

Some Key Issues in Cancun

by Martin Khor

Martin Khor explores a number of key subject areas which will be on the table when the 5th WTO Ministerial Conference convenes in Cancun. Examining the state of play on each of these issues on the eve of the conference, he highlights the gulf between the respective positions of developed- and developing-country members, and advances suggestions on how the development interests of the latter can be safeguarded in Cancun.

Summary

The World Trade Organisation's (WTO's) 5th Ministerial Conference in Cancun faces many key issues and problems. The outcome will be crucial for people and communities around the world. The developed countries, led by the US and EU, will push very hard to get their agenda accepted - opening up markets in the developing world for their goods, services and companies, whilst continuing to protect their own turf especially in agriculture. The developing countries have learnt that the rich countries will not give them access to their markets; that import liberalization is damaging their local farms and firms; and they should not be dragged into further commitments to open up. They are resisting expansion of WTO into new areas (the Singapore issues). They want the WTO to change its anti-development bias. But the rich nations are used to the GATT-WTO as their own club, and have mastered how to get their way, even with opposition from a majority of developing countries. Will the manipulations available in the rule-less operations of WTO Ministerials again be the decisive factor that decides the Cancun outcome? Or will developing countries stand firm this time?

The Doha Programme Becomes an Anti-Development Agenda

The work programme from the 4th Ministerial has been advertised by the rich nations and the WTO Secretariat as the Doha Development Agenda (DDA). It was never called that by most developing countries or the NGOs. That programme has now turned out to be a Doha Anti-Development Agenda (DADA).

Post-Doha, there was supposed to be a strong development dimension to the WTO's work. This has not been delivered. There has been no substantial progress on implementation issues (the programme intended to rectify the imbalances in the existing Uruguay Round rules) nor on strengthening special and differential treatment (S&D) for developing countries. Most of their proposals have met with hostility from the rich countries. Implementation issues have been downgraded and neglected, whilst the 24 S&D proposed decisions in the Cancun draft lack commercial value and do not expand policy space. The TRIPS and health "solution" for countries with no or inadequate manufacturing capacity is

TWN THIRD WORLD NETWORK is a network of groups and individuals involved in bringing about a greater articulation of the needs, aspirations and rights of the people in the Third World and in promoting a fair distribution of world resources and forms of development which are humane and are in harmony with nature.

riddled with so many conditions and restrictions as to render it practically useless: it is a concession made by developing countries (and not by developed countries) to settle the issue before Cancun.

Worse, in the negotiations on agriculture and industrial tariffs (or non-agriculture market access), the Doha Declaration assurances that developing countries' needs will be fully taken account of have been cynically thrown to the winds. The rich countries are proposing to drastically press down developing countries' tariffs in agriculture and particularly in industrial goods, without regard to the disastrous effects on local farms, firms and livelihoods. The present Cancun draft text is biased towards the US-EU proposals. In services, the rich countries have a long list of "requests" for developing countries to give up their regulations and allow foreign firms to take over the local business. And worse will come if the rich nations succeed in pushing Singapore Issues as negotiating items for new WTO agreements.

In short, the deadlines on development issues have been missed and the assurances that development concerns will be "fully taken into account" have been discarded and what we face is a DADA instead of a DDA.

Agriculture

This is expected to be Cancun's big fight. In mid-August the US and EU got together and proposed: (a) a deal in which they would not have to give up or even reduce their domestic subsidies and they can escape from the Doha goal of eliminating export subsidies and disciplining export credits; (b) a "blended" formula for cutting tariffs in which their high tariffs can escape the net whilst the developing countries would end up with deeper cuts in more products; (c) nothing substantial on S&D for developing countries.

This so outraged the developing countries that 20 of them (including Brazil, India and China) combined to come up with their own proposal that would: (a) commit the rich countries to significantly reduce their domestic subsidies of all types, and eliminate their export subsidies, whilst applying the "blended formula"; (b) provide S&D for developing countries, with less tariff reduction commitments, and the introduction of "special products" and a special safeguard mechanism (SSM) against import surges. Some developing countries want more meaningful S&D and have their own proposals. The Chairman's draft text on agriculture (especially in Annex A) has practically adopted the US-EU framework, with some weak and inadequate provisions for

developing countries, some of which (like the SSM) would come with conditions and have still to be negotiated. In Cancun, a battle between the EU-US position and the Brazil-India-etc proposal can be expected. Developing countries and social movements that are really concerned with the impact of cheap imports on farmers' livelihoods and food security will not see their concerns addressed satisfactorily. For them it will be a case of how much damage will emerge.

What should be done: The Cancun draft on agriculture (Annex A) should not be accepted. A new draft should be produced in the negotiations, that ensures that developed countries give up their export subsidies and domestic support measures within a short time frame, whilst strong protection is given for developing countries' small farmers and food security. If the complex issues cannot be resolved, the Ministers may just ask that further work be done in Geneva.

Non-Agriculture Market Access (NAMA) ("Industrial Tariffs")

Developing countries could suffer immense damage to their industrial sectors if the Chairman's Cancun draft is accepted. There is already much evidence of de-industrialisation (closure of local firms and loss of jobs) in many developing countries due to past liberalization. The Cancun draft, if adopted, will make the situation even more critical. This draft basically reflects the US-EC-Canada position, put forward in August in Geneva, which is aimed at a steep and quick cut in developing countries' industrial tariffs. The pious rhetoric of the Doha Declaration that the "negotiations shall take fully into account the special needs and interests of developing countries and LDCs including through less than full reciprocity in reduction commitments" has been set aside by the rich nations (and the Chairman) by putting in place proposals giving the opposite effects.

