

**FROM DOHA TO CANCUN: THE MULTILATERAL TRADE AGENDA
AS SEEN FROM A LATIN AMERICAN PERSPECTIVE**

**José Antonio Ocampo
Executive Secretary
Economic Commission for Latin America and the Caribbean (ECLAC)**

1. The Doha Declaration acknowledges that the majority of WTO members are developing countries, and it places their needs and interests at the heart of the work programme that it contains. The Ministers attending the Fourth WTO Meeting pledged that positive efforts should be “designed to ensure that developing countries, and especially the least-developed among them, secure a share in the growth of world trade commensurate with the needs of their economic development.” The benefits from the increased opportunities and welfare gains that the multilateral trading system generates should be extended to all WTO members through enhanced market access, balanced rules and well targeted, sustainably financed technical assistance and capacity-building programmes. The Doha negotiating agenda aimed at materializing those goals by giving precedence to topics of interest to developing countries. These included, *inter alia*, the importance of addressing outstanding implementation-related issues and guaranteeing full implementation of the provisions on special and differentiated (S&D) treatment, as well as correcting and preventing restrictions and distortions in world agricultural markets; reducing or eliminating tariff peaks, high tariffs and tariff escalation, along with non-tariff barriers on products of export interest to developing countries; and implementing and interpreting the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) in a manner supportive of public health through the promotion of access to existing medicines and research and development focusing on new medicines.

2. Furthermore, WTO members decided to analyse: (i) issues relating to the fuller integration of small, vulnerable economies into the multilateral trading system; (ii) the relationship between trade, debt and finance; and (iii) the relationship between trade and technology transfer. These topics should receive the same consideration as the formulation of new disciplines in areas of interest to industrial countries, such as the relationship between trade and investment, the

interaction between trade and competition policy, transparency in government procurement and trade facilitation.

3. Latin American and Caribbean countries have joined other developing countries in formulating, endorsing and advancing the Doha agenda. The majority of highly technical proposals that have been submitted to WTO negotiating bodies since the preparatory process for the Seattle meeting were formulated by developing countries. Countries from Latin America and the Caribbean have fully contributed to the process in their different capacities: as individual countries, as participants in regional integration schemes (particularly Mercosur and Caricom), or as members of problem-focused groups (such as the Cairns Group, the developing country groupings, or small island developing States, for instance). The region looked at the post-Seattle negotiations as a historical moment that should be seized to redress the large asymmetries that marked the Uruguay Round results.

4. Virtually all Latin American and Caribbean countries are WTO members and support the provision of public goods such as transparent procedures and respect for agreed standards, rules and principles as pillars of an international order that provides safeguards for all countries –and especially for the most vulnerable economies– against the arbitrary use of power by others.

5. Throughout the process of managing trade liberalization within the inadequate but fairly flexible GATT framework, Latin American Contracting Parties joined forces with other developing countries to show that levelling the playing field while maintaining disproportionate differences among the players only contributed to widening those differences. A “game” whose players were separated by profound economic and institutional asymmetries could only be fair if rules and procedures aimed at overcoming those asymmetries were created. UNCTAD was the product of such claims. In 1964, Raúl Prebisch, to whom both ECLAC and UNCTAD owe an enormous intellectual debt, remarked that industrial countries had withdrawn some sectors (agriculture and cotton textiles) from the highly-touted benefits of free trade. In so doing, their Governments were acknowledging that other national objectives could take priority over efficient resource allocation. Clearly, in pursuing social goals, the visible hand of government was sometimes preferred to blind market forces. In opening UNCTAD I, Prebisch kindly requested

that the same reasoning should be applied to enhancing developing countries' integration into the world economy, which called for compensatory policies and a more supportive international environment.

6. While the international community gradually came to acknowledge the specific trade features of the development process, other factors were gaining ground and pushing the multilateral system in a different direction. On the one hand, structural problems in industrialized countries undermined support for affirmative action in favour of developing countries within the framework of international cooperation for development. Trade became an important part of national activity in industrial countries. Exports began to account for a rising share of national production and imports for a rising share of intermediate and final demand in OECD countries. On the other hand, the nature of the trade liberalization debate gradually changed, and new trade-related issues were placed on the trade agenda. As a result, the tolerance which had existed for a wide range of national policies, and which had been central to the international consensus that established and sustained the multilateral trading system, was steadily eroded.

