

Pyrrhic victory at Cancun: What next?

If the developed countries only insist on getting more concessions without offering any *quid pro quo*, they are bound to fail, whether in Seattle, Cancun, or Geneva.



While agriculture remained the largest single agenda during the Cancun Ministerial of the WTO consuming most of the times of the negotiators; another equally contentious agenda item was the so-called Singapore issues. They included: investment, competition, trade facilitation and transparency in government procurement. The *demandeurs* of Singapore issues wanted to conduct negotiations on these issues as a part of 'Single Undertaking'.

On the final day of the Conference, the negotiators more or less agreed to 'un-bundle' Singapore issues and take up only trade facilitation and transparency in government procurement for negotiations while agreeing to continue the educative process in the case of investment and competition.

However, all of a sudden member countries started hardening their positions. While South Korea and Japan maintained that they would not compromise for anything less than the negotiations on all four Singapore issues, the African Union (AU) ministers said that they would not agree to negotiate on any of the Singapore issues. These positions finally led to the collapse of the Ministerial.

The Ministers finally decided shortly before 6 pm to release a six point Ministerial Statement declaring the closure of the Conference and to take back the entire document to Geneva for a General Council Meeting to be held before 15 December thus leaving the future of the Doha Development Agenda (DDA) in limbo. Some considered this as a lost opportunity, other considered it as a victory for the developing countries.

Those who consider this outcome as a "victory" should realise that it is no more

than a pyrrhic victory for four important reasons. First, the burden of the failure of DDA falls disproportionately on the developing countries. Second, the developed countries could easily sign bilateral and regional trade agreements to open borders and dictate their terms to the developing countries because of the asymmetry of power.

Third, trade liberalisation espoused by the WTO is a vital force for reducing poverty in the long-run while trade protectionism (especially tit-for-tat or snowballing variety) does just the opposite. Finally, weakening of the multilateral system means rise of unilateralism. Since the present foreign policy of the USA actively pursues unilateralism as a means of securing its dominance on the global scene, as made evidently clear by Iraq war and possible attack on North Korea, the timing of the failure of global trade talks could not have been worse.

There is, however, a ray of hope at the end of the tunnel. DDA is not dead, though it requires intensive care for survival. The failure of Cancun fortunately is not of the order of the debacle at Seattle, where the ministers had to abandon the entire declaration. The wordings of the paragraph 5 of the Ministerial Statement make it explicit that General Council would not have to start from the scratch even after the matter is referred back to Geneva.

Given the fact that survival of the multilateral trading system is more important for developing countries than the developed ones, it is necessary for the former to support the system. While their unity and cohesiveness are laudable, they should try to work constructively towards reforming the WTO system for their own benefits and work for the successful conclusion of the DDA.

Developed countries, on their part, should tone down their double standards and open up their markets for products of interests to the developing countries before urging them to open up their markets. Negotiations are about give and take. If the developed countries only insist on getting concessions without offering any *quid pro quo*, they are bound to fail, whether in Seattle, Cancun or Geneva. ■

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Agriculture sowed the seed of Cancun fiasco

Criticisms directed against the EU and the US were not so much on their demands to pursue negotiations on Singapore issues, but rather on their stingy offers on agriculture.

All now put the blame on 'Singapore issues' for the failed global trade meet (10-14 Sept) at Cancun, Mexico. Interestingly, that is against the perception held before the beginning of the fifth WTO Ministerial Meet. Experts then believed that only the extent of consensus on agriculture would decide the Meet's fate – whether the Meet would be a success or a failure.

Global trade talk observers, at a glance, still may not cite the failure of the developing



countries and the developed counterparts to agree on the modalities for negotiating new tariff and subsidy cuts in the area of agriculture as the core cause of the Cancun fiasco. A careful reasoning and

analysis, however, suggest otherwise.

It was the agricultural issue that acted as the prime mover for the developing countries to take a non-compromising position on Singapore issues. And whilst there is no denying that such a position on Singapore issues led to the talks' collapse, it needs to be understood that the contentious issue of subsidies played a more decisive role behind the scenes.

