

-After the Collapse-

Developed countries must become re-engaged after the failed Cancun ministerial

By Luke Eric Peterson, on behalf of the IISD Trade and Investment Team

The so-called Doha Development Round of World Trade talks has been dealt a serious reality-check in Cancun from many of the same countries upon whose behalf those talks were ostensibly launched two years ago.

Signaling their emergence as a formidable negotiating force at the 148-member World Trade Organization, the G-22—a bloc of developing nations led by Brazil, and supported by China—managed to bring the WTO’s Fifth Ministerial Conference to a halt by refusing to play with a Western-stacked deck.

This should be hailed as an important step for developing countries who have long criticized a putative development round which seeks to pile on more unwanted negotiations in a series of areas which remain poorly understood by many.

At the same time, the collapse of talks comes as a serious setback for efforts to reduce the Western agricultural subsidies which make it difficult for developing world farmers to compete with their government-financed Western competitors. Other key developing country issues in the Doha Round, such as enhanced special and differential treatment for the poorest WTO members, will also need to be pursued at a later stage of the round. For these reasons, efforts to revive the flagging trade talks, and to put them on a more balanced course, will be of critical importance in the months to come.

The collapse of the Cancun Ministerial conference came after five days of discussions which sometimes resembled WWI trench warfare more than multilateral negotiations—with both sides dug in, and few daring to venture into no-man’s land.

Early signs that talks might generate an olive branch in the form of an African proposal that harmful cotton

subsidies be phased out by WTO members, were ultimately dashed by U.S.-led opposition.

The production and export subsidies, which affect the livelihoods of millions of people in Western and Central Africa, were widely derided by many WTO members in the opening plenary sessions of the conference. In a precedent-setting move, WTO Director General Supachai Panitchpakdi agreed to chair efforts to eliminate these pernicious subsidies and to create a compensation fund which would compensate African farmers until the subsidy phase-outs kicked in.

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However, when a draft ministerial declaration was issued on the penultimate day of the conference, it drew outrage from proponents of the Cotton initiative. In place of actual commitments to reduce subsidies, the declaration called for further consultations on the issue, and urged African countries to diversify their economies by tapping existing (but no new) resources for this purpose.

More broadly, member governments also failed to bridge their differences on agriculture, which had been pegged as the key issue in the lead-up to the Cancun summit. With developed countries subsidizing their farmers to the hilt, they added insult to injury by demanding “concessions” from poorer countries in order to undo the damage which these subsidies wreak.

While some forms of subsidy may be useful to compensate for market failures—for example, to promote environmental stewardship—any development round will fail to live up to its name unless it sees a significant reduction in the tens of billions of dollars of harmful Western subsidies, particularly those geared towards the export of subsidized goods.

While agricultural gains will remain central to the round, efforts to expand the WTO’s remit into new areas have proven misguided.

WTO member states failed once again to bridge their differences on a proposal which would have seen negotiations launched on investment, along with the other so-called Singapore issues: competition, trade facilitation, and transparency in government procurement.

In the months leading into the WTO conference, numerous developing countries had expressed concerns about a lack of clarity on the part of Western governments which were demanding investment talks.

Many developing countries pointed to the questionable efficacy of earlier bilateral investment rules—and questioned whether a multilateral agreement would prove any better at attracting new investment flows to those countries which remain starved for such investment.

Facing a wall of opposition, the European Union would go so far as to abandon its demands that all four Singapore issues need be negotiated—expressing a willingness to abandon investment and competition at the eleventh hour—but other key demanders, including Japan and Korea, refused to follow suit. Meanwhile, many African countries insisted that all four Singapore issues be dropped from the table.

With time running out on the conference, and members having to reach agreement on a number of other issues—including agriculture, special and differential treatment and non-agricultural market access—the continuing deadlock over the Singapore issues pushed the conference Chair to pull the plug on the Cancun discussions.

Delegations will now return to Geneva in an attempt to salvage the talks and report back to the WTO’s governing body, the General Council, by December 15.

The short-term outlook for the Doha Round does not look propitious. While the round had been characterized by a series of missed deadlines in the lead-up to Cancun, recriminations have flown in the wake of the Cancun collapse; as have suggestions that countries like the United States will simply choose to trade with countries to whom it will not need to make any deep concessions in advance of next year’s presidential elections.

Bilateral and regional negotiations can be expected to proliferate in order to fill the vacuum left by WTO trade ministers, and developing countries could find themselves isolated in one-on-one or small-group negotiations.

This is unfortunate.

Bilateral deals typically exact deeper concessions from developing countries—pushing them to sacrifice more than they may have already committed at the WTO. In the area of trade-related intellectual property rights—which has been a lightning rod for the WTO—new gains for Western businesses have tended to come at the bilateral level, in so-called TRIPs-plus deals pushed by Western governments.

Developing countries which held out against new issues such as investment at WTO, must ensure that they do not simply surrender more for less in the context of sub-multilateral negotiations.

In the months to come, the continued health of the multilateral trading system will be of key importance. Having asserted their collective strength in Cancun, developing countries now must articulate a positive agenda which will rekindle Western interest in the WTO as a viable negotiating forum, and which can move the Doha Round forward.

Despite its flaws, the multilateral forum remains the most likely avenue for world trade to be harnessed to higher goods such as social development and poverty reduction.

Luke Eric Peterson is an IISD Associate.