and thus the expansion of the WTO’s mandate, has been defended by very few countries, notably the USA, EU, and Japan. In other words, the overwhelming majority of countries are not prepared to turn crucial areas of their economies and their social spheres into the object of trade negotiations.

In reality, the discussion on the future of the WTO should begin by attempting to circumscribe it to a multilateral organization that deals exclusively with trade, thus interrupting the growing trend to focus its mandate on issues involving limited decision-making power by member countries. This position is frequently defended by the government of Brazil: the WTO should not adopt rules that limit the ability of countries to decide on which public, industrial, social, and development policies they wish to implement.

The year 2004 will be crucial for the future of the WTO, since if there is no progress towards the conclusion of the Doha Round, very little will be left of the organization’s already weakened legitimacy. There will be important moves on Brazil’s part. On the one hand, the country will continue to focus efforts to strengthen the role of the G20 and thereby give new hope to the Round and even meaning to the very existence of the WTO. On the other, Brazil will be hosting UNCTAD XI in June, and various governmental and nongovernmental players wish to turn the meeting into a moment for in-depth debate on the rules of the multilateral trade system. There is news that the G20 will hold its next meeting in Brazil again, during UNCTAD XI. In addition, no less important will be the final and decisive Meeting of Ministers of the FTAA in 2004, also in Brazil, which will play on the “game board” according to the existing possibilities and limitations in the process under way in the WTO.

The directions this debate takes in Brazil basically depend on the capacity of the Ministry of Foreign Relations to continue maintaining its protagonism, within the government, in leading the negotiations. This is important if we consider that this protagonism was questioned and even attacked by various business sectors when Brazilian diplomacy began to play tougher in the FTAA negotiations during the meeting of the Trade Negotiations Committee in Trinidad and Tobago. In fact, while agribusiness and other industrial sectors interested in expanding exports and access to markets are accustomed

to reasoning exclusively according to their own sectoral and private interests, the Ministry of Foreign Relations is a player capable of organizing the set of interests prevailing in Brazilian society as a whole, which are necessarily multiple and frequently at odds with each other.

Among the intense disputes existing in all areas of Brazilian domestic policy concerning the direction taken by Lula's government, perhaps those related to foreign policy are the ones that point most clearly to an attempt at a balance of interests, and perhaps this is why the area has been both the most innovative and the most democratic thus far in the Lula Administration.

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## Mexico: The Champion of Free Trade's New Restraint

By Gerold Schmidt

A mere two weeks after the failure of the 5th WTO Ministerial Conference in Cancún, Brazil's President Lula arrived in Mexico for a short official visit. Without mentioning the United States, Lula expressed his conviction that Mexico and Brazil should cooperate in diplomatic, political and economic matters in order to consolidate a leading role in Latin America and to combat poverty and defend their common interests against other blocks. At the FTAA (Free Trade Area of the Americas), said Lula, it is the members' task to negotiate with each other "as equals". As of January 2004, the Mexican government under President Vicente Fox had not yet commented on Lula's call to close ranks. The motto, understandably, seems to be "wait and see" and keep a low profile in the WTO and FTAA debates. Both the economic and increasingly political proximity to the United States requires courage to go out on a limb. Furthermore, the Latin American countries have seen how fast a G20plus can become a G20minus, when flocks of small countries (Peru, Columbia, Ecuador, Guatemala, El Salvador, Costa Rica) abandon the project – quite a discouraging experience.

### **Post-Cancún: Government and Business Reconsider**

Nevertheless, Cancún did not fail to leave its mark on the host country, which in the past supported the expansion of free trade and corresponding agreements almost unconditionally. Yet it is difficult to assess in detail how the Mexican government perceived and judged the failure of the WTO Conference. As regards the topics WTO, FTAA or Plan Puebla Panama neither the Ministry of Economic Affairs nor the Foreign Ministry excel at discussing them thoroughly and in public. Still, the sum of diverse statements from the government do give us the overall picture of the government position.

Mexico was a member of the original G20plus and initiated the resistance against the inclusion of the Singapore agenda (protection of investors, competition, transparency of public procurement, easing of trade restrictions) in the WTO negotiations. Furthermore, it opposed highly subsidized agriculture in industrialized countries. But unlike many non-government organizations in the country, the government does not think that the inconclusive end of the conference is a success, as there is no alternative to the WTO. Eduardo Ramos, WTO coordinator in the Finance Ministry, exemplified it clearly a few weeks after Cancún: "The function of the WTO as an instrument to open markets and determine the guidelines remains valid and may not be questioned". Additionally, says Ramos, the Mexican delegation's speaker during the ministerial conference, a cutback in agricultural subsidies would only work in the context of the WTO negotiations. He does not see a future conflict between bilateral and multilateral trade agreements. They should complement each other. Yet, significantly, he did not dare make a prognosis about the continuation of the WTO negotiations.