There are logics to testify such an assertion. First, because huge subsidies provided by the developed North were greatly dampening the market prospects for farm products of the weaker South. Secondly, because the Doha-mandated deadline (31 March 2003) for formulating modalities for agricultural negotiations had already been missed, much to the annoyance of the developing countries.

Developing countries, in unison under a new bloc touted G-20+, came up as a formidable force during the Cancun Ministerial. They ruled out any negotiations on Singapore issues without the contentious issues under agriculture being resolved. The bloc, led primarily by Brazil, China, India and South Africa, refused to give a go ahead to the overall negotiations until and unless the EU and the US compromised on their protectionist farm regime.

The bloc wanted the EU and the US to completely phase out the huge export subsidies that they have been providing on agro-exports and gradually, slash the agro-production subsidy, among others. Besides, of so much interest was the issue of agriculture to the lesser developed countries that the African Union (AU), the African, Caribbean and Pacific (ACP) countries and the least developed countries (LDCs) formed a new entity in agricultural negotiations and tabled a new

consolidated position paper on the third day of the Cancun Meet.

The tripartite coalition called for a framework and modalities on agricultural negotiations, balancing commitments under the three pillars of export subsidies, domestic measures and market access. And the justifications supporting the strong demand of the South, including the coalition and the G-20+ (though many countries were part of both the blocs), to first complete negotiations on agriculture were valid.

The EU and the US gave too little and asked for too much. They wanted their agricultural regime to largely remain as it stood prior to the Ministerial Meet, citing the huge pressure of their domestic farmers. At the same time, they wanted to bulldoze through the Meet, pressing the developing countries to negotiate on Singapore issues.

A joint text of EU-US on agriculture had actually proposed tariff cuts and subsidy waivers, but the concessions so proposed contained no deadlines for either subsidy or tariff slashing. Developing countries were visibly sceptical of the proposed cuts under the joint text, stating that the proposal was too ambiguous. More so, because the subsidy and tariff cuts so proposed were put broadly under the heads of 'trade-distorting' and trade 'non trade-distorting'. And there were enough grounds to question whether or not the cuts sought by the developing countries fell under the rubric of trade-distorting, only on which the EU and the US were willing to show some flexibility.

Among the key points made by the G-20+ were the elimination of the blue box (domestic subsidies linked to production limiting schemes), setting a cap and strict criteria for the green box (minimally trade-distorting subsidies) as well as ambitious targets and timelines for reducing amber box (trade-distorting subsidies). Besides, the developing countries' bloc themselves wanted to undertake less aggressive tariff cuts, particularly for a new category of 'special products' that would only be available to themselves.

And finally, when the Cancun Ministerial collapsed, countries at both sides of the fence played a blame game. Singapore issues, in general, were termed as the root cause of the Meet's failure. While the developed countries blasted AU-ACP-LDCs' unmoved stance on Singapore issues for the failure, the developing and the lesser developing countries criticised the adamant attitude of the EU and the US. However, the fact of the matter is that the criticisms directed against the EU and the US were not so much on their demands to pursue negotiations on Singapore issues, but rather on their stingy offers on agriculture. ■

It was the agricultural issue that acted as the prime mover for the developing countries to take a non-compromising position on Singapore issues

Singapore issues with a killer instinct!

The failure of the Cancun Ministerial provides an important lesson to the developed countries – they are powerful only when the developing countries are not united.

The presumption that the developed countries would set in motion the negotiations on Singapore issues during the Cancun Ministerial was not unfounded. The negotiations on these issues became the focus of intense debate during the Ministerial. However, since the developing countries remained polarised and incessantly protested against the initiation of any negotiation on Singapore issues throughout the Ministerial, the developed countries' endeavours turned futile. But, this gain, the developing countries attained, was at a cost - the failure of the Ministerial.