7. These changes in the nature of the trade agenda, which began with the Tokyo Round, progressively shifted the negotiations from reciprocal tariff reductions to negotiations about rules, policies and legislation, whose costs and benefits were difficult to assess and which increasingly trespassed on countries' domestic rules and institutions. Indeed, many analysts stress the fact that the post-war economic architecture was successful precisely because it was founded upon a guarantee that international rules would leave space for national autonomy.

8. The Uruguay Round materialized the growing demand for greater convergence between policies, institutions and legislation. A common thread running through several topics on the trade agenda (technical, sanitary and phytosanitary barriers, trade in services, antidumping and countervailing duties, subsidies, trade-related investment measures and the protection of intellectual property rights) is that they all impinge on the institutional infrastructure of domestic economies.

9. Governments in the region perceive a serious imbalance between the costs and benefits for the different groups of countries of fulfilling their commitments under the Uruguay Round Agreements. In itself, the greater weight of the richest countries within the world economy and global trade would be sufficient to account for the corresponding concentration of the gains in welfare which have come about as a result of the Uruguay Round. Latin American countries and, in particular, the small Caribbean islands, face domestic structural problems in converting potential market access conditions into real trade opportunities. The greater negotiating capacity of the rich, industrialized countries has enabled them to defend their national interests effectively and to revise multilateral rules in the light of their own trade policies and instruments. Conversely, Latin American and Caribbean countries have had to adjust their national policies and instruments to a new set of norms and obligations, as well as to drastically reduce the scope and range of their development policy options.

10. Firstly, industrial countries incorporated those areas into the multilateral trading system in which they enjoy a solid technological predominance and towards which their economies and enterprises are increasingly oriented. Secondly, they extended the GATT rules, which originally referred to products, to cover rights of private investors and increased the legitimacy of the contestability of domestic markets of goods and services by transnational corporations. This placed significant constraints on the capacity of Governments to challenge the practices of transnational corporations operating within their borders. Thirdly, the industrialized countries obtained lengthy periods of time for domestic restructuring in sectors of interest to developing countries, such as agriculture, textile and clothing, which make intensive use of natural resources, unskilled labour and/or mature technologies. As a result, varying degrees of flexibility were introduced for the disciplines applying to domestic support measures for industrial and agricultural products.

11. A look back over the commitments that the industrialized countries have undertaken in WTO and of the resulting trade policy reviews reveals that those sectors of export interest for the countries of the region are not only slow to open, but they often do so in conjunction with measures which undermine earlier obligations. This is particularly true of the agricultural sector, but it is also the case for contingency protection mechanisms and even the resurrection of

"voluntary export restraints" in sectors where countries of the region have been successful in conquering the markets of industrialized countries.

12. Even more worrisome were the "graduation" of middle-income developing countries and the confinement of development needs for special and differentiated treatment to the most extreme cases of the "least developed" nations. Only Haiti classifies as an LDC among the Latin American and Caribbean countries, but all the countries struggle with severe problems in seeking a competitive form of integration into the world economy. They need time, resources and a supportive environment for creating employment and promoting growth in their economies.

13. The lack of concrete results over the past 20 months in Geneva have considerably reduced hopes that the imbalances of the current multilateral trading system will be effectively redressed. Several deadlines that had been agreed upon in Doha to advance matters of interest to developing countries have been missed. The first was at the end of July 2002, when concrete steps towards the elimination of quantitative barriers to textiles and clothing markets as well as precise recommendations for increasing the effectiveness of provisions on special and differentiated treatment were expected. The July deadline was extended further without WTO members bridging the differences in their interpretations of some aspects of the Doha mandate. While all countries recognized the importance that Ministers attached to the S&D work programme and accepted the need to review all S&D provisions "with a view to strengthening them and making them more precise, effective and operational", there were significant differences of opinion as to how this could be achieved. Some developing countries felt that one way to make S&D provisions more precise, effective and operational would be to make them mandatory by changing the existing language of some of the "best endeavour" provisions. Others did not wish to consider amending the text of the Agreements or otherwise altering what they regarded as the existing balance of rights and obligations.