During the 11th APEC Summit in Bangkok last October, President Vicente Fox proposed returning to the old WTO dynamics in order for the organization to achieve their

objectives for 2005: a world market without restrictions, without subsidies, without customs duties and tariffs and “justice for all nations”. To his critics, this four-fold goal is merely wishful thinking – that means: impossible. The government avoids concrete public statements and a clear position on the WTO. When representatives of the G20plus states met in Buenos Aires on October 10 and 11, neither Mexico’s Foreign Minister Ernesto Derbez nor his successor in the Finance Ministry, Fernando Canales, attended. The Mexican government does not comment on events such as the unsuccessful attempt of the WTO ambassadors to meet in Geneva to agree on a new round of negotiations.

After the WTO Conference free trade is no longer the darling of the Mexican government – as the changed attitude towards bilateral agreements demonstrates. The relatively insignificant free trade agreement with Uruguay was just barely signed on November 15, while a final attempt to reach a trade agreement with Japan in December failed completely. Negotiations, which a few months before Cancún seemed to be heading directly towards expanding Mexico’s position as the champion of free trade, failed because of Japan’s agricultural subsidies. In the course of the negotiations, Mexico’s tone was unusually harsh. Last October, President Fox took the lead in Tokyo: “We will (only) sign an agreement if it is highly advantageous for Mexico”. That was the first time he indicated a possible failure. Later, Economics Minister Fernando Canales demanded “more flexibility” and in November he added: “It is better not to sign a trade agreement with this nation than to have a bad agreement.” Whether the agreement with Japan, which officially is not ‘dead’ yet, will come about at a later date is questionable.

But the real surprise is that the free trade negotiations that were initiated with Panama, Singapore, Argentina, Korea, New Zealand and Australia have been put on ice. According to Canales, who has been in office for one year, existing agreements must be consolidated and their potential must be used. The government has finally realized what the critics from its own business community, NGOs and academia have been saying for a long time: Free trade agreements do not have a value in themselves and aside from the controversial NAFTA agreement, free trade agreements have not altered the dynamics of the economic relationships to trade partners very much.

According to Canales, the decision to suspend negotiations with the countries mentioned above was reached with the consent of the business community. Mexican business people do not agree on the question of free trade. Naturally, the business representatives for foreign trade who have set their stakes on tapping new markets are less amenable to the government’s new reserve. However, within the Mexican Business Organization CCE there are many members who demand an end to the free trade euphoria, says the CCE President Héctor Rangel. In their opinion the competitiveness of Mexico’s economy has to be improved first. This position existed before Cancún but certainly it gained in importance within the trade associations and is now a clear demand on the government.

The government’s restraint does not mean that it has abandoned its former economic policy. Rather, it is a matter of nuances and breathing space. It is interesting that after Cancún, Mexico is not placing all its stakes on bilateral negotiations but would rather

strengthen multilateralism. “Now the globalization process and integration will proceed with the help of international organizations such as the WTO”, says the Finance Minister.

### **The China and NAFTA Factor**

The WTO Ministerial Conference should not be held solely responsible for the government's new reserve. Two additional factors must be named: China's emergence on the world market and the evaluation of ten years of NAFTA, which recently has been a topic of much discussion. As to China, it is the country that is displacing Mexico as the second most important trade partner of the US. Furthermore, cheap Chinese imports are putting pressure on companies that produce for Mexico's own market. Like with NAFTA, Mexico suffers from the combination of a liberalization of trade and insufficient preparation of its own economy .

NAFTA's net result is sobering, despite the tripling of trade volume with the USA. In a report published by in mid December, the World Bank mentions that the agreement's promise to turn Mexico into an equal trade partner of Canada and the United States was not fulfilled. The former Minister of Foreign Trade, Luis Bravo, admits: "We thought that everything would happen by itself, that the mere fact that we had a trade agreement would solve everything else. It was even said that the best industrial policy would be to have none at all. Now we can see that it is not true." And Angel Villalobos, permanent secretary for international trade negotiations of the Ministry of Commerce in a comparable position, speaks of a possible "excessive discourse". Villalobos also admits that small Mexican companies (small and medium-sized companies make up only slightly more than five percent of Mexican exports) and the southern federal states as a whole have virtually not profited from NAFTA. He sees deficits in the administration in tackling the structural problems of the country and in offering sufficient support to the weak sectors.

The study *Lecciones del TLCAN: El alto costo del "libre" comercio* (NAFTA-lessons: The high price of "free" trade), published in December and authored to a great extent by the Mexican network opposed to free trade (RMALC - Red Mexicana contra los Acuerdos de Libre Comercio), summarizes the less than spectacular NAFTA results for the majority of the Mexican population despite the enormously increased trade exchange with the USA:

- Only a small number of large export companies control foreign trade and they are largely disconnected from the rest of Mexico's economy.
- The contract has had a much smaller effect on employment than its supporters predicted. During the first three years under Fox's government unemployment even rose slightly.
- Calculated in Pesos, the salaries in Mexico are lower than before NAFTA.
- The prices for the sample of goods rose at a considerably higher rate than the prices the farmers were paid for their products. Producers of basic products such as corn, beans, grain, rice and meat suffered the most under the opening up of trade. The vegetable-agriculture industry on the other hand experienced an upswing.

