

## **The Fifth WTO Ministerial Conference at Cancun**

- 2.1 At the Fourth WTO Ministerial Conference in Doha, Qatar, ministers from WTO member countries agreed to launch a new round of trade negotiations.<sup>1</sup>
- 2.2 The meeting agreed to negotiate on 21 subjects or issues and formally named the work package of the round the Doha Development Agenda – the Doha Round.<sup>2</sup>
- 2.3 The Cancun meeting, the focus of this hearing, was the Fifth WTO Ministerial Conference and was intended as a mid-round meeting to ‘take stock’ of progress in the Doha Round.<sup>3</sup>

### **The conduct and management of Cancun**

- 2.4 In a recently published overview of the negotiations at Cancun, The Economist noted that various parties at Cancun blamed the chair of the conference and Mexican Foreign Minister Luis Ernesto Derbez for mishandling negotiations. His actions in keeping strictly to the scheduled times removed the opportunity for key nations or country groupings to participate in final, late night negotiations to resolve differences.<sup>4</sup>

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<sup>1</sup> WTO, *Understanding the WTO*, p 77.

<sup>2</sup> WTO, *Understanding the WTO*, p 77.

<sup>3</sup> [http://www.wto.org/english/thewto\\_e/minist\\_e/min03\\_e/min03\\_e.htm](http://www.wto.org/english/thewto_e/minist_e/min03_e/min03_e.htm)

<sup>4</sup> ‘The WTO under fire’, *The Economist*, 20 September 2003.

- 2.5 DFAT's opening statement at the committee's roundtable made plain that the meeting processes followed at Cancun were not, in the government's view, a particular or even significant problem in the context of the disappointing meeting.<sup>5</sup>
- 2.6 The same article goes on to dismiss this view suggesting that although Mr Derbez might have made a tactical error in managing the negotiations, the cause of the failure lies deeper within the whole WTO negotiating process and substantive differences between negotiating countries and country groupings.<sup>6</sup>
- 2.7 DFAT supports the view that more negotiations may not likely have changed the outcome. The department gives two reasons for this.
- The first is that the EU felt it had compromised on the Singapore issues. Once its compromise offer was rejected, it became more difficult for the EU to then ask its members for further compromise on agriculture. More flexibility was required on agriculture from both the US and the EU.<sup>7</sup>
  - The second reason was the rejection of negotiations by the G90 on the Singapore Issues and more broadly the lack of flexibility in negotiating positions.
- 2.8 Others such as Alan Oxley of the APEC Study Centre are more broadly critical of the negotiating style of Pascal Lamy, the EU Trade Commissioner, and Robert Zoellick, the US Trade Representative.<sup>8</sup>
- 2.9 Although there appears to have been mistakes made in the management of the Cancun meeting, the sheer volume of undecided issues in the Doha Round of negotiations suggest that mistakes at the meeting alone could not have caused the poor outcome.

## **Role of the United States and the European Union**

- 2.10 Clearly for any meeting to work the key participants must be involved and genuinely interested in an outcome. Two of the biggest participants in world trade are the United States and the European Union.

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<sup>5</sup> DFAT, *Transcript*, p 2.

<sup>6</sup> 'The WTO under fire', *The Economist*, 20 September 2003.

<sup>7</sup> DFAT, *Transcript*, p 6.

<sup>8</sup> Oxley, *Transcript*, p 19.

- 2.11 Acknowledging the importance of these nations in the process of trade liberalisation, the US and EU developed a draft framework paper setting out their preferred approach to the upcoming Cancun meeting. The paper grew out of the so called ‘mini-ministerial’ held in Montreal in August of 2002.<sup>9</sup>

## US-EU framework proposal

- 2.12 In explaining the poor outcome of the Cancun meeting DFAT listed the US-EU framework proposal as one of the main causes.<sup>10</sup>
- 2.13 One commentary of the 2<sup>nd</sup> revision of the Derbez text, which was only marginally different from the US-EU framework proposal, described the text’s main features in the following terms:
- The US/EC text introduced the ‘blended formula’, which takes into account the EC’s wish to protect their markets with high tariffs in their most sensitive sectors (eg. meat, dairy, cereals).
  - In exchange, it protects the US’ need to maintain high ‘trade-distorting’ domestic supports to accommodate the additional billions offered in the US’ farm bill.
  - And importantly, it enforces steep tariff cuts on the larger developing countries – to meet both US and EC interests.<sup>11</sup>
- 2.14 The strong reaction to the text by G20 members<sup>12</sup> was based on the fact that it was so ‘self-serving’.<sup>13</sup> And generally, DFAT believes both the US and the EU offered little additional flexibility in negotiating on the text.<sup>14</sup>

## Singapore Issues

- 2.15 The main opponent of the Singapore Issues<sup>15</sup> was a developing country coalition (G90, including many less developed and small economies from Africa and the Caribbean in particular).

