

THE COLLAPSE AT CANCUN: THE FIFTH MINISTERIAL CONFERENCE OF THE WORLD TRADE ORGANIZATION

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ABSTRACT

Some of the main objectives of the World Trade Organization (WTO) are, to raise the standards of living of the member countries, to ensure their full employment, and to expand their production of, and trade in, goods and services. The fifth WTO ministerial conference was held in September 2003 in Cancun. The Cancun Conference collapsed because of internal squabbles and irreconcilable philosophical differences between the developed countries and the developing countries. These differences included the huge agricultural subsidies to farmers in the rich countries and the inclusion of the Singapore issues in the Cancun meeting agenda. Consequently, the WTO now appears to be teetering on the verge of a complete collapse. At this time, the WTO member countries are polarized into two main blocks, the “haves” and the “have nots”. This paper describes the developmental stages of the WTO and its journey towards the present condition.

INTRODUCTION

In a 1994 general meeting held in Marrakech, Uruguay, the General Agreement of Tariffs and Trade (GATT) decided to become the World Trade Organization (WTO). The new organization came into being in January 1995. The WTO is comprised of a multilateral trading system, developed through a series of trade negotiations, known as “rounds,” held under the GATT. The last round of the GATT, known as the 1986-94 Uruguay Round, led to the creation of the WTO. It was also mandated at that meeting that the ministerial conference of the WTO member countries shall be the highest-level body for its decision making process and that the ministerial conference shall take place at least once in every two years. Some of the main objectives of the WTO are:

1. To raise the standards of living of the member countries
2. To ensure their full employment
3. To expand their production of, and trade in, goods and services.
4. To increase volume of real income and effective demand
5. To strive for sustainable development and environmental protection

6. To improve the trade in developing countries.
Source: www.wto.org [14]

These objectives are to be achieved in a manner consistent with the respective needs and concerns of the member countries at different levels of development. The overall objective of WTO is to liberalize global trade and thereby improve the welfare of people of the member countries. It provides a forum for governments to negotiate trade agreements and a place to settle trade disputes. All work at WTO is done only through negotiations and all decisions at WTO are taken by consensus among all the member countries.

The WTO system is based upon the WTO agreements, negotiated, signed by the world's trading nations and ratified by their governments. These agreements are the legal ground rules for international commerce. These are also contracts guaranteeing member countries important trading rights.

THE FIRST WTO MINISTERIAL CONFERENCE: SINGAPORE ISSUES

The first WTO ministerial conference was held in Singapore in 1996. At this conference, four issues were proposed by the developed countries for discussion, negotiation, and eventual implementation by WTO. These are, Trade and Investment, Trade and Competition Policy, Trade Facilitation, and Transparency in Government Procurement. These issues, notoriously known as "Singapore Issues", were widely criticized by developing countries and those who oppose global trade practices, as they hurt the interests of poor and developing countries. A coalition of anti-global trade non-governmental organizations in Indonesia argued that, for instance, wider access for foreign investors to bid on government procurement would only cut local companies' chances to win the bid (Wulandari [13]).

THE SECOND WTO MINISTERIAL CONFERENCE, GENEVA, 1998

The second WTO Ministerial Conference was held in Geneva in 1998. At this meeting tribute was paid to the GATT/ WTO system's important contribution over the past half-century to growth, employment, and stability by promoting the liberalization and expansion of trade and providing a framework for the conduct of international trade relations in accordance with the objectives embodied in the Preamble to GATT and WTO Agreement in Uruguay. Significant new steps forward were noted, particularly, in the successful conclusion of negotiations in telecommunications, financial services, and implementation of the Information Technology Agreement. (www.wto.org/minist_e/min98_e.htm [15]).

THE THIRD WTO MINISTERIAL CONFERENCE, SEATTLE, 1999

The third WTO Ministerial Conference met in Seattle in 1999. Four contentious issues were raised at this meeting: Labor rights, liberalizing trade, the leadership of WTO, and transparency in the WTO deliberations. After four days of fruitless discussions and the largest protest demonstrations seen in the U. S. since Vietnam War, the conference broke up in disarray. The Seattle conference ended in a complete fiasco. Disparate groups of anarchists, organized labor, and a whole array of

special interest groups turned the city's streets into a debris-covered battleground (Vesely [12]). Protesters contended that full implementation of WTO objectives would, in time, nullify national laws regulating the environment, reverse labor's gains from a century's struggle, and ruin accepted standards of human rights (Armsbury [1]).

THE FOURTH WTO MINISTERIAL CONFERENCE, DOHA, 2001

The fourth WTO Ministerial Conference was held in Doha, Qatar in 2001. There, the 146 WTO members agreed to begin a new campaign for liberalized trade rules, aiming to commit to a new round of tariff cuts and removal of trade barriers that should, in theory, increase trade and prosperity for everyone (Stokes [10]). The Doha round came to be known as the Development Round. The Doha Round declaration established a series of negotiating objectives and mandated that the Doha Development agenda must be completed by January 1, 2005. The agenda items included agricultural subsidies, services, industrial tariffs, implementation, environment and Trade Related Intellectual Property Rights (TRIPs). The agenda also included the four controversial Singapore issues. The Doha Round was launched with the aim of completing negotiations by December 2004. One of the important items of the agenda is the reduction and elimination of the huge agricultural subsidies in European Union (EU) and United States (US). The EU commission rejected the total elimination of all agricultural subsidies. Negotiators failed even to agree on the terms for liberalizing agricultural markets (Harris [3]).