14. In spite of the positive reforms recently introduced by European Union farm ministers in the Common Agricultural Policy, the last report by the Chairman of the Negotiations on Agriculture, dated 7 July, stated that "the failure to establish modalities for the further commitments had given an added edge to making progress in essential technical work, with

worthwhile further progress being achieved in a number of the rule-related areas. However, the same could not be said with respect to core issues regarding the modalities for the further commitments... In these circumstances, achieving the objective of establishing modalities as soon as possible has continued to remain elusive... As matters stand, collective guidance and decisions are required on a number of key issues in order to clear the way for reaching the goals set out in the Doha mandate”.

15. The lack of progress in the preparations for the Fifth Meeting not only increases the workload of the Ministers during the few days set aside for the Cancun deliberations, but also reduces the expectations of moving forward with the Development Programme of the Doha mandate.

16. The experience of the past decade, which has been extensively documented by ECLAC, shows that the growth of exports of goods and services is a necessary, albeit insufficient, condition for promoting economic growth in Latin America and the Caribbean. Despite the heterogeneity of national experiences in this region, all the countries have wholeheartedly embraced an export-led model based on a low level of tariff protection. However, although exports did expand at a rapid rate in the 1990s, it became clear that an export-led growth model that did not incorporate instruments to convert it into an investment-led model could not lead Latin American and Caribbean economies to a path of sustainable growth.

17. ECLAC has called the period 1997-2002, the “lost half-decade” for development. In those years of net aggregate negative growth, the vulnerability of the foreign sector of Latin America’s economies was openly exposed. The erratic mood of international investors, volatile capital markets, contracting demand in industrial countries, and declining prices of non-oil commodities and manufactures left Governments with a reduced capacity to introduce effective countercyclical policies. Instead, in an effort to cope with balance-of-payments problems, the majority of the countries compressed their imports, thereby hurting intraregional trade as they pursued a sort of unintended beggar-thy-neighbour policy.

18. Over the past decades, Latin American and Caribbean countries have succeeded in diversifying their trade, in terms of both products and markets, along the lines of international specialization. Patterns of production have been transformed using industry-neutral as well as industry-specific selective instruments. However, ECLAC analyses have shown that the competitiveness of Latin American and Caribbean exports, with few but important exceptions, is based on price differentials rooted in static comparative advantages. The three major stylized forms characteristic of the region's integration into the world economy are based on the low cost of abundant unskilled labour and natural resources: both the various kinds of import-intensive exports of Mexico, Central America and some Caribbean countries as well as the service-based trade of Mexico and the Caribbean are based on low labour costs, while the majority of South American exports depend on natural resources. Moreover, studies by CELADE have shown that, for lack of viable opportunities in their countries, Latin America and the Caribbean have been exporting skilled labour to richer neighbouring countries and to industrialized nations through international migrations.

19. To enhance market access for their goods and services, Latin American and Caribbean Governments have also been actively engaged in negotiating a web of bilateral preferential liberalization arrangements with countries both within and outside the region, while proceeding with the negotiations on the creation of a Free Trade Area of the Americas (FTAA). Free trade agreements (FTAs) have been concluded between Mexico and the European Union as well as with the European Free Trade Association (EFTA). Chile and the United States have signed an FTA, after implementing other FTAs with Canada, the European Union, EFTA and several other parties. Central American countries are negotiating an FTA with the United States. Mercosur is building up an interregional association with the European Union, and there are initiatives to cover Japan, Singapore, the Republic of Korea, India and China, among others.

