

The WTO after Cancún

What Is at Stake?

María Cristina Rosas*



Germán Romero / Cuartoscuro

Anti-wto demonstrators break through a police barricade in Cancún.

*To the memory of my dear friend
and colleague Mónica González*

Last September 10 to 14 in Cancún, Mexico hosted the Fifth Ministerial Meeting of the World Trade Organization (WTO) in the framework of the new round of multilateral

trade negotiations agreed on in November 2001 in Doha. It is common knowledge that the meeting failed due to a lack of consensus between the developed and developing countries. This is cause for some concern for both the present and the future of the multilateral trade system.

The images speak for themselves: on the one hand, Dr. Luis Ernesto Derbez, Mexico's minister of foreign relations, was visibly affected by recognizing, much

to his regret, the failure of the meeting. On the other hand, activists and representatives of non-governmental organizations (NGOs) and civil society celebrated the news. However, in practice, rich and poor, governmental and non-governmental actors alike lose with this outcome. Why?

After the trade agreements discussed in the Uruguay Round from 1986 to 1994 came into effect, dissatisfaction was expressed in many ways in coun-

* Professor and researcher at the UNAM School of Political Science International Relations Center.

tries throughout the world, particularly in the least developed ones, given that they were faced with the obligation to comply with the commitments made at the same time that they lacked the human and material capabilities to do so. To that we would have to add that many developing countries opened up their markets in accordance with the Uruguay Round, at a very high cost in terms of competitiveness, productivity and the unavoidable adjustments that have to be made with the dismantling of protective mechanisms for domestic economies. Countries like the Caribbean nations noted, for example, that complying with the Agreement on Trade Related Intellectual Property Rights (TRIPS) would have a cost that their economies would not be able to absorb unless there was decisive cooperation from the countries of the North.

Between the Uruguay and the Doha Rounds, there was an extremely serious crisis that began with the Second WTO Ministerial Meeting in Geneva, but developed fully in Seattle's Third Ministerial Meeting. There, both the internal disagreements among the different country delegations and the protectionist, anti-globalization and anti-WTO/free trade feelings behind the violent demonstrations in the city's streets led to a virtual paralysis of the multilateral trade negotiations and discouragement on the part of the different countries because of what is still considered the crisis of the multilateral trade system.

The WTO's Fourth Ministerial Meeting took place at a very singular moment: the international agenda was oriented—as it continues to be today—toward the fight against terrorism, after the dramatic events of September 11, 2001. Also, it was held in Qatar, a remote lo-

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cation, in an attempt to avoid another Seattle.¹ Participating delegations knew that a new failure at Doha would lead to the virtual collapse of the WTO only six years after its inception, with unacceptable political and economic costs. It was in these conditions that they agreed to the beginning of the Doha Round.

THE DOHA ROUND: AGENDA AND NEGOTIATIONS SCHEDULE

The agenda agreed on in Doha, in an effort to cut short negotiation times and avoid paralysis and stagnation like those experienced with the Uruguay Round, is very broad. Another difficulty is that the aim is that by January 1, 2005, there be a single commitment; this reduces negotiating time to eight or nine months, taking into account recesses for Christmas and summer.

These dates have to be analyzed carefully given that many countries are carrying out bilateral and regional trade negotiations, which carries with it the risk of overtaxing the best expert negotiators, involving them in different agendas. This could affect their performance and participation on the multilateral playing field.

The Doha agenda includes a broad variety of issues that, given their complexity and time restrictions, will almost certainly not be dealt with appropriate-

ly. The agenda includes the “Singapore issues” (so-called because they were initially agreed upon at the First WTO Ministerial Conference in Singapore in 1996): investments, policies on competition, government procurement and facilitation of trade. In addition, there are other thorny topics like agriculture, services, intellectual property and the relationship between trade and the environment (see chart). To these are added the topics that developing countries have insisted be included as a fundamental part of the negotiations; outstanding among them are trade, debt and finances and trade and the transfer of technology, which could well be called “Doha issues” since it was in the Fourth WTO Ministerial Meeting that they were accepted as part of the agenda.

However, as shown in the chart, the “Doha issues” are not subject to formal negotiations, but have only been dealt with in working groups that seem to be more for semi-academic reflection than for political negotiations to get commitments from the more prosperous nations for developing the poorest. This is why the idea of calling the Doha Round the “Round for Development” is inappropriate.

Some issues are the cross-cutting themes of the Doha Round: not only the “Singapore issues”, but especially the negotiations about trade in agricultural products. In the Uruguay Round, a series of norms were established in three

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areas: improving market access, reduction of domestic subsidies and reduction of subsidies to exports. However, the topic has historically given rise to non-trade and political considerations blocking a consensus to liberalize the sector.

AGRICULTURE, THE BACKBONE OF THE DOHA ROUND

Today, the Doha Round's negotiation on agriculture once again faces the politization of the agenda; disagreements among the United States, the European Union and the Cairns Group, among other influential actors; and the protectionism that the Bush administration fostered in 2002 basically for electoral reasons.²

The developing countries are particularly concerned with the issue of market access, including tariff caps and the problem that arises when a non-tariff barrier becomes a tariff under the provisions of the Uruguay Round. Thus, numerous processes of tariff creation have produced very high duties. In the agricultural, fishing and food industry sectors, prohibitively high tariffs (higher than 100 percent) exist as a result, precisely, of this process of tariff creation.

