

COLLAPSE OF *WTO* CANCUN SUMMIT

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ABSTRACT

Global trade negotiations for the acceleration of a multilateral trading system are a sine-quo-non for all the countries of the world. The WTO was established for this very purpose. However, rigidities in both attitude and approach caused the Cancun meet to collapse and the global trading system to come into danger. Against this backdrop, the present paper analyses the reasons and causes of the collapse of the Cancun meet, including a discussion of the role of developed and developing nations. It also asks what should have been the agenda at Cancun.

INTRODUCTION

The fifth Ministerial Conference held at Cancun collapsed with no concrete declaration being made. The Cancun conference, actually an extension of Doha's Development Agenda, was an opportunity for removing trade barriers and stimulating growth in developed as well as developing nations. During the November 2001 WTO meet at Doha, the member nations agreed to place development issues at the forefront of the new round of trade liberalization negotiations at Cancun. The decision was to focus on development and the removal of global trade barriers as the best way to promote growth the world over and consequently to foster prosperity in the developing world. Unfortunately, this remained just words; the transformation into implementation was not carried out.

The Doha agenda had offered the world a once-in-a generation opportunity to remove barriers to trade and thereby to stimulate economic growth in developed and developing economies alike. Therefore there was a need for concerted efforts by all WTO members to invigorate the trade liberalization process, resulting in the formulation of a more open, peaceful and prosperous world. This unilateral effort did not materialize and as a result efforts to have open, peaceful and prosperous world remains a distant dream, especially for developing nations.

At the start of the Cancun meet, the mood appeared to be against the Singapore issues; in particular, agricultural subsidies and market access. Other than that, on the issue of non-agricultural goods, the insistence of developed nations was for zero tariffs and zero quotas on all goods. There was also a feeling that a deal could be made in this regard at Cancun; otherwise the Whole Doha round would be imperiled. This has come to pass. Turning the tables on the developing economies, India made a forceful plea at Cancun that the plight of poor farmers was directly linked to subsidies given by the industrialized nations to their respective farmers, and that the answer lay in correcting such distortions in agriculture. It was mentioned that it is only when developed nations agree to take five steps in the removal of trade distorting subsidies that the developing nations can take one step forward in the area of market access.

It is an undisputed fact that the existing trading system does not work for millions of people, many of whom live on less than US \$1 a day. Hence, the developing nations need more opportunities to enable their respective economies to grow and to export their products to developed nations. The World Bank estimates that, with regard to the benefits possible under the WTO regime, the elimination of trade barriers could generate an extra \$ 250 billion to \$ 620 billion in world income,

half of which would be shared by developing nations. The failure of the Cancun meet means a huge loss of global income with the worst sufferers concentrated in the developing nations.

For the Cancun meet to succeed the developed world in general and the major players (the USA, and the EU) in particular, were required to contain domestic political difficulties, defuse bilateral conflicts and to cooperate intensively. But these were the missing links at Cancun. Trade economists and international lawyers dealing with WTO matters profess the view that the documents and issues connected with the Cancun meet are so complex that the outcome is difficult to predict.

At Cancun, trade ministers showed little sign of untangling differences on agriculture and thus minimizing the chances for a global free trade deal. It was most astonishing and unfortunate that both developed and developing nations found unacceptable a compromise plan initiated by the Mexican Foreign Minister and aimed at putting the troubled WTO negotiations back on track to conclude by 2005. During a closed-door meeting of top trade officials from 146 member nations, the USA and China called on negotiators to redouble their efforts when it was realized that time was running out, that rare opportunities would be missed and that some sacrifice was required. Despite all the setbacks, however, no one was ready to write off the talks: The ministers want to find enough common ground to revive hopes of securing a new trade liberalization pact that would add more than \$ 500 billion a year to global income by 2015.

PERCEPTIONS

The draft Cancun Ministerial text is considered a disaster which could have been averted as it favors developed nations and ignores the needs and interests of developing economies. From the developing nations' point of view, the Doha development agenda could be renamed the "Developed Agenda for the Developed World". Ignoring all past discussions on the most vital matters, known as the 'Singapore Issues' and comprising investment, competition, policy, trade facilitation and transparency in Government procedures, the draft simply confined itself to the last two points. For instance, the proposals tabled by the developed nations relating to agriculture, a major concern (for developing economies), were unacceptable and insensitive to, as well as unbelievable for, developing countries. As the draft failed to correctly reflect the viewpoint and positions of a large number of developing