



International Centre for Trade
and Sustainable Development

Bridges

Daily Update

On the Fifth WTO Ministerial Conference

Bridges Daily Update is available in English, French, Spanish, German, Portuguese, Chinese and Russian on the ICTSD website at www.ictsd.org

Issue 6

15 September 2003

CANCUN COLLAPSE: WHERE THERE'S NO WILL THERE'S NO WAY

The Cancun Ministerial Conference ended abruptly and early on Sunday without consensus on any of the items on its agenda and amidst bitter divisions over the launch of negotiations on the Singapore issues and over agriculture. Some Member countries have questioned the Chair's decision to pull the plug on the talks at a point where no part of the draft text except the Singapore issues had been discussed in the final negotiations. Others identified the WTO's unwieldy decision-making procedures as one of the reasons for the failure of the Cancun meeting.

The Endgame

During a 'nuit blanche' of consultations that ended around 4am, ministers brought forward their concerns around a revised draft Ministerial Text that had been issued by Conference Chair Mexican Foreign Minister Luis Ernesto Derbez on 13 September. Members widely diverged on a range of issues in the revised Text; but in the end the question of launching negotiations on the Singapore issues – for which the EC is the main *demandeur* – was the primary bone of contention.

Due to the deep division on the Singapore issues, and because it appeared that positions on agriculture were closer to convergence, Derbez decided to address the Singapore issues first, to be followed by agriculture and other issues at Sunday morning's informal 'green room' consultations. These were attended by a select group of countries, many representing wider country groupings. A number of observers wondered why Derbez had decided to address Singapore issues before agriculture, when many (mostly developing) countries earlier in the negotiations had insisted that progress in Singapore issues would be contingent on movement in agriculture. Some African delegates wondered why this EC-driven agenda should be the "make or break" issue, rather than their own priorities.

Throughout the morning, Ministers discussed various options on the Singapore issues, focusing in particular on 'unbundling' them in order to determine which could be ripe for negotiation. As the day wore on, it emerged that the EC was prepared to take investment and competition out of the Doha Round and the WTO, leaving trade facilitation and transparency in government procurement for launch at Cancun.

Early in the afternoon, Minister Derbez called a one-hour recess in order to allow Members attending the green room to consult with their country groupings. Sources attending the meeting described the mood before the recess as "good".

At this point, the EC reportedly consulted with the 133 Committee (the EC's member council on trade) where EC member states agreed in principle to the proposal to unbundle the Singapore issues, but they said they wanted to await results in other issue areas. Meanwhile, African countries who had been in the green room reported back to the ACP/LDC/AU alliance of developing countries.

Upon countries' return, however, it soon became clear that positions had hardened. Botswana, speaking on behalf of the African Union, said they were unable to agree to any deal that included any of the Singapore issues, even only trade facilitation. They were followed by South Korea (supported by Japan), who told the green room that it was not able to take a deal back to Korea that did not include all four issues. Sources

indicated that despite comments by the EC and China that they thought there might still be room for further discussion, Chair Derbez proceeded to call off the Ministerial talks after telling the group that he did not see how continuing entrenched positions on the Singapore issues could be reconciled, and that the time had come to close the process. It was clear later on that many countries – particularly developed countries – were not happy with this decision. Patricia Hewitt, UK Secretary of State for Trade and Industry, stated shortly afterwards that Derbez's decision was "utterly unexpected" and "premature". "There was a deal to be had," she said, indicating that the Europeans had been ready to negotiate. In his defence, Derbez blamed part of the collapse of the talks on a failure to move away from rhetoric: "no one can live off rhetoric," he said.

At 4pm, Minister Derbez reported to the Heads of Delegation, where he proposed a six-paragraph ministerial statement that was approved in the closing session shortly before 6pm.