THE FIFTH WTO MINISTERIAL CONFERENCE, CANCUN, 2003

The fifth WTO Ministerial Conference was held in Cancun, Mexico in September 2003. Even from the outset, the trade talks appeared to be in trouble. As soon as the text of the agenda was released, delegates from the developing countries were dismayed to see that many of their pre-submitted items were left out. Some of these items were part of a detailed agenda that had been negotiated in preparation for the conference among the developing countries (Chafe [2]). One of the important items left out was the issue of reduction and elimination of the huge EU-US farm subsidies. As a result, 21 of the developing countries formed, led by India and Brazil, formed the, G-21 Group initiated to insist on discussions of the EU-US farm subsidies.

THE BANE OF THE FARM SUBSIDIES

The Doha Round is termed, the Development Round. As Hernandez Allende [4] states, the goal of the Cancun conference was to review negotiations to continue freeing up international trade. But, there exists a hidden agenda of protectionism for developed countries. For example, the EU and US governments approved agricultural subsidies that allow their farmers to have a competitive advantage in international markets while shutting down agricultural producers in developing countries. According to Hernandez Allende [4], there is a contradiction between the rhetoric of free trade that is proposed by the rich countries and the zeal with which they are willing to protect certain of their own national industries from competition.

As Ricupero (2003), Secretary-General of United Nations Conference on Trade and Development observes, “ instead of open markets, there are too many barriers that stunt, stifle, and starve. Instead of fair competition, there are subsidies by rich countries that tilt the playing field against the poor.”

The EU tops the list of agricultural subsidies to farmers with nearly \$68 billion spent on agricultural subsidies in 2000. The US comes to be a close second with \$24 billion spent in farm subsidies in 2000 (Norton, 2003). The disastrous consequences of the huge farm subsidies in the rich countries on the farmers of poor countries was dramatized by the tragic suicide of a South Korean farmer, Kyung Hae Lee who stuck a knife into his heart while protesting outside the WTO meeting in Cancun. He was a very successful farmer before the advent of the WTO and won many South Korean government awards. But, with the increase of global trade, South Korean farmers had to cope with increasing, subsidy-backed, low-priced farm imports from the rich countries. As a result, the farm prices in South Korea plummeted, driving the farmers into deep debt.

CANCUN REVISITED

As mentioned above, the G-21, continued their efforts to start negotiations on the reduction of agricultural subsidies in the rich countries. The EU delegates continued to insist that the four Singapore issues must be dealt with first before any discussions on the development issues that are already on the top of the agenda items. The G-21 over night swelled into G-70. The developing countries refused to be pushed into a corner and have proved that they are now a force to be reckoned with. The WTO Cancun conference came to a dramatic end without any agreement, leaving the negotiations in a deadlock.

As Stokes [10] states, the WTO Cancun collapse marked a watershed for global dialogue on trade. Developing nations demonstrated unprecedented solidarity and power. As a result, the WTO may never be the same rich men’s club again. The confrontation revealed a culture clash – a profound chasm between the rich and poor nations in philosophy and self-interest – over how best to capture the benefits and redress inequities in the trade globalization process. A G-21 proposal to reduce the EU-US farm subsidies and market barriers largely drove the agenda at Cancun. India in particular argued that its 600 million poor farmers could not survive if exposed to subsidies-backed competition from America’s corporate farmers (Stokes [10]). According to Punj [8], India’s commerce minister, Jaitley, artfully flayed the rich nations of WTO by his remark that the rich nations, “are interested in developing the developed countries.” The developing countries led by India and Brazil stood solidly together to demand that there would be no acceptance of subsidies of the rich for their agriculture in exchange for concessions on the Singapore issues. Jaitley in effect stated that India’s investment policies could not be determined by WTO in Geneva (Punj [8]).

CONCLUSION

The WTO Cancun conference clearly demonstrated to the world that differences between the developed and developing countries on issues such as trade liberalization in agriculture and the four Singapore issues are too wide to be bridged.

It is also obvious that the deadline, January 1, 2005 to complete the Doha Round negotiations cannot be met. Cancun conference also underscored the fact that the principal areas of concern for WTO are agricultural subsidies and the four Singapore issues and that only a trade off between these two areas can lead to a compromise among the principal protagonists, the EU-US versus the 70 developing countries.

As Ramachandran [7] states, the EU also conceded that formation of the G-21 coalition at Cancun forced the WTO to rework its strategy for multinational trade negotiations. The European commission's president, Prodi observed, "you –(India and other G-21 countries)— taught us a lesson." This was that there is a common voice which has to be heard. When 21 countries with differing interests could join hands, they have to be listened to, especially since they account for half the world's population," (Ramachandran [7]).

It is well established now, after Seattle and Cancun conferences, that the poor countries can not only unite to protest their cause with respect to the multilateral trading system but, more significantly, also stand firm under the most intense pressures brought on by the rich economies to split their unity. The developing countries refused to discuss the Singapore issues at Cancun because they felt that global agreements in these areas would further reduce the space for autonomy in their domestic policy. The Doha round of trade talks are slated to be a "Development Round", but the proposals at Cancun had less to do with furthering development than with furthering the mercantile interests of the advanced countries. The failures at Seattle and Cancun reflect a loss of confidence in the WTO agenda. If the WTO is to win the confidence of the developing countries, it has to offer an agenda that addresses the concerns and interests of the majority of the WTO members.

Mccafferty [5] has made an interesting observation about Cancun. According to him, a huge disaster has happened at Cancun and most people do not even notice it. The deal at Cancun is supposed to be that the first world would give the third world something on agriculture, and the third world would give the first world something in the intellectual property rights. What the first world lost on the intellectual property rights is much bigger than what it gained in their continued ability to subsidize their farmers.

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