



International Centre for Trade
and Sustainable Development

Bridges

Daily Update

On the Fifth WTO Ministerial Conference

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CANCUN MINISTERIAL: SETTING THE STAGE

WTO Members are meeting in Cancun, Mexico for the fifth Ministerial conference from 10-14 September. Overall, countries disagree on practically all items on the agenda, but nowhere more so than on how to address imbalances in agricultural trade, market access improvements for industrial goods, and whether to launch negotiations on the four so-called "Singapore issues" of investment, competition policy, transparency in government procurement and trade facilitation.

On 9 September, twenty-one developing countries put trade ministers on notice that the success of the Cancun Ministerial Conference would depend on treating their proposal on the broad goals for agriculture on a par with the draft text currently on table. Also on the eve of the Ministerial, a new Strategic Products (SPs) and Special Safeguard Mechanism (SSM) Alliance – comprising 23 developing countries – issued a ministers' communiqué, which highlights the vulnerability of small and resource-poor farmers around the world and their need for special measures in support of their food security and rural livelihoods.

These moves give the tone for what is to follow: agriculture has already emerged as the likely make-or-break of a conference that once was described as a simple stock-taking exercise that would refer all substantive decisions to more negotiations in Geneva.

The meeting will be chaired by Mexican Minister of Foreign Affairs Luis Ernesto Derbez. He will appoint facilitators to assist him: senior ministers that will carry out general functions as well as issue-specific "friends of the Chair". Singapore is expected to facilitate agriculture discussions; Hong Kong industrial market access; and Argentina the Singapore issues. Development issues may be facilitated by Mauritius. The facilitator(s) for other areas are yet to be nominated. The agenda comprises an overview of WTO activities, where ministers will base their work on a draft ministerial text covering all relevant items. In addition, a proposal by four West African cotton producing countries to address problems related to cotton subsidies is listed as a separate item.

The Ministerial Text

Ministers will be considering draft ministerial text compiled in Geneva outlining decisions for all areas under negotiation. The text provides a general framework, leaving targets, timeframes and deadlines blank; the level of ambition in key areas such as agricultural and industrial goods trade will depend on how WTO Members fill those blanks after Cancun at later negotiations in Geneva. WTO Members have not yet endorsed the draft ministerial text and its seven annexes, which were sent to Cancun not as an agreed text nor as one that reflects all positions, but as a 'Chair's text,' i.e. issued on the personal responsibility of Ambassador Carlos Pérez del Castillo as the Chair of the General Council. In a cover note, Chair Castillo, with the Director-General, highlighted areas where wide disagreement persists. This process has spurred criticism among a number of mainly developing countries, as well as civil society organisations, for lacking transparency and legitimacy. With the G21 agriculture text now submitted as a proposal, "basing" the negotiations on the Chair's text appears in doubt.

Agriculture

More than anything else, the success of the Cancun negotiations depends on whether WTO Members can agree on the "modalities," or parameters, for negotiating new tariff and subsidy cuts in the area of agriculture (the original deadline expired on 31 March). In the face of the political realities experienced over the last several months, trade ministers at Cancun will be presented with only a 'framework' text for establishing modalities in agriculture, leaving the heavy task of filling in the details – such as subsidy-cutting formulas – for later. The current draft agriculture framework text for ministers to decide on at Cancun is modelled after a joint paper from the US and the EC, prepared in mid-August. The current draft is weaker and far less detailed than previous proposals considered by Geneva-based negotiators (which did not come to any agreement), and contains no timeframes or figures for cuts. While the EC-US joint paper galvanised, for the first time in the three-and-a-half-year negotiations, a remarkable process of consolidating positions within the WTO, initial reactions to the agricultural framework text have mostly mirrored previously held positions among countries.

