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Trade as an engine of growth
A look at the outcomes of the 5th WTO Ministerial in Cancun

Good Morning. I am Maria Riley from the Center of Concern in Washington, DC and the International Gender and Trade Network. First, I want to express my gratitude for this historic opportunity for NGOs to address the United Nations General Assembly and to all the people who have made this event possible, especially the International Facilitating Group on Financing for Development.

Reviewing the complicated and important WTO 5th Ministerial at Cancun illustrates the old saying, "Where you stand (on an issue) depends upon where you sit." Assessments of the Ministerial vary widely and questions on its implications for the multilateral trading system are still unclear and will depend largely on how key players, such as the U.S. and the EU, respond.

It is clear that many countries, the WTO Secretariat, the major financial institutions and the UN system believe that the multilateral trading system is the best alternative through which to pursue development. However, a growing number of countries question whether the current directions of the WTO can foster development. Many NGOs would take that position further by saying that the current directions and operations of the WTO are anti-development.

The Cancun Ministerial, I believe, illustrates that cautionary position of the NGOs. But Cancun also marked a changing WTO environment which could offer some promise of new directions. To explicate this position I will briefly examine the substance, the political dynamics and the process which made it impossible for the Ministers to achieve consensus at Cancun.

Substance

The WTO 4th Ministerial in Doha proudly proclaimed that it placed development at the center of the WTO agenda. The Cancun Ministerial became the testing ground for that assertion. The four critical development issues on the Cancun agenda were agriculture, NAMA (non-agricultural market access), the Singapore issues (investment, transparency in government procurement, competition policy and trade facilitation) and the Cotton Initiative from four Central and West African countries (Benin, Burkina Faso, Mali and Chad). Fundamental differences among member states on these issues and their potential for advancing development became the breaking point in the negotiations.

Agricultural disputes have a long history in both the GATT (General Agreement on Tariffs and

Trade) and the WTO. Key issues are the subsidies and tariff regimes in the EU, the U.S. and Japan that protect their agricultural sector and undercut farmers in the developing countries by selling products on global and local markets at prices under the cost of production (dumping). The African Cotton Initiative was also addressing cotton subsidies, especially in the U.S. A pro-development resolution on these issues would have protected local agriculture, rural employment, rural development and food sovereignty in the developing world. However, the draft Declaration offer only small concessions on these issues.

While the NAMA (non-agricultural market access) negotiations did not play as critical a role as agriculture and the Singapore issues at Cancun, the draft Declaration posed significant areas of disagreement among nation states relative to development concerns. Developing countries wanting to move forward with tariff reductions which were consistent with their capacities and their development objectives, while developed countries were seeking across the board tariff reductions.

The unresolved dispute on the meaning of the Doha Declaration relative to the launch of negotiations on the four Singapore issues, and the “explicit consensus” required, carried over into Cancun. The EU insisted that negotiations on the Singapore issues had been launched and many of the countries of the South did not agree. Moreover, many member states had clearly stated their position against beginning negotiations on the issues before and during the Cancun Ministerial. The arguments against the issues concerned their development value and countries’ capacity for an enlarged WTO agenda. When the final draft Declaration was issued on September 13 with starting times for three of the four issues, the final impasse was reached.

Many Caribbean and other developing countries took the position that “No deal was better than a bad deal.” From the point of view of a true development agenda, the Cancun draft Declaration was a bad deal for many of the countries. The text of the draft clearly reflected the positions of the powerful countries in the WTO, particularly the U.S. and the EU. Development concerns were not at the Center of the draft document. The Ministerial had failed to promote its promised agenda.

New Political Environment

A significant new dynamic at Cancun were the several coalition initiatives that enabled like-minded member states to consolidate their political power and put forth their development agendas as a counter weight to the usual power brokers at the WTO. The Group of 20+ (G20) led by Brazil, South Africa, India and China, advanced an alternative position on agriculture. In addition, the Group of 32 (G32), led by Indonesia and the Philippines, added the perspective of poorer countries’ agricultural needs to the debate. The four African Cotton countries gained significant support for their demands for cotton subsidy reduction.

In addition, the ACP (Africa, Caribbean and Pacific), AU (African Union) and LDC countries joined their voices to support a development agenda and to oppose the Singapore issues.