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<sup>9</sup> DFAT, *Transcript*, p 7.

<sup>10</sup> Note, many documents from the Cancun meeting can be found at the WTO Cancun website at [http://www.wto.org/english/thewto\\_e/minist\\_e/min03\\_e/min03\\_e.htm](http://www.wto.org/english/thewto_e/minist_e/min03_e/min03_e.htm)

<sup>11</sup> ‘Derbez text’ Increases Trade Distortions, More Special Treatment for US and EU!, Joint WTO Committee Thailand, [http://www.wtothailand.or.th/hot\\_issues.php?trans\\_id=743](http://www.wtothailand.or.th/hot_issues.php?trans_id=743)

<sup>12</sup> DFAT, *Transcript*, p 8.

<sup>13</sup> DFAT, *Transcript*, p 8.

<sup>14</sup> DFAT, *Transcript*, p 8.

<sup>15</sup> The four Singapore Issues are: trade and investment; trade and competition policy; transparency in government procurement; and trade facilitation.

- 2.16 This coalition of G90 vigorously opposed the commencement of any negotiations on the Singapore Issues because they viewed them as non-tariff barriers to trade being put forward by developed countries.
- 2.17 The G90's unwillingness or inability to respond to the concession offered by EU Commissioner Pascal Lamy was the immediate cause of the breakdown at Cancun, according to DFAT.

## **Role of the G-20<sup>16</sup> group of countries at Cancun**

- 2.18 The emergence of a new negotiating group of developing countries was a feature of the meeting in Cancun. Although interest based negotiating groups were not new in such negotiations, formation of the G20 did manage to surprise some parties.<sup>17</sup>
- 2.19 In forming the new country grouping (members listed in Figure 2.1), negotiations took on a North versus South dimension.<sup>18</sup>
- 2.20 Since the breakdown of the Seattle Ministerial meeting in 1999, developing countries have asserted a greater role in WTO talks. They argued that not all the Uruguay Round undertakings have been delivered. They are argued that the Singapore issues are, in the main, non-tariff barriers for developing countries. And they believe liberalisation of textile trade and agriculture is necessary for those countries to be able to benefit from their comparative advantage.
- 2.21 Some of the G20 countries, notably India, appear to doubt the advantage of global open markets per se. Forty percent of agricultural trade is South-South trade. Yet India is effectively a closed market for the rest of the developing world.
- 2.22 Despite this obvious contradiction, developing countries at Cancun came together in the G20 to put pressure back on the developed world to achieve their aims.
- 2.23 On agriculture, the Cairns Group has a lot in common with the G20, except of course the Cairns Group would argue for the removal of

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<sup>16</sup> What is referred to as the G20 in this text is variously called the G22, G21 or G20 depending the shifting membership. As of the writing of this report DFAT refers to the group as the G20, as will this report (see Figure 2.1 for membership).

<sup>17</sup> DFAT, *Transcript*, p 26.

<sup>18</sup> DFAT, *Transcript*, p 26 and 'The WTO under fire', *The Economist*, 20 September 2003.

protection of agriculture everywhere and not just in the developed world.

- 2.24 The G20, through perhaps Brazil, India and China, is trying to hold itself together. Progress in the round will involve addressing the core issues of this group and dissuading them from commenting on the other matters.
- 2.25 DFAT describes how it became ‘readily apparent early on that Saturday evening (Day 4 of 5) that there was a large and quite forceful reaction from many developing countries to the [Derbez] text’.<sup>19</sup> The reaction led to an ‘unusual sort of atmosphere – one where quite lofty rhetorical statements were made by some members which were greeted by applause and cheering by others’.<sup>20</sup>

## Future of the G20

- 2.26 In terms of the impact of this new group on negotiations, the committee believes the consensus that emerged from the hearing and media reporting was that it is unlikely to be a force in future WTO negotiations in its current form.
- 2.27 There were two reasons for this conclusion. The first was given by Andrew Stoler. He explained that the grouping was surprising because it included countries which were interested in significant agricultural liberalisation and ones which had little interest in agricultural liberalisation.
- 2.28 In talking with those inclined towards liberalisation, Stoler learned that their intention in joining the group was to create a ‘short term shock type of group...designed to pull the negotiation back from the extreme of the US-EU text...towards the centre’.<sup>21</sup> He also discovered that once that objective had been realised the group would likely have dissolved.<sup>22</sup> Therefore it was clear to Stoler that there was no intention within the group to form a long term coalition.
- 2.29 These ‘internal contradictions’ within the group, as the Australian Financial Review put it, meant the G20 would not survive in that form.<sup>23</sup>

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<sup>19</sup> DFAT, *Transcript*, p 4. The Derbez text was only marginally different from the US-EU text.