The US and EC, two key players, have represented different ends of the spectrum on agriculture reform. The US favours significant market opening and cutting of support systems and export subsidies. The EC has internal divisions on how far to unravel its domestic support system and export subsidies, and points to other forms of export support provided to US farmers. The "Cairns" group of 17 agriculture exporting countries, including Australia and Brazil, are strongly committed to a market-oriented agricultural trading system. At a late stage in the negotiations, a number of key developing countries that favour substantial agricultural liberalisation – including India and Brazil – banded together to form the 'G20' (now G21). The EC, Switzerland, Norway, Japan and Mauritius, dubbed the 'Friends of Multifunctionality,' continue to push for consideration of non-trade concerns such as environmental protection and animal welfare. Many net food importing developing countries call for special and differential treatment (S&D), such as longer timeframes and less radical reforms for poorer countries to protect the livelihoods of their vulnerable rural populations against cheap food imports from subsidising countries.

Attempts to address a number of "issues of interest but not agreed" listed in the draft framework – including highly contentious issues such as the extension of the so-called peace clause or geographical indications to products other than wines and spirits – could open a Pandora's box and possibly once again gridlock the process.

Non-agricultural Market Access

Many Members link progress on decreasing tariffs on industrial goods (non-agricultural market access) to developments in agriculture negotiations. The EC, US and Canada tabled an ambitious proposal in late August aimed at deeply reducing industrial tariffs worldwide. This, however, was roundly rejected by developing countries. There is no consensus on a subsequent compromise made by the Chair of the WTO

negotiating group on industrial goods, which outlines a framework for negotiating modalities for ministers in Cancun. Developing countries object to its requirement for steeper tariff cuts on their relatively higher tariffs, while developed countries feel it does not go far enough in cutting duties. Much of the stalling on the industrial tariff talks is also due to developing country reluctance to agree on deadlines or the extent of tariff cuts while agriculture negotiations fail to progress.

The Singapore Issues

One of the most important mandates for ministers to decide in Cancun – “by explicit consensus” – is whether or not to start negotiations on the Singapore issues. How that decision pans out largely depends on what the modalities will be and – for some developing countries – on progress in the areas of agriculture, implementation issues and review of provisions for S&D for developing countries.

Most developing countries also believe that new Singapore issue disciplines would result in more costs than benefits. These include the African Group and least-developed countries, as well as India, Pakistan, Cuba and others, who resolutely oppose launching talks in these areas. Others, in particular the EC and Japan, are pushing for negotiations.

Reflecting these diametrically opposed positions, the draft Ministerial text offers two alternatives on all four issues. The first would launch negotiations on the basis of modalities set out in annexes attached to the text. These annexes are heavily based on proposals from the EC and Japan. India and 11 other developing countries objected forcefully to the Singapore issue modalities annexes being sent to ministers, arguing that these one-sidedly reflected the approach of the EC and Japan. The WTO General Council Chair sent a cover letter with the draft to ministers, highlighting the opposing positions. The other bracketed option – with no annexes – would simply have ministers note that discussions so far do not provide a basis for starting negotiations, and that clarification of the issues should continue in the relevant WTO bodies.

Implementation, S&D

The ministerial draft has proven a disappointment to developing countries on what lies at the centre of systemic efforts to rectify various imbalances in the multilateral trading system – namely implementation-related concerns and the subset of special and differential treatment provisions. On implementation, the draft simply notes “some” progress has been made, and instructs the relevant WTO bodies to “redouble” efforts to find solutions.

On S&D, the draft proposes the adoption of 24 provisions as an initial early harvest. However, most developing countries consider the vast majority of these provisions to be watered down versions of the original proposals, carrying dubious economic value. The fate of the other 60 proposals on the table, as well as the timeline and exact substance of the post-Cancun work programme, remains to be determined.