Food security and the fight against hunger also deserve particular attention. The so-called Millennium Goals, agreed upon in the UN General As-

sembly in 2000, establish the primary commitment to eradicating hunger and extreme poverty and cutting in half the number of persons living on less than a dollar a day by the year 2015. Unfortunately, given the stipulations of the Uruguay Round, once export subsidies are withdrawn from products with large subsidies (wheat), their international prices tend to rise substantially. In addition, the reduction of domestic subsidies will cause notable instability in the agricultural sector because government food stocks will dwindle, putting at risk these products' availability. It is not necessary to emphasize that this puts forward a Dantesque scenario for many countries, particularly developing countries (like those of sub-Saharan Africa), which are net food importers.

THE IMMEDIATE FUTURE WHAT'S AT STAKE

Unfortunately, the developing nations have limited negotiating capacity. Many African countries cannot even maintain a permanent delegation in Geneva, which marginalizes them from the most important discussions. On the other hand, something that should not be underestimated is that even though continual bilateral, regional and/or multilateral trade negotiations go on in the world, only a few countries have experience and so-called bargaining capabilities.

Another particular that should be considered is that developing countries' participation in international trade is marginal. Suffice it to mention that the Latin American and Caribbean portion of world trade went from 12 percent in 1950 to 5 percent in the 1990s. Even countries like Mexico, included among the world's large exporters, base their participation on the sale of products assembled domestically but with imported inputs. In 1983, Mexican exports had 85.9 percent national content, but by 1996, national content had dropped to 41.8 percent. This could increase if an industrial policy were developed that aimed to recover productive chains based on competitiveness—not based on autarchy or protectionism. In other words, as long as developing countries' participation in world trade continues to be marginal, they will most likely not have an impact on the negotiations carried out by the rest of the world's nations.

With things as they stand, even though there is a precarious consensus and a political mandate to continue with the Doha Round, the road the WTO faces will be a rocky one. The risk of such a broad agenda is that disagreements may arise at key moments. The "green room," on the one hand, and the "single undertaking" (that is, the premise that "nothing is negotiated until everything has been negotiated"), on the other, will be challenged: the former because of the issue of transparency and the genuine representation of the 148 members of the WTO in the main negotiations, and the latter because disagreement will inevitably arise. The temptation to exclude thorny issues will be very strong, and then, we could return to the scenario of splitting up the agenda, as happened before the Uru-

THE DOHA ISSUES

The Declaration of Doha establishes a vast negotiating agenda. In some cases, the issues require negotiation, application, analysis and/or monitoring. The following is the long list of issues, the paragraph of the declaration in which each is mentioned and what is expected from the negotiations.

ISSUE	PARAGRAPH IN THE DECLARATION OF DOHA	TASK
Implementation-related issues and others	12	Some require negotiation
Agriculture	13, 14	Negotiations
Services	15	Negotiations
Market access for non-agricultural products	16	Negotiations
Trade-related aspects of intellectual property rights	17, 18, 19	Negotiations
Relationship between trade and development	20, 21, 22	Preparation for negotiations
Interaction between trade and competition policies	23, 24, 25	Preparation for negotiations
Transparency in government procurement	26	Preparation for negotiations
Facilitation of trade	27	Preparation for negotiations
WTO rules: anti-dumping	28	Negotiations
WTO rules: subsidies	28	Negotiations
WTO rules: regionalization processes	29	Negotiations
Understanding in dispute settlement	30	Negotiations
Trade and the environment	31, 32, 33	Negotiations
Electronic commerce	34	Work by the General Council
Small economies	35	Work by the General Council
Trade, debt and finance	36	New working group
Trade and transfer of technology	37	New working group
Technical cooperation and capacity building	38, 39, 40, 41	Work by the General Council and the General Secretariat
Least-developed countries	42, 43	Work in different bodies
Special and differential treatment	44	Work in different bodies

guay Round. If that happened, WTO negotiations would not advance as scheduled, but at different speeds, and the issues that would tend to be avoided would be the ones that most concern the developing countries.

Basically, the most important debate is about finding the mechanisms that make it possible to include the developing countries in international trade,

but in less unfavorable conditions than those that exist today. And while the WTO has many drawbacks, it is perhaps the only possible forum for these debates.

It is devoutly to be wished, therefore, that the failure at Cancún be overcome, just as after the Seattle collapse, it was possible to come to some consensuses at Doha. **MM**

NOTES

¹ The participation of NGOs at this meeting was very limited.

² The 2002 Farm Security and Rural Investment Act, better known as the Farm Bill, authorized U.S. \$180 billion in subsidies to U.S. growers. Bush said this was justified because of the slowdown in the U.S. economy. These subsidies severely jolted the hard-won existing consensus in favor of agricultural negotiations in the Doha Round. In practice, the U.S. president bet on this support allowing him to strengthen the Republican Party in the southern states in the November 2002 elections.