<sup>20</sup> DFAT, *Transcript*, p 4.

<sup>21</sup> Andy Stoler, *Transcript*, P 16.

<sup>22</sup> Andy Stoler, *Transcript*, p 16.

<sup>23</sup> Australian Financial Review, *Poor nations’ G22 falls apart*, 10 October 2003.

- 2.30 In contrast, DFAT noted the similarity of G20 and Cairns Group positions, and that while it was unclear about whether this group will be sustainable in the way that the Cairns Group has been sustainable, it is now part of the landscape with which Australia must work'.<sup>24</sup> This forecast has been born out to some degree.<sup>25</sup>

## **Role of the Cairns Group<sup>26</sup> of countries at Cancun**

- 2.31 As mentioned previously there was considerable overlap between the G20 and the Cairns Group. Figure 2.1 below shows that nine countries are in both groups.
- 2.32 As well as the large overlap in membership between the two groups, DFAT points out there is also a large overlap in their negotiating positions.<sup>27</sup>
- 2.33 One apparent difference between the groups DFAT pointed out is that the Cairns Group comprises developed and developing nations whereas the G20 comprises only developing countries. This suggests, as mentioned previously, that the Cairns Group is based on interest in freer agricultural trade while the G20 is a notional grouping of developing countries. India for example, a highly protectionist agricultural producer,<sup>28</sup> has less interest in freer agricultural trade than Costa Rica or Australia.<sup>29</sup>

## **Impact of the Cairns Group**

- 2.34 The G20 negotiating position was very close to that of the Cairns Group – far closer than the Cairns Group's position in relation to the US-EU text – but the dynamics of the negotiations discussed above made it difficult for the Cairns Group to claim the media profile of the G20.<sup>30</sup>

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<sup>24</sup> DFAT, *Transcript*, p 27.

<sup>25</sup> Although the G20 is still intact, its membership of the G20 has changed, and currently stands at 19. Membership list supplied to secretariat on 30 Jan 2004.

<sup>26</sup> The 17 member Cairns Group of agricultural producers, now 18 years old, primarily aims 'to ensure that agricultural trade issues would be given a high priority in the Multilateral Trade Negotiations' (<http://www.cairnsgroup.org/milestones.html>)

<sup>27</sup> DFAT, *Transcript*, p 26.

<sup>28</sup> DFAT, *Transcript*, p 11.

<sup>29</sup> As explained by DFAT, *Transcript*, p 16.

<sup>30</sup> Jane Drake-Brockman, *Transcript*, p 25.

- 2.35 DFAT explained, however, that the Cairns Group was very active and effective throughout the negotiations. In late 2003 members of the Cairns Group, including those which are G20 members, met in Geneva and reaffirmed their commitment to the group. Members of the Cairns Group have also planned to meet at ministerial level in Costa Rica in late February 2004<sup>31</sup> (see Appendix B for the 2004 schedule of WTO activities).
- 2.36 DFAT concluded that there was much misunderstanding of the role of the Cairns Group at Cancun, of the relationship between the Cairns Group and the G20, and developments in Cairns Group approaches – particularly outreach to developing countries – over recent years.
- 2.37 In terms of the Cairns Group's plans, DFAT has posted on its website the following

At the Cairns Group's 26th meeting in Costa Rica from 23-25 February, Ministers issued a strongly worded communiqué about the Group's readiness to move forward the negotiations and work to lock in a framework agreement on agriculture by mid 2004. The Group emphasised that to achieve this would require the US, EU and Japan to show greater ambition and leadership than they had to date. The Group reinforced its call for the elimination of export subsidies on all agricultural products without exception, and rejected the EU's call for elimination on only a selected list of priority products. Ministers stressed that all countries should make a contribution on market access, with appropriate flexibility for developing countries, and they agreed to continue the Group's outreach activities, including through meetings with the G20 and other key groups in the negotiations.<sup>32</sup>

## Role of NGOs at Cancun

- 2.38 Dr Brian Fisher from ABARE explained that there have always been NGOs, including industry peak bodies, involved in negotiations such as those at Cancun but the style of the interaction has changed. The higher level of civil society activity in such negotiations reflects changes in global society. The changes see such groups much more