The dangerous elements in the Cancun draft (Annex B) include: (a) Commitment to a "non-linear formula" approach, in which the higher the tariffs, the higher the reductions (since most developing countries have higher bound tariffs, they would be hit much harder than developed countries where most tariffs are low); (b) Mandating developing countries to increase the coverage of their tariff bindings to at least 95%, and then reducing the tariffs; (c) Bringing presently unbound tariff lines or products under reduction discipline by multiplying the present applied rates by two and then subjecting them to reduction by the formula approach; (d) Committing all members to a "sectoral initiative" of

bringing tariffs to zero through fast track time frame for seven sectors. These proposals were objected to by developing countries generally during the Geneva negotiations, but they were included nevertheless in the Cancun draft. If they are accepted, then the policy space for industrial development will be very much reduced, and the viability of many firms and industries in the South — and millions of industrial jobs — would be threatened.

What should be done: The Cancun draft on NAMA should not be accepted. In the past, developing countries have not been subjected to a “formula approach” and certainly not to a “non-linear formula”. They have been able to choose the coverage of bindings (i.e., for which products to make binding commitments) and the rate of liberalization. This flexibility should be retained. In any case, Cancun should not adopt decisions to commit developing countries to a non-linear approach, sectoral tariff elimination, and near-100% coverage of tariff bindings, nor the binding of presently unbound tariffs at twice the applied rates.

The Singapore Issues

This is likely to be Cancun’s politically most contentious question to resolve. Since the 1996 Singapore Ministerial, there has been a fierce North-South tussle, with developed countries pushing for WTO to take on new agreements on investment, competition, transparency in government procurement and trade facilitation, and most developing countries resisting. The issues have since been “discussed” with no commitment to “negotiate” new agreements. At Doha, the rich countries made headway (through manipulative tactics) with a Declaration that states that negotiations on the four issues will begin after the 5th Ministerial (i.e., Cancun) — but this decision will have to be taken on the basis of an explicit consensus on modalities of negotiations.

Since Doha, the disagreements have continued (and indeed increased) in the discussions on each of the issues. This led most developing countries to take the position that there is no common understanding of the issues, and thus no basis for even discussing modalities (let alone having a consensus on them), that issues would have serious implications for their socio-economic development if they have to undertake new obligations, that there is no basis for starting negotiations and that Cancun should decide instead that the issues be further “clarified” instead. The rich nations (led by EU and Japan) argue the opposite: that an irreversible decision was made in Doha to start negotiations after Cancun, and this should be affirmed on the basis of “modalities” they

have put forward.

These two options — to start negotiations, or to only continue discussions — are in the Cancun draft. But the “start negotiations” camp has an unfair advantage in that their version of modalities is included in Annexes, even though this is objected to by developing countries. Meanwhile, many hundreds of social organizations around the world have campaigned against negotiations on these issues, which they believe have no place in the WTO which after all is a trade organization (and at least three of the issues are non-trade issues). New agreements in these issues will lead to unprecedented new powers for multinational corporations and calamity for developing countries as well as for many citizens in developed countries.

What should be done: The best option is to decide to take these issues out of the WTO negotiating agenda once and for all. The second best option is to decide that the issues need further discussion and clarification, and thus negotiations should not begin. If the worst option is taken, i.e., to start negotiations, it would be a disaster for development, social rights and for the multilateral trade system itself.

The Undemocratic and Manipulative Decision-Making Process

Although many developing countries have prepared themselves before Cancun, they will face an uphill (some say almost impossible) battle to have their views reflected in the texts that form the legal results of Cancun. They already had a bad experience in Geneva during the preparatory process: despite the many consultations, the texts on many areas ignored their views. At previous Ministerials — except Seattle — the rich countries got their way.

The main reason is that Ministerials are run in ways that suit the major powers. There are no rules nor proper procedures on how Ministerials are run — very strange indeed for an organization that prides itself for “transparency” and being rules-based. There is no transparent or participatory procedures for drafting and revising texts — indeed it is not known to Members in general nor to the public how the drafts of the Declarations are made. Thus, even if Ministers and officials are called to attend consultations and “informal meetings” (for which there are no minutes), the views of many or most developing countries are ignored in the texts, which ultimately is what counts. Some of the most crucial meetings (known as Green Rooms) are very exclusive, with only a few Ministers called. Decisions on key issues such as which text to adopt as the basis

for negotiations, who should be made Chairs of various negotiating groups, whether to extend the conference, have previously been made through non-participatory and untransparent methods.

Many developing countries have made proposals to have proper rules for WTO Ministerials, but these were rejected by the rich countries that claim that there must be “flexibility” in the running of Ministerials (which is a code for wanting leeway to continue the manipulative processes). The terribly undemocratic and manipulative WTO processes is now the subject of an international NGO campaign. But that will not stop the attempts by the major powers to use the same kind of processes in Cancun. Unless the WTO changes the rule-less way it operates, it and its decisions — including the Cancun outcome — will not enjoy public legitimacy.

(This paper first appeared as a Briefing Paper of the Third World Network for the 5th Ministerial Conference of the World Trade Organisation (WTO) held in Cancun in September 2003.)

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