20. It is important to take note of several aspects of these bilateral agreements with industrialized countries. Firstly, they tend to consolidate the access that Latin American and Caribbean countries already have through the Generalized System of Preferences (GSP). This is to say, the preferential access that developing countries obtained as concessions in GATT, but that have remained as unilateral non-binding concessions, are consolidated bilaterally in

exchange for concessions in other spheres, particularly new areas. Secondly, the disciplines in areas of interest to industrialized countries are Doha-plus, since those FTAs include disciplines in investment, competition policy, government procurement and trade facilitation, for which there are no multilateral rules in place. Thirdly, issues that affect Latin American signatories, such as internal support measures in agriculture or anti-dumping legislation, are remitted to the multilateral negotiating forum.

21. Hence, the multilateral level of negotiations cannot be replaced by a mix of bilateral and “mini-lateral” negotiations. One of the reasons why this is true is that reciprocal concessions still depend on the rule of the “largest supplier”, and the United States focuses on Europe when negotiating on agriculture. Another is that domestic policies based on such tools as domestic support measures cannot be negotiated regionally, unless countries establish subsidy programmes that are divided up by crops and by geographic destination, or antidumping rules differentiated by trading partner, which would run counter to the most-favoured-nation principle.

22. Another interesting aspect of these multiple negotiations is that they generate centripetal and centrifugal forces that tend to both unify and divide the process of regional integration in Latin America and the Caribbean. Mercosur and Caricom participate as a group in both the FTAA and WTO negotiations. The other countries that are members of subregional groups such as the Central American Common Market (CACM) and the Andean Community have more heterogeneous interests in multilateral negotiations, but they are organized as subgroups in the FTAA negotiations, since these negotiations use the existing subregional integration schemes as their backbone. In addition, the survival of these groupings after the FTAA process is completed depends on the relative depth of their integration process *vis-à-vis* FTAA, as was decided at the Ministerial Meeting held in San Jose, Costa Rica. Hence, the process of regional integration in Latin America and the Caribbean, in spite of the difficulties faced by these subregional groups, continues moving towards the construction of integration institutions as well as deepening the coordination of social and economic processes.

23. Thus, subregional, hemispheric, bilateral, interregional and multilateral trade negotiations with similar agendas but with different levels of flexibility and bargaining power are tied together by a web of strategic interests and tactical moves on the part of major players.

24. ECLAC has drawn attention to the disintegrative power of globalization, in the absence of suitable institutions. At the national level, some regions, production sectors and social groups are coming out as “winners” and others as “losers” in the intense Schumpeterian process of creative destruction now being witnessed worldwide. This process is not only increasing each country’s internal heterogeneity but is also undermining the State’s ability to ensure its cohesiveness. The powerful centripetal forces which the global economy has been generating for several centuries now impel Latin American and Caribbean countries to focus on carving out a foothold in industrialized markets and competing among themselves to attract footloose investments. A virtuous circle of complementary global, regional and national institution-building is needed in order to cope with these forces.

25. International debate has gradually given rise to a broad consensus as to the fundamental role of national strategies in determining how successful a country will be in forming linkages with the world economy. Such strategies are also essential to handle the disintegrative forces being generated by globalization within each nation. Without a suitable international framework that not only provides rules but also contributes to efforts to overcome the asymmetries of the global order, national development will be hindered. As in the past, in the presence of widely differing positions such as those found in a hierarchical international system, attempts to apply equal terms in order to set up a level playing field will only serve to heighten existing inequalities.

26. The construction of a truly new international architecture is founded upon the overall effect of global and regional institutional reforms. The transmission of production and technological impulses from the industrialized world to developing countries involves two basic processes. One is the gradual transference of raw material production, mature industries and standardized services to labour- and natural-resource-abundant countries. The other comprises technology transfer aimed at increasing these countries’ participation in technology-intensive

goods and services sectors. The international agenda is oriented towards enhanced market access to labour- and natural-resource-intensive goods and services originating in developing countries, but it is the second type of process that will eventually lead to the elimination of international asymmetries.

27. Latin American and Caribbean expectations now turn to the first WTO Ministerial Meeting in the region. Governments and civil society alike are hoping that the warm climate, the beautiful scenery and the world-famous Mexican hospitality in Cancun will inspire WTO delegates to find ways and means to redress the international asymmetries of the global order.