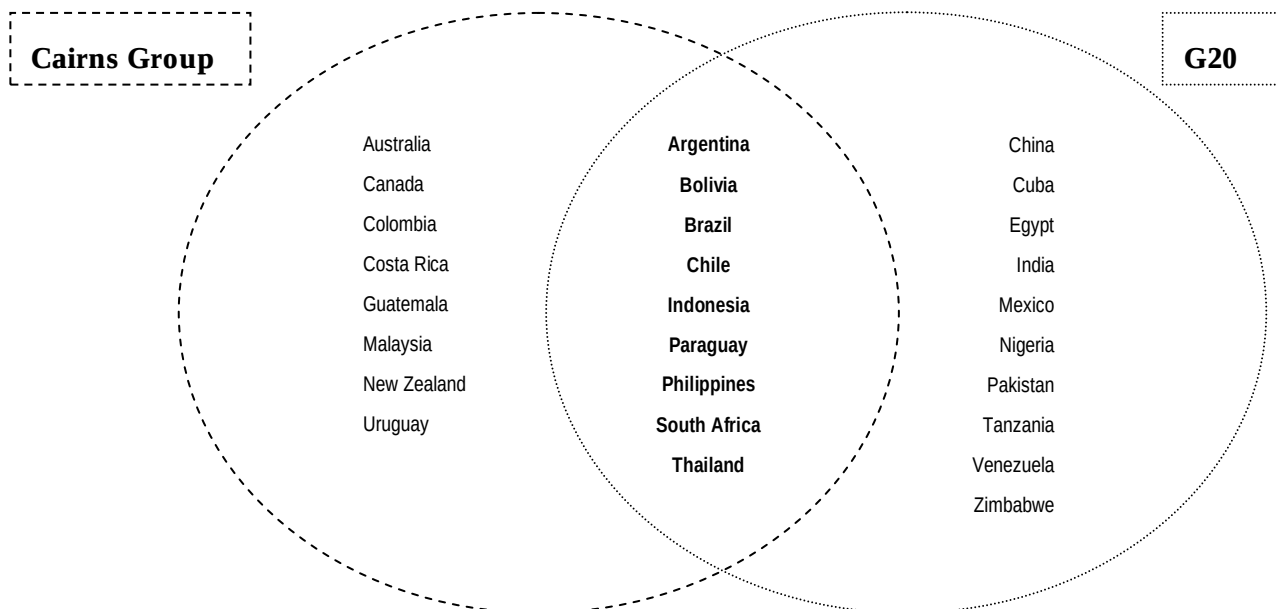
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<sup>31</sup> DFAT, *Transcript*, p 27.

<sup>32</sup> [http://www.dfat.gov.au/trade/negotiations/trade\\_in\\_agriculture.html#cg](http://www.dfat.gov.au/trade/negotiations/trade_in_agriculture.html#cg)

directly involved in the negotiations than they once were. Something, Dr Fisher points out, we are more used to seeing in the UN than the WTO.<sup>33</sup>

Figure 2.1 Overlap in membership between the Cairns Group and the G20<sup>34</sup>



Source <http://www.cairnsgroup.org/introduction.html>

- 2.39 DFAT noted that in Cancun some NGOs played a negative role, while others played a very positive role. Those that played a negative role were characterised as ‘anti-growth, anti-trade, anti-WTO’.<sup>35</sup>
- 2.40 Noteworthy also is the fact that in terms of the range of civil society organisations in attendance – charity organisations, development NGOs, peak industry bodies etc – those characterised as anti-trade NGOs ‘rather drowned out the business presence in Cancun’.<sup>36</sup>
- 2.41 Alan Oxley agrees with the criticism of some of the NGO activity at Cancun. He suggests their lack of understanding of the role of the WTO (and GATT) in nurturing trade and the spread of market economies, renders them unable to understand the intended role of the WTO.

<sup>33</sup> Dr Fisher, *Transcript*, p 23.

<sup>34</sup> The membership list was supplied to the Committee on 30 Jan 2004. Members of both the Cairns Group and G20 in bold.

<sup>35</sup> DFAT, *Transcript*, p 3

<sup>36</sup> Jane Drake-Brockmen, *Transcript*, p 14.



- 2.42 In essence Oxley suggests they were attempting to influence an institution they did not fully understand.<sup>37</sup>
- 2.43 The committee believes that NGOs do have a right to put their view on WTO issues forward in such fora, while also believing that their legitimate activities must be within certain boundaries and rules.
- 2.44 In terms of the decision making within the WTO and especially within the quasi judicial processes of the dispute settlement process, the committee believes only member states should be involved. NGOs clearly do not have a role here.

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<sup>37</sup> Alan Oxley, *Transcript*, p 41.