- The predicted diversification of the economy did not come about. 45 percent of export revenues come from the Maquila sector but the percentage of input bought in Mexico for this semi-manufacturing industry is still only three percent.
- Migration to the USA was not stopped by NAFTA.
- The average Mexican economic growth during the NAFTA period is a mere 1 percent and thus is lower than the growth of comparable sections.

### **The future: WTO and FTAA**

Mexico's signals on FTAA are contradictory: On the one hand, the public cannot tell whether it is the Finance Ministry or the Foreign Ministry which is in charge of the negotiations. Officially this is referred to cooperation, the media refer to it as power struggle. How important the agreement really is for the government in view of existing agreements with most of the countries of the continent is a matter of speculation.

President Fox, a conservative, surprised his audience in mid November during the 13th Ibero-American summit in Santa Cruz, Bolivia, by declaring that FTAA's main objective must be the "social and economic development of the smallest, poorest, most backward economies, otherwise it would make no sense to create a continental zone for free trade". The contract's signature could depend on the fulfillment of this objective. And "no one is to think that FTAA's sole objective is to establish a mechanism for trade and to provide big countries with a market in small countries."

Almost simultaneously, however, Fernando de Mateo, who is the official responsible for international trade negotiations in the Finance Ministry, declared that FTAA was an instrument of "utmost importance" that eliminates the need for individual agreements with, above all, **Mercosur** countries. De Mateo, who emphasized the interdependence of the discussion level at the WTO and FTAA, has repeatedly favored an increased liberalization of the Mexican industrial branches. Goods and services should be able to circulate on the American continent with a minimum of limitations. His statements contain very few indications that there is a basic reorientation in economic policy. The Minister of Finance, Fernando Canales, displayed his dissatisfaction with the "progress" of Miami when speaking to a Mexican parliamentary commission, indicating that he thought that it was neither profound nor inclusive. He criticized that the abolition of agricultural subsidies was not included in the agenda.

Whether permanent lessons can be drawn for future WTO and FTAA negotiations will become evident during the coming weeks. An extraordinary summit of the Organization of American States was held in the Mexican city of Monterrey on January 12 and 13, and 34 heads of state of the member states attended. Against the expressed resistance of Brazil, Argentina and Venezuela, the USA managed to incorporate a paragraph on FTAA in the final declaration. Among other it states that: "... we support the ministerial agreement on the structure and the adopted time frame for the successful conclusion of the FTAA negotiations within the time frames envisaged ...". During the summit, Mexico adhered to the position of the USA without reservation. In a few weeks there will be a meeting in Puebla, presently the headquarters for FTAA, during which the ne-

gotiating committees are to agree on basic rules and a decrease of tariffs which are to apply for FTAA member countries.

Agricultural subsidies may be the only aspect which could bridge the gap between the government and the numerous Mexican NGOs that oppose NAFTA, FTAA and WTO. When shortly after Cancún the G20plus and its course against the industrial nations, supported by member state Mexico, was still popular, even strategic alliances between the conservative government and Mexican globalization critics seemed possible. But this no longer seems to be the case. The government acknowledges that there is a need for reform in individual aspects of NAFTA, FTAA and WTO, but does not question agreements or the institution per se. This is not the case with the majority of NGOs who focus on this subject. NAFTA is considered to be a disaster for Mexico, serving as a warning example. The attitude towards FTAA and WTO is thus just as radical in its rejection. While the comprehensive alternative concept "Alternatives for the Americas", worked out by Alianza Social Continental, in large parts is influenced by the participation of RMALC, suggestions on how to replace the WTO are still scarce. One idea is to replace the WTO with multilateral economic negotiations within the United Nations. In this sense the failure of Cancún is welcomed. Even though Mexican globalization critics realistically rate the failure as no more than a stage-win, it is seen as proof that multilateral negotiations under the banner of free trade are not determined by fate.

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## The Negotiations on Agriculture and the Emergence of the G20 – An Indian Point of View

By Biswajit Dhar

The Cancún Ministerial Conference of the World Trade Organization (WTO) was held in the backdrop of considerable challenges that the fledgling organisation is faced with, the most formidable of which has been to take on board the concerns of the developing countries. This dimension was added in the work programme of the organisation through the mandate given by the Ministers at the Doha Ministerial Conference. The Doha Ministerial Declaration (DMD) was singularly important since it attempted to reconcile the development aspirations of the developing countries with the imperatives of the process of globalisation. This focus of the post-Doha work programme stemmed from the increasing demands made by the developing countries that the development dimension should be an integral part of the trade regime. However, notwithstanding the overall thrust of the post-Doha work programme, developed countries have been pushing for inclusion of new areas in the WTO, besides pushing for an accelerated move towards deepening the process of liberalisation in sectors in which they have substantial interests.