In a serious miscalculation the Quad (Canada, EU, Japan and the U.S) and the Secretariat did not take the emergence of these new power centers seriously. They assumed, and some even said

publically, that the alliances would break apart under political and economic pressure. They did not and the Ministerial faltered.

These alliances are important because they address the imbalance in the negotiating leverage of developing countries in putting forth their trade agendas. But a serious question on their future viability at the WTO remains. At a recent meeting of representatives of the G20 (now the G17) in Geneva, the group asserted its cohesion and said that it would be flexible, reaching out to other member states and taking into consideration the needs of LDCs.

NGOs continue to be an important voice in trade discourse and at the Cancun Ministerial. Many of them supporting the efforts of the developing countries to advance their development agendas. However, the accusation of some EU and U.S. officials that the NGOs exerted undue influence on some developing countries and were therefore partially responsible for the breakdown is both patronizing and demeaning. It implies that member states do not know what is in their best interest and could be influenced by NGOs to act against it. The role of NGOs is critical to the WTO process as one of the voices that continues to identify the inequities of the current system and the flawed processes of the WTO.

Flawed Processes

After the collapse of the 3rd Ministerial in Seattle (1999) the WTO went into a prolonged process of “confidence building” with the express purpose of correcting the processes of decision-making within the WTO. Subsequent Ministerials at Doha (2001) and Cancun (2003) have revealed little progress in internal transparency, participation and democracy either at the WTO itself or at Ministerials. One could argue that in some situations the problems have increased.

The WTO decision-making process is opaque and secretive. Recent years have witnessed a proliferation of informal, undocumented and exclusive meetings. In addition, informal “heads of delegations” meetings are replacing the more democratic General Council meetings. Scheduling of meetings often makes participation impossible for small delegations to follow all the critical issues. The “implicit consensus” model, by which agreement is assumed if no objection is raised, is unfair to small delegations. Documents are often not distributed in time to allow close analysis and discussion.

The Cancun draft Declaration is a clear case in point. The draft was released Sunday night and the limited day and a half of discussions started Monday afternoon. Member states did not have time to analyze the draft nor to consult with their Capitols. As a consequence, the draft went forward to Cancun without the approval of the member states in Geneva.

Negotiating and drafting processes are “chair-driven,” but there are not adequate procedures for selecting chairs and determining their functions. The WTO decision to produce “clean” draft texts, rather than the UN style of bracketed texts, ignores the divergence of views among members. The neutrality of the Secretariat is not always maintained in this process and its commitment to an unqualified trade liberalization agenda colors its positions.

The continued use of by-invitation-only “mini-ministerials” in the build up to Ministerial

meetings excludes too many countries and in effect makes a few countries an unelected “steering committee” for the Ministerial. The mini-ministerials mirror the now infamous “green rooms” used during trade negotiations and Ministerials. Green rooms are by-invitation-only informal and undocumented meetings of key member states that undermine transparency and democracy in decision-making. It is important to note that the U.S. and the EU are always part of both the mini-ministerial and the green room meetings, giving them undue power and advantage over the trade negotiations.¹

In conclusion, despite its apparent failure, the Cancun Ministerial was a qualified success in that the formation of new and effective alliances kept the development focus in the negotiations. The developing countries came to the Ministerial with a clear agenda and political alliances and were not dissuaded. That the Secretariat, the U.S. and the EU either did not notice the new dynamic or chose to ignore it does not diminish the significant expertise the developing countries now bring to the negotiating process. If this trend continues, trade talks in the future might actually lead to a more transparent and democratic WTO and a trading system which enhances development, human rights, gender equity and environmental sustainability.

However, the success is qualified due to the entrenched flawed processes at the WTO. Unless real reform on transparency, participation and democracy occurs, the WTO will continue to be dominated by a few member states and movement toward a pro-development agenda will be weakened. Bringing the WTO into the UN family would also increase the potential for internal reform and a focus on a pro-development, poverty eradication agenda.

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1. This section is heavily indebted to the group of Geneva-based NGOs who monitor the WTO. Their analysis is contained in “Memorandum on the Need to Improve Internal Transparency and

Participation in the WTO, available at <http://www.igtn.org/WTO/WTOResources.htm>. See Memo on WTO Transparency.