Against this backdrop, the fundamental question is: Did the developing countries commit a blunder gluing to their stance and opposing for the inclusion of any negotiation on Singapore issues? No, they did not. One who would disagree with this argument, would need to answer these questions: If the developing countries had given their consent to negotiate on Singapore issues and even if the Ministerial had led to an 'explicit consensus' on 'modalities for negotiations' on these issues, would they have received the concessions they deserved? Would their issues of concerns regarding the agriculture, services, market access, development etc. have been addressed?

Since the very first day of the Ministerial, significant distance was evident among the developed and developing countries on the four Singapore issues – investment, competition, transparency in government procurement and trade facilitation. The developing countries all the time seemed hostile to launch the negotiations on these issues. Instead they suggested the developed countries to refer these talks back to Geneva, if they require further discussion. But the developed countries, particularly the European Commission (EC), the main *demandeur* of this issue, did not think it wise to pay attention to their concerns. And, some other powerful developed countries, including the US and Japan, supported this move, remaining equally adamant.

As a result, the second revision of the Ministerial text, issued on 13 September, sidelined the issues of agriculture and services, and paid significant attention to the Singapore issues, hinting that negotiations on them were imminent. Much to the dismay of developed countries, the developing countries came up with a firm stance.

The draft was biased in favour of the developed ones and neglected the issues of concerns to the developing countries such as export subsidies, domestic support and market access, among others. It became crystal clear

that with such a biased text, the Ministerial was going to commit nothing significant on anything but on Singapore issues. Consequently, they became united and echoed the same voice – NO TO ANY NEGOTIATION ON SINGAPORE ISSUES. This was the beginning of the end.

The ministers from the developing countries warned during the Ministerial negotiations that the interests of the poorer ones were being buried, simply to promote those countries who were already dominating the entire world market. With such an argument, the developing countries managed to weaken the stance of the EC. The EC bowed down and became ready to take investment and competition out of the Cancun text, and stressed for the launch of the negotiations on trade facilitation and transparency in government procurement.

But the pressure from the developing countries was not merely for this outcome.

They continued to protest saying – No to any deal that includes any of the Singapore issues, even only trade facilitation or any others. This very conflict clouded the talks till the final day of the Ministerial.

Ultimately, Mexican Foreign Minister Luis Ernesto Derbez, Conference Chair had no choice

but to call off the Ministerial saying he did not see 'how continuing entrenched positions on Singapore issues could be reconciled, and that the time had come to close the process.'

What next?

The failure of the Ministerial is a failure for the developed and developing countries alike. Yet this failure has an important lesson for the developed countries – they are powerful only when the developing countries are not united. They strived hard to push forward their agenda, with the false assumption that they would manage to squeeze the poorer countries once again. But that did not happen. Now, they must realise that if they fail to provide a flexible package to the developing countries on areas of their concerns and interests and only bring their issues on the table during the further course of negotiations, the fate of this Ministerial would be repeated again and again.

The developing countries should also take a lesson that their strength is their unity. If they were not united at the Ministerial, the developed countries would have obviously managed to launch the negotiations on Singapore issues, pushing their issues to the back burner. It is therefore important for them to maintain this sense of unity and cooperation beyond Cancun. In fact, forever! ■



Due to the pressure from developing countries, the EC bowed down and became ready to take investment and competition out of the Cancun text

SAWTEE @ CANCUN

LDCs continue to be marginalised

Against the backdrop of growing concerns among the LDCs that the spirit of the Doha Ministerial has suffered considerable setback during the Cancun Ministerial, Centre for Policy Dialogue (CPD), Dhaka and International Centre for Trade and Sustainable Development (ICTSD), Geneva together with SAWTEE, Kathmandu and other CSOs organised a symposium on *Post Doha Marginalisation of LDC Concerns* at Cancun, Mexico on 12 September.



Emphasising that solidarity among the LDCs is key to making them heard during the Ministerial, the participants discussed that the LDCs' common issues of concerns should never be diluted

The other co-organisers were Consumer Unity & Trust Society-Africa Resource Centre (CUTS-ARC), Lusaka; EU-LDC Network, Rotterdam; Research and Information System for the Non-Aligned and Other Developing Countries (RIS), New Delhi; Consumers International – Regional Office for Asia and the Pacific (CI-ROAP), Kuala Lumpur; and Southern & Eastern African Trade Information & Negotiations Institute (SEATINI), Harare.