Besides providing the overall framework, the DMD provided the road-map for the conduct of negotiations. However, most of the mile-stones were missed on account of the irreconcilable differences between members. As a consequence, the Cancún Ministerial Conference assumed added importance – it was seen as a forum for resolving the differences which would have helped in putting the negotiations somewhat on course.

### **Review of the Agreement on Agriculture**

Perhaps the most important among the agreements that are being reviewed at the present juncture is the Agreement on Agriculture (AoA). Although, the negotiations for the review of the AoA was taking place over the past few years as a part of the built-in agenda of the Agreement, the mandate given by the Ministers in Doha provided definite directions to this review process for incorporating the development dimension. According to the Ministers, “special and differential treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the Schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development”. Quite clearly, therefore, the negotiating mandate for the review of AoA takes adequate care of the interests of the developing countries by emphasising that food security and rural development should be given due importance.

Equally important from the developing countries’ point of view was the long-term objective set by the Ministers for the negotiations for the review of the AoA. The Ministers indicated that the negotiations should “establish a fair and market-oriented trading

system through a programme of fundamental reform encompassing strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets”. The importance of this objective can be gauged from the fact that the major players in the global agriculture have been supporting their farm sector by granting inordinately high levels of subsidies.

The market distortions caused by these subsidies affected most developing countries in two ways. On the one hand, their products face unfair competition from the subsidised products produced by the larger producers, and on the other, these subsidised products posed serious threat to their domestic producers. The disciplining of the subsidy regimes was thus of primary interest to the developing countries.

These arguments have, in fact, conditioned the response of the developing countries in the negotiations for the review of the AoA. For most developing countries, the review of the AoA was an opportunity to put together a comprehensive package of reforms of agricultural policies world-wide, one that would encompass all the three pillars of the AoA, viz. domestic support, export competition and market access. Most developing countries attached high priority to strengthening of the subsidies discipline given its tardy implementation.

At the same time, however, the developing countries argued that the negotiations for the review of the AoA have to take into consideration the food security and livelihood concerns that most of their economies were faced with. This objective, they argued, could be met by incorporating meaningful provisions relating to special and differential treatment. Support for this position of the developing countries was lent by the Doha Ministerial Declaration, which stated that “special and differential treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the Schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs”.

According to the time-table provided in the DMD, the broad structure of the revised AoA was to have been finalised by 31<sup>st</sup> March 2003. In the period before the Cancún Ministerial Conference, the WTO Members were expected to indicate their levels of commitments. These deadlines seem a distant reality at the present juncture, stemming largely from the perceptible differences between the WTO Membership over the broad contours of the revised AoA. While developed countries, in particular the EU and the US, have been unable to resolve their differences over market access and subsidies’ discipline, developing countries have also been quite forthright in putting forward their core areas of interest, relating to food and livelihood security. These differences have persisted even after the Chairman of the Committee on Agriculture had presented his compromise paper, which attempted to keep the contending parties on the negotiating table. Although an early resolution of the differences does not seem to be in the offing, developing countries should be aware of the fact that they would be under tremendous pressure from the developed countries once the US and the EU are able to agree to a framework after resolving their differences. The lesser players in the global trading system will be well aware of the fact that they can ill-afford another agreement in the WTO covering the agriculture sector that offers them nothing in substantial terms. This

makes it imperative for them to forge links with the like-minded countries to get leverage over the negotiating process.

### **The Proposals of the G20**

The arguments that the developing countries have presented thus far in the Committee on Agriculture have found cogent expression in the proposals presented by the G20 countries in the run-up to the Cancún Ministerial Conference. The importance of this group of developing countries lies in the fact that developing countries having diverse expectations from the agricultural sector were able to present a set of proposals that looked at the global agricultural regime from a longer term perspective. In other words, the proposals were aimed at presenting a policy reform package for the agricultural sector which was sustainable in nature.

One of the most obvious outcomes of the formation of the G20 was that it lent a completely new dimension to the dynamics of the WTO process. What was more significant was that this group of developing countries could make common cause with a framework that contained all the key elements of the issues under negotiations in the area of agriculture even when the members had vastly differing aspirations from their respective agriculture sectors. In our view, this was possible because the G20 countries were looking at a framework that could allow agriculture to be developed in the WTO member countries by taking care of its long term sustainability. Thus, while it was agreed that the developing countries would need a longer time frame to implement the reforms programme, it was emphasised that the developed countries would have to effectively their market distorting subsidies.

The proposals made a strong pitch for both domestic support and export subsidies to be reduced significantly. In case of the latter, the G20 argued for its elimination over a period of time.