Ministerial Statement

The Ministerial statement adopted in Cancun encompasses a mere six paragraphs (available on <http://www.ictsd.org>). In the statement, Members note that they worked hard and constructively in Cancun and made "considerable progress". However, more work was needed in key areas, and the statement instructs this work to be undertaken in Geneva, "taking fully into account all the views" expressed in Cancun. The paper states that the Chair of the General Council and the WTO Director-General shall convene a General Council meeting at the Senior Officials level by 15 December 2003 to take necessary action. Members will bring into the new phase the work done at Cancun.

Reactions

G-22: Brazil, Argentina, South Africa, Ecuador and Egypt, speaking for the G-22, said that although the failure to reach agreement at Cancun was a setback, the group had solidified and shown that it was a serious and professional party in the agriculture talks, concentrating on issues of interest to a large part of the population of developing countries.

Some observers said, however, that it was easy enough to speak about unity because the coalition had not yet been tested in real negotiations going beyond agreeing on an initial position. A trade source added that India and Brazil coordinating in the WTO was not new – what was new was the participation of China and the exclusive focus on agriculture.

The G-22 stressed that the pieces would be picked up again and the negotiations would go on from where they had been dropped. Any process as complex as the agriculture talks was bound to have its ups and downs. In fact, the current situation was not the end, but the beginning of a new phase.

The G-22 refuted the notion that the group's inflexibility in agriculture brought the negotiations down. In the words of Brazil's Trade Minister Celso Amorim, "if you unite around issues you can make progress – I guess there wasn't a similar cohesion around the Singapore issues."

ACP/LDC/AU: This alliance of poorest countries regretted that the final negotiations started off by addressing "an issue on which [its members] had a very, very strong" position. All three of the alliance's constituent blocs had affirmed their opposition to launching negotiations on any of

the Singapore issues in recent ministerial declarations, and thus felt they had no option but to reject the EC's offer to drop just two of them. The alliance was also disappointed that in the end negotiations never got to deal with its priority issues, i.e. agriculture, non-agricultural market access, special and differential treatment, and – of course – cotton. Speaking strictly in his permanent capacity, the LDC Group's spokesperson Bangladeshi Trade Minister Amir Chowdhury said that he thought the alliance could have had more flexibility on the Singapore issues if more had been offered for cotton. The paragraph on cotton in the second draft Ministerial Declaration was seen as a slap in the face by many African and other poor cotton-producing countries, whose hopes had been raised by the general sympathy with which the initiative had been received just a couple of days earlier at the Ministerial plenary.

Cairns Group: The Cairns group seemed to have all but disappeared at Cancun. Several of the key developing country members seemed to be focusing their efforts on the work of the G-22 group of which they were now a part.

At the end of the negotiations, Australia issued a statement expressing disappointment that the world's farmers had been denied a win.

EC: Visibly trying to contain his disappointment and frustration, European Trade Commissioner Pascal Lamy made no qualms about his view that "Cancun has failed". While it was not dead, the Doha Round was definitely "in intensive care", he added. He also stressed that this outcome was "not only a severe blow for the WTO, but also a lost opportunity" for developed and developing countries alike. Both Lamy and Agriculture Commissioner Franz Fischler stressed that the proposals put forward in Cancun, including on agriculture and the Singapore issues, would remain on the table.

Rather than singling out any countries, Lamy placed the blame on the procedures and rules of the WTO, which he said were not able to support the weight of the organisation's tasks and steer discussions among 146 Members in a manner conducive to consensus. "The WTO remains a medieval organisation," he noted, reiterating a view he already expressed in Seattle in 1999. Lamy pointed out that the reform needed careful reflection and consultation with EU member states, raising the possibility that the EU could take a more proactive stance and put some proposals on the table.

Asked whether he believed that the end-2004 deadline for finalising negotiations could still be met, Lamy noted that 50% of the Doha agenda should have been concluded in Cancun in order to meet the deadline, but that the achieved result only amounted to about 30%.

US: The US reacted to the failure of talks with thinly veiled frustration. US Trade Representative Robert Zoellick complained that the US had come to Cancun ready to negotiate on a wide range of issues including agriculture, only to have its ambitions thwarted by developing countries who seemed more interested in "tactical rhetoric" than concrete progress. Zoellick condemned certain developing countries for inflexibility during negotiations, noting that "frustration is not a policy."