Environment

While there are no significant deadlines on environment at Cancun, there has been speculation that the EC could bring up the issue to use as a ‘bargaining chip’ in its position. Together with Switzerland, the EC has been the main demandeur in this area. A late August push by the EC to have ministers in Cancun formalise participation of multilateral environmental agreement (MEA) secretariats in the negotiations was resisted by Egypt and a group of developing countries, who prefer to seek resolution of the observership issue at the General Council. Negotiations on the relationship between WTO rules and MEAs have been chiefly analytical, focusing on which provisions in certain MEAs qualify as specific trade obligations (STOs). On this point, the EC and Switzerland favour a broad interpretation of STOs, while most other Members prefer a narrow definition. The MEA-WTO relationship negotiations will be a major target of civil society scrutiny, as many groups have repeatedly expressed concerns that the outcome could establish a hierarchy in international trade

and environment regimes by placing WTO rules above MEAs. Talks on environmental goods remain at the definitional stage, with Members awaiting submissions from developing countries which could move the agenda forward. Environmental services talks are ongoing in bilateral request-offer processes.

Services

A number of developing countries feel that the emphasis in negotiations has been on market access, including the request and offer process, without enough attention to overall rule-making issues such as assessment and subsidies. Many developing countries further feel that developed countries, in their initial market opening offers, have given little, especially on opening up their countries to labour from abroad – an area of fundamental interest to developing countries. The draft text for ministers to deliberate at Cancun calls for the intensification of negotiations, and “takes note” of developing country concerns such as the movement of labour.

Cotton, IPRs and Other Issues

Also under negotiation at Cancun are issues such as trade rules, trade-related aspects of intellectual property rights (TRIPS), dispute settlement, and some smaller topics. Two issues of developing country concern made their way into the draft ministerial text at a late stage: a discussion on the “commodity crises,” i.e. the fact that many developing countries depend on a few commodities, and face problems because of long-term declines and sharp fluctuations in commodity prices. A lone unfinished phrase in the text refers to an initiative launched by four Central and West African cotton exporting least-developed countries to rapidly eliminate cotton subsidies.

TRIPs and Public Health

Ahead of the Ministerial, the WTO narrowly averted a public relations disaster by reaching agreement on 30 August on the conditions under which countries without manufacturing capacity can import generic versions of patented medicines from abroad. Going to Cancun without that agreement would have been a serious blow to a ‘development’ round already in trouble. Now the agreement is touted as a sign of good will and progress in the round.

On the Agenda

Delegates meet on 10 September for the inaugural session of the Ministerial. Mexican President Vicente Fox, Minister Derbez, WTO Director-General Supachai Panitchpakdi, UN Secretary-General Kofi Annan and WTO General Council Chair Carlos del Castillo will give introductory statements. Members are also expected to adopt the agenda and agree on the arrangement of work and give general statements. They will consider the agenda item on a proposal by four West African cotton producing countries to address problems related to cotton subsidies.

ICTSD and El Colegio de Mexico are co-convening a Cancun Trade and Development Symposium (CTDS) at the Grand Melia Hotel from 11-12 September 2003. Over 25 groups have come on board as organisers and co-sponsors. The CTDS is open to the public, with no WTO accreditation required. Spanish and French translations will be provided.

www.ictsd.org/ministerial

BRIDGES Daily Updates are posted daily during the WTO Ministerial to ICTSD's Ministerial web section. This section also outlines key events, resources and other information of use to those following the negotiations.

ICTSD's Daily, Weekly and Monthly publications are also on hand at a number of locations at the WTO Conference.



ICTSD BRIDGES DAILY UPDATE is a daily news service covering trade and sustainable development on the occasion of the Fifth WTO Ministerial Conference in Cancun, Mexico. The publication focuses on news, activities and negotiations around the Ministerial from 10 to 14 September as they relate to sustainable development issue-areas. BRIDGES Daily Update is produced in Cancun by ICTSD staff under the direction of Ricardo Meléndez-Ortiz. Other language editions are produced in collaboration with FFLA & CINPE (Spanish); ENDA-tiers-monde (French); Germanwatch (German); FGV & OIKOS (Portuguese); ICTSD (Chinese); and Eco-Accord (Russian). For further information contact ICTSD at: 13, ch. des Anémones, 1219 Geneva, Switzerland; tel: (41-22) 917-8492; fax: 917-8093; email: ictsd@ictsd.ch; web: <http://www.ictsd.org>.