The proposal of the G20 countries in respect of domestic support highlighted the importance that these countries have attached to the comprehensive reform of the farm subsidies' discipline in the developed countries. This proposal was aimed at substantially reducing domestic support, which includes some elements of the "Green Box" subsidies as well, besides eliminating the "Blue Box". At the same time, however, the proposal sought to strengthen some of the provisions relating to special and differential treatment in order that the key concerns of the developing countries relating to food security and livelihoods can be adequately addressed keeping in view their commitments under the AoA.

The G20 countries proposed that a percentage range should be set for reducing all trade distorting subsidies on a product specific basis. Several conditions were included in this subsidy reduction formula. The first was that the difference between the upper and lower limits of the range had to be defined. The second condition was that for products in which the levels of subsidies were above the average in a yet unspecified period, the upper limit of the range was proposed as the basis for reduction. The same basis for reduction was proposed for products that were exported and which accounted for a certain

percentage of the total world exports over a period to be decided. This formulation for the reduction of the trade distorting subsidies would have considerable impact on the large users of subsidies, particularly the US and the EC, since they were targeting the subsidies in favour of products in which they had significant presence in the global market. A third condition proposed by the G20 in respect of subsidy reduction was that during the first year of implementation of the new discipline, all trade distorting domestic support would have to be reduced by a certain percentage. This condition incorporates the point made by several countries in their negotiating proposals that the developed countries must make a down payment in the first year of implementation, which, according to some countries like India, should take the form of a 50 per cent reduction in the domestic support from the level maintained during the year 2000.

One of the major arguments presented by the developing countries during the review of the AoA was that some elements of the domestic support that are currently exempt from reduction commitments should be included in the reduction commitments. Reflecting this argument the G20 countries proposed that the “Blue Box” subsidies should be eliminated and the direct payments under the “Green Box”, including the decoupled payments should be reduced and/or capped for developed countries. Given that the major subsidy granting members of the WTO had reorganised their domestic support portfolio by shifting subsidies into the “Blue” and the “Green” boxes, this proposal could rein in subsidies quite considerably leading to an effective reform of agricultural policies.

As regards special and differential treatment for developing countries, it was proposed that the subsidies granted to the low-income and resource poor farmers in these countries, which are not covered under the reduction commitments, should be expanded so as to include focused and targeted programmes

In the area of export competition three issues were discussed more prominently. These are: (i) export subsidies, (ii) export credit and (iii) discipline on food aid operations.

The G20 proposed elimination of export subsidies in the area of agriculture over a certain period, with an early phase out of subsidies on products of export interests to developing countries. This was in keeping with the position was held by all the countries in this group during the negotiations. With regard to export credits, it was proposed that disciplines would have to be implemented on a rules based approach. Additional disciplines to prevent commercial displacement through food aid operations were proposed as a part of the export competition discipline.

The S&D provisions provided in Article 9.4 that allows developing countries to use indirect export subsidies was sought to be extended.

The framework proposed by the G20 countries gave effect to the S&D treatment which these countries have been espousing. According to this framework, developed countries would have to take deep cuts in tariffs on products covered by the AoA besides providing greater access opportunities through expansion of tariff quotas and elimination of in-quota tariffs. A third feature of the market access proposals in respect of developed countries was that the use SSG would be discontinued. These elements as the proposal

indicated “will contribute to substantial improvement in market access for all products, in an effective and measurable way”.

The tariff reduction would result from the application of a blended formula, which included average cuts and the Swiss formula on the one hand and elimination of tariffs, on the other. For those tariff lines which would be subjected to average cuts, processed products were to be subjected to higher cuts in tariffs in order to take care of the problem of tariff escalation. In addition, developed countries were required to set tariffs-ceilings on agricultural products. As regards duty free access, it was proposed that such access should be provided to all tropical products as well as to other agricultural products representing a part of the imports from developing countries.

In respect of developing countries, the framework proposed that developing countries would “benefit from ... lower tariff reductions and longer implementation periods, as well as from the establishment of Special Products (SP), under conditions to be determined in the negotiations”. Thus, an average tariff cut and a minimum cut per tariff line, *a la* the Uruguay Round approach, was favoured. Unlike developed countries, developing countries were not required to take any commitments for either expanding the existing TRQs or reducing in-quota tariffs. Furthermore, developing countries could take advantage of a special safeguard mechanism (SSM) the scope of which would depend on the impact of tariff cuts that these countries are subjected to.

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The stalemate in Cancún was caused essentially because of the intransigence of the developed countries to accept the fact that developing countries can have a definitive agenda in keeping with their development needs. It is imperative therefore that the developed countries show a degree of flexibility in order that the multilateral trading system is able to contribute to the establishment of a more equitable global economic order.

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# The Collapse of Cancún, Trade Regionalisation in Asia, and Opportunities for New Alliances

From a strategy paper of the Asia-Pacific Network on Food Sovereignty (APFS)

## 1. The Collapse of Cancún

Cancún signifies a challenge to the aggressive trade agenda of the developed countries and halts any further imposition on the vulnerable economies of the South. In this respect, the collapse of the 5<sup>th</sup> WTO Ministerial meeting in Cancún is significant as it brings forward possibilities of reversing the onslaught of trade liberalization and globalization on people's economies.

A more in-depth analysis of the events leading to and during the ministerial meeting would point to an interplay of factors that led to the eventual collapse of the negotiations in Cancún. On the one hand, Cancún exposed sharply the conflicting interests between developed countries who have dominated and framed the WTO's "rules-based" system in favor of their interests and the developing countries and their peoples whose development needs and interests have been put in the sideline.

On top of this, Cancún reflected the increasing contradiction between and among developed countries, particularly the US and the EU, who each aimed at outmaneuvering each other in the negotiations as they compete for greater market access in goods, services and investments. Both remain protective of their agriculture sector and are mired in escalating further their subsidies in order to capture bigger markets for their agricultural surplus. While these conflicting interests in agriculture were to some extent managed through a joint US-EU agriculture proposal that came out before Cancún, the brewing discontent of developing countries of the processes that have sidelined their issues led to the formation of new alliances that openly challenged the entrenched position of the major players. In particular, the G20 led by India, Brazil and China sought substantial cuts in domestic support and the elimination of export subsidies of developed countries. The other alliances effectively blocked negotiations on new issues that many developing countries view as the last attack on their ability to chart their own course of development. This newfound negotiating strength of developing countries has to a large extent prevented an outcome that will create more disadvantages for the poorer nations.

While many view the independent position taken by developing countries to be influenced by the worsening economic and political crisis in the homefront brought about by their adherence to neo-liberal economic policies, the contribution of the growing resistance of social movements and NGOs and their two- year engagements with negotiators and at the 'capitals' cannot be discounted. Certainly the social movements and NGOs who have been in the forefront of the campaign against the WTO have influenced the currents of resistance within the WTO itself.

On the other hand, US unilateralism was expressedly evident in Cancún. In Cancún, the US openly expressed its disgust over the challenge brought about by the developing country coalitions and warned that it would pursue its trade liberalization agenda with

those who would be willing to cooperate. Many observed that the US favored the collapse of the ministerial meeting as it could not commit to more aggressive liberalization in view of the US national elections in 2004 and growing pressures for more protectionist economic policies back home. Certainly the dynamics that led to the collapse of the Cancún talks continue to shape the emerging developments post-Cancún.

## **2. Post-Cancún Highlights**

The new global context after Cancún is characterized by the following tendencies and trends:

1. There is a renewed drive towards more onerous regional and bilateral free trade agreements in the context of the collapsed multilateral talks. The RTAs and BTAs/ BITs of the new type (more expansive in scope) are important mechanisms for deepening trade liberalization. It leads to further undermining of agriculture through opening up of investments, patents and plant breeders' rights, etc.

2. The EU and US are insisting on using the 'Derbez Text' as starting point of formal talks while at the same time they seem to be dragging their feet to start negotiations, even as more countries are moving the negotiations forward. The US led the APEC countries, during the APEC October Summit, in calling for a resumption of talks on the basis of the Derbez text. Since the text clearly reflects the earlier position taken by the US and the EU in agriculture (joint US-EU agriculture text of August 13, 2003), this development shows that the US and the EU remain committed to maintaining and protecting their domestic support and export subsidies. The text proposes the 'blended formula' in tariff reduction favoring developed countries' position to maintain high tariffs for their sensitive products, protects trade-distorting domestic support of US and EU by allowing them to box-shift and continue high subsidies in the supposedly non-trade distorting 'Green Box' and does not set a definite deadline for elimination of export subsidies. With these provisions, the text remains unpopular to many developing countries.

3. There is increasing political pressure on the newfound unity among developing countries mainly from the US and also from the EU. A number of developing countries from Central America have succumbed to pressure by pulling out from the G20.

4. Despite growing opposition from within and from the international community, the US has remained resilient in pushing its hegemonic and unilateralist agenda.

5. Developing country governments are increasingly pressured at the capitals to oppose further imposition on their economies by a growing resistance against neo-liberalism not only from the social movements but also from the section of the economic elite that is being hurt by the onslaught of one-way unbridled trade liberalization. As a negotiating bloc, developing countries can provide an effective counter-force to US/EU. But tendencies within this bloc will direct the course of its position in the future. The big agriculture exporting countries may in the long-term pose contradiction for the rest of developing countries. For one, these countries pursue an aggressive export-oriented agricultural policy that would certainly hurt small farmers in developing countries.

### 3. Context in the Next Two Years

While the collapse of Cancún may have prevented further liberalization of economies of developing countries, the basic economic realities for many developing countries have not changed. The mostly agrarian economies of the South have remained deeply mired in crisis. Subsistence agriculture upon which millions of farming households are dependent upon has been virtually wiped out by unjust competition posed by highly subsidized products from the North.