His comments, which were aimed largely at the G-22 and Brazil in particular, sent mixed signals about the future of US agricultural trade policy. On the one hand, Zoellick emphasised that the US would aggressively pursue bilateral and regional trade agreements in the absence of multilateral movement forward. On the other hand, Zoellick expressed clear frustration with Latin American countries, which he said had "missed opportunities" to slash subsidies and expand market access by taking positions that did not allow for needed flexibility. The failure of talks in Cancun could severely complicate negotiations at the November ministerial negotiations for the Free Trade Area of the Americas (FTAA), where agriculture is expected to be a major issue.

Japan: Japan sought to deflect blame for the deadlock on the Singapore issues, insisting that it had displayed the flexibility necessary to move discussions forward. It did not, however, retreat from its insistence on negotiations for the Singapore issues, claiming that issues "are about

making rules, and we all need rules." On the similarly contentious issue of agriculture, Japan maintained that it would continue conferring with the G-10 to block tariff rate quota expansion and tariff capping, noting that it could not and would not agree to these proposals.

CARICOM: Billie Milla, coordinator of the Caribbean Community (CARICOM), contradicted assessments by some of the major players that progress had been made in agriculture, arguing instead that very little movement had been achieved, which would not have made a difference to the CARICOM. She stressed that all were going home empty-handed and that no-one had gained anything.

Director-General Supachai: WTO Director-General Supachai Panitchpakdi was "disappointed but not discouraged", adding that Members had come "very, very close to the final agreement" with some real progress made in all areas, including non-agricultural market access, development and "even the Singapore issues". He called on Members "to rise above national interest" and look at multilateral gains. "We cannot allow the round to be derailed, but need to put it back on track," he added.

Civil society reactions: In their immediate reactions, ActionAid, Oxfam and Greenpeace accused the EC and US of sinking the talks. The International Gender And Trade Network and the Africa Trade Network celebrated the collapse of talks as representing "a major political shift in the power dynamics of the WTO with developing countries successfully resisting power in the face of extreme pressure and bullying." WWF said that the failure represented a chance for sustainability, and that governments should now focus on slimming the WTO agenda and dealing with sustainable development issues in forums outside the WTO. The European business group UNICE and the European Services Forum on the other hand expressed disappointment at the missed opportunity at Cancun.

The Way Forward

At this stage it is not entirely clear on what basis talks will continue in Geneva, particularly as there was no failure management plan in place for the Conference. Neither the first nor the second draft Ministerial Text was adopted by Members. The brief Ministerial Statement simply notes that Members will bring into the new phase "all the valuable work that has been done at this conference. In those areas where we have reached a high level of convergence on texts, we undertake to maintain this convergence while working for an acceptable overall outcome." What will happen to those areas where no 'high level of convergence' could be reached?

Add to this the question of changed context. Some observers have noted that, post-Cancun, developing countries may not enjoy – rightly or wrongly – the same degree of sympathy as they did after the failed Seattle conference, when the seeds of the Doha Round were sown. Others predict that unity between large numbers of developing countries will change the balance of power in the institution in their favour.

In addition, no one really believes that the Doha Round can conclude by 2005 as scheduled, nor is anyone willing to bet on what the result may be. This changes the context for several regional processes, such as the FTAA and the economic partnership agreements being negotiated between the EU and the ACP countries. The Caribbean region now faces negotiations in three forums at the same time – the EU, FTAA and the WTO – and three major ministerial meetings are scheduled for the next three months. A CARICOM representative noted that the countries would have preferred to complete the WTO negotiations first, thereby establishing a framework for the regional talks.

Finally, both the US and the EC made strong statements about the WTO's decision-making structure, indicating that the institution has become too unwieldy to deliver results. This could lead either to their attempting to change those structures or turn their attention increasingly to bilateral and regional efforts.