Emphasising that solidarity among the LDCs is key to making them heard during the Ministerial, the participants asserted that the LDCs' common issues of concerns should never be diluted.

The participants mentioned that if the Cancun Ministerial were to fail in designing and promoting a balanced and fair multilateral trading regime within the ambit of the WTO, the future of world trade would be bleak.

Participated by more than 30 participants, the symposium was divided into four technical sessions: Market Access and Meaningful Integration of LDCs in Multilateral Trading System; GATS: Movement of Natural Persons and LDC Modalities; S&DT and Technical Assistance; and WTO Accession. ■

Network for advocacy campaign

In the sideline of the WTO Ministerial in Cancun, Mexico, SAWTEE together with ActionAid, Gene Campaign and Consumers International organised an international panel discussion on *The TRIPS Review: A Roadmap for Protecting Farmers' Rights* on 11 September. Like-minded international CSOs from Asia, Africa, Latin America, Europe and North America discussed various issues of concerns relating to the review of TRIPS, in particular with the focus on farmers' rights.

During the discussion, the participants realised that there was a need to form an international alliance of the CSOs working for the protection of farmers' rights. Ultimately, the discussion led to the formation of Farmers' Rights Advocacy Network (FRANK).

Since the WTO system has failed to respect, recognise and protect the rights of the poor farmers, especially of the developing and least developed countries, the participants realised that a network like FRANK can play a vital role in launching effective advocacy programmes across the globe. The participants hoped that FRANK would establish a good networking with the government authorities of different countries and make them aware of the issues at stake on a regular basis.

In the discussion, the participants also discussed that since TRIPS does not require member countries to adopt the UPOV model, CSOs must convince their governments not to become its member but prepare their own *sui generis* legislation.

More than 40 participants gathered at the discussion maintained that the farmers should be given unencumbered rights to save, exchange and sell seeds and they should be provided with due share of the benefits arising from the commercial use of their genetic resources, knowledge and skills.

The participants unanimously agreed to entrust the responsibility of following up these issues to the Secretariat of FRANK, which shall be housed in the SAWTEE's Secretariat in Kathmandu. ■

SAWTEE NETWORK

BANGLADESH

1. Associates for Development Initiatives (ADI), Dhaka
2. Bangladesh Environmental Lawyers Association (BELA), Dhaka

INDIA

1. Citizen Consumer & Civil Action Group (CAG), Chennai
2. Consumer Unity & Trust Society (CUTS), Jaipur
3. Development Research & Action Group (DRAG), New Delhi
4. Federation of Consumer Organisation of Tamilnadu & Pondichery (FEDCOT), Thanjavur

NEPAL

1. Society for Legal & Environmental Analysis & Development Research (LEADERS), Kathmandu
2. Forum for Protection of Public Interest (Pro Public), Kathmandu

PAKISTAN

1. Journalists for Democracy & Human Rights (JDHR), Islamabad
2. Sustainable Development Policy Institute (SDPI), Islamabad

SRI LANKA

1. Law & Society Trust (LST), Colombo

SAWTEE

Launched in December 1994 at Nagarkot, Nepal by a consortium of South Asian non-governmental organisations (NGOs), South Asia Watch on Trade, Economics & Environment (SAWTEE) is a recognised, registered, non-profit and non-governmental organisation. Its mission is to build capacity of the stakeholders in South Asia by equipping them with knowledge, information and skills to voice their concerns particularly in the context of liberalisation and globalisation. It currently operates through its headquarters in Kathmandu and 11 network institutions from five South Asian countries, namely Bangladesh, India, Nepal, Pakistan and Sri Lanka.

The views expressed in the articles published in *Trade and Development Monitor* are solely those of the authors and do not necessarily reflect the official position of SAWTEE or its member institutions.

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