Landlessness has worsened as large agribusiness corporations have pushed poor peasants out of their farms. Poverty incidence and food insecurity has markedly increased since the last four or five years in many developing countries as small-scale agriculture has become less and less viable. Not only is agriculture affected but also key domestic industries unable to “compete” in the free market have been ruined. Trade liberalization and globalization have triggered massive displacement of domestic goods and agricultural products that led to displacement of small producers and entrepreneurs. Thus, while liberalization has created growth for a few, for most countries these policies have resulted in large-scale unemployment and in pushing more and more people into unstable, riskier and low-wage jobs in order to survive.

The next two years would see an increasingly more difficult political situation for most developing countries as their economies are expected to further worsen, the people’s resistance to neo-liberal globalization will continue to gain ground, and the space for pursuing national development will be severely constrained by WTO and the US aggressive agenda for deeper economic integration and liberalization at the bilateral and regional levels. National elections are forthcoming in 2004 for many developing countries and thus would be significant in creating spaces for policy changes.

In the US, the national elections in 2004 will also continue to influence the Bush administration’s trade policy at the multilateral, regional and bilateral levels. But given US unilateralist tendencies under the present regime, it would be pushing more on bilaterals and regional FTAs if it succeeds in getting another term. Moreover, the US’ declared global “war” on terror is being relentlessly pursued by engaging the “cooperation” of nations through more trade concessions and military aid. Waging a war on the pretext of upholding democracy and its institutions, the US’ main intent is to impose its hegemonic agenda and for its transnational corporations to take control of and monopolize international resources.

In the region, the renewed drive led by the US towards bilateral and regional FTAs post-Cancún has seen the proliferation of these unequal treaties. There is the recently signed US-Singapore Free Trade Agreement, which is being hailed by the US as the model of FTAs in the region. The US and Thailand launched negotiations for a US-Thailand FTA during the APEC meeting in October in Bangkok. US and Thailand earlier signed a Trade and Investment Facilitation Agreement (TIFA) in 2002. Malaysia and the Philippines, which both have a similar bilateral trade and investment framework (TIFA) with the US are expected to follow. These bilateral deals fall under the US Enterprise for ASEAN Initiative (EAI), which was launched by US President George Bush during the APEC Summit in October 2002 to strengthen US bilateral linkages with

ASEAN countries. Other developed countries like Australia and Japan have begun to establish bilateral trade pacts with countries in the ASEAN region. Australia and Thailand had reached a trade pact that would establish closer economic relations between the two countries. They are expected to formally sign the trade agreement in early 2004.

There is a need to scrutinize the implications of the Singapore-US BTA model as it is the first most comprehensive bilateral trade agreement in the region that seeks to expand US market access in goods, services, investments, government procurement, intellectual property, and even provides cooperation in promoting labor rights and the environment. Some observers think that through this FTA, Singapore could be a “back-door” for developed countries to enter, manipulate and dominate ASEAN economy.

At the ASEAN level, a new regionalism is being promoted through the ASEAN Economic Community (AEC) launched in the recent 9<sup>th</sup> Annual ASEAN Summit in Bali, Indonesia. This new RTA is far-reaching in coverage and covers not only trade in goods and services as in WTO but includes deeper integration of members in so-called behind the border issues such as investments, macroeconomic and financial policies, labor, harmonization of legal systems, etc. The AEC is envisioned to achieve a single market of 530 million people from the countries of Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam in 17 years. An ASEAN Free Trade Area is envisioned by the year 2010 and a European-style single market 10 years later.

In addition, in the recent ASEAN Annual Summit, member countries signed a trade pact with Japan that would prepare the way for a Japan-ASEAN free trade agreement. The first phase of the negotiations for an ASEAN-China Free Trade Area (FTA) was also launched in Bali. An ASEAN-China Free Trade Area is envisioned to be established by the year 2010 for the six original ASEAN states and by 2015 for less developed ASEAN members like Cambodia, Laos, Myanmar and Vietnam. The summit also produced a pact with India to set up a similar arrangement by 2016.

In South Asia, since the last South Asia Free Trade Area (SAFTA) meeting, there have been efforts to draw members into coming up with a free trade agreement. The draft agreement is expected to be finalized in another meeting by SAFTA in Kathmandu by the last week of November. Unlike India and Pakistan, least developing countries like Bangladesh, Nepal and Bhutan are not expected to benefit from this agreement. Outside SAFTA, India has existing bilateral agreement with smaller countries like Nepal. Given that developed countries and their transnational corporations are the main drivers behind the new RTAs and BTAs, there is a need to scrutinize and challenge this. The limited FTAs like the AFTA-CEPT has already caused job losses among poor farmers and small producers. A more expanded RTA like the AEC type would have far more deleterious impact on weaker economies and barely surviving sectors like agriculture. Clearly, the AEC and the new regionalism that it promotes are not for the vast majority of the peoples in the region but for the big players, mainly the transnational corporations who can operate freely in the region through these BTAs and RTAs.

It remains a big challenge for developing countries and their peoples in the region to work towards regional cooperation founded on a strong solidarity and respect of na-

tional sovereignty. Such a cooperation should be aimed at promoting people-oriented development, technological innovations and advancement, and environmental protection and not towards more expanded and liberalized trade that have resulted in massive displacement and impoverishment of the majority.

The role of China and India, as leaders of the Group of 20 is important in pushing for this alternative regionalism. Their positive position in the WTO negotiations as well as their growing economic clout must be translated into responsible leadership in the region. Genuine solidarity among nations in the region and even within the alliance can be built only if the interests of developing countries vis-à-vis the trade agenda of the powerful rich countries are well harmonized. While India and China are big agricultural exporting countries and would have huge stakes in seeking and therefore granting more market access in agricultural products, net food importing countries like the Philippines, Indonesia, Bangladesh, etc. would seek more protection of their agriculture sector against cheap food imports. Thus, there would be a need for these countries to rally around a common demand specifically built on the issue of reclaiming their sovereign rights to protect their agriculture through direct import control as an example, which has been denied to them by the present WTO agriculture agreement.

Accession to the WTO of least developed countries (LDCs) in the region is likewise a crucial issue as many of these LDCs have committed to an accelerated liberalization process that has outpaced even the commitments made by regular developing country members. The case of Cambodia and Nepal whose terms of accession have been approved in the WTO 5<sup>th</sup> Ministerial Meeting in Cancún need to be scrutinized and challenged, in light of the implementation experience of many developing countries in the region, which have launched rapid liberalization measures without regard to their impact on the poor and vulnerable sectors.

The challenges posed by the unfolding events post-Cancún, particularly the continuing deadlock in the WTO negotiations as well as the prospects of worsening global economic and political situation brought about by the crisis of neo-liberalism and corporate-led globalization create an opportunity for the building of alliances at various levels and for moving forward the people's demands for economic justice and sovereignty. Social movements and NGOs must maximize this opportunity by exacting greater accountability from national governments and demanding reversal of economic policies that have harmed the people. Developing country governments, on the other hand, must concretize the independent position they took in Cancún by instituting unilateral policy measures that will protect their domestic agricultural products and goods from dumping and unfair competition, increasing their support and subsidy to small and resource-poor farmers and ending all forms of privatization of public services that have denied people their basic right to land, food, water and productive resources.

#### **4. South-South solidarity**

The newfound unity of developing countries on trade negotiations should be supported and strengthened, as they provided an effective counter-force to US and EU dominance on the WTO. But even as we look at the progressive character of the emerging coalitions like the G20, the Alliance of SP and SSM and the ACP countries vis-à-vis the

powerful countries, we must also be aware of the various interests and tendencies driving these formations. Many of the members are small economies that have high stakes on the US and developed countries' markets, a constraint that could considerably weaken or compromise their negotiating positions. Meanwhile, the leaders of the coalition are large agricultural exporting countries that are members of the Cairns group and could fairly compete with developed countries sans the latter's huge subsidies. Others are net food importing countries whose domestic agriculture production has been adversely affected by cheap subsidized agriculture imports. There is a need then to harmonize the interests of the members of these coalitions in order to build a solid ground of solidarity.

At present, while a number of Central American states have already opted out of the G20 due to pressure from the US, majority of the members continued to support the coalition's position to push for the elimination of agriculture subsidies of developed countries and for greater market access of developing countries' exports. The Alliance of SP and SSM, while seeking to address food security and rural development concerns of developing countries by demanding for a self-declared list of special products that will undergo smaller tariff reduction, still offers the same formula of continuing and further trade liberalization. There is a need then for these coalitions to be pushed more towards taking positions that address the more fundamental issues of imbalances and inequities in the international trading regime. Such position should take the interests primarily of their poor farmers and small producers, i.e. increasing government support to agriculture and protecting small-scale farming from dumping and unfair competition through decisive import control measures.

To contribute to this building of genuine solidarity, NGOs and social movements must be able to present viable alternative positions and proposals for south-south cooperation that provides a critique to trade liberalization in agriculture that have devastated millions of poor peasants' livelihoods and undermined food security at the national and household levels and offers strategies for viable, sustainable and equal trade between and among nations. Such an alternative trade should be based upon each country's and their people's goal of achieving food security and food sovereignty, promoting sustainable agriculture, protecting the environment and biodiversity and developing a vibrant economy based on a clear linkage of agriculture and industrial development.

In light of this emerging solidarity between and among developing countries as well as the renewed drive towards forging closer trade relations at the bilateral and regional level, there maybe a need also to look at possibilities of exploring partnerships with growing economies in the region like China and India that could redound to the mutual benefits of participating countries and in particular to the benefit of the poor farmers and vulnerable rural sectors in these countries. Building the capacity of LDCs in WTO and trade negotiations would also be an important component of this solidarity.

*This strategy paper is culled from the two-day strategy meeting of the APNFS convenors held from Nov. 18-19, 2003 in Chiang Mai, Thailand. The analyses presented are based on the inputs, discussions and agreements reached during the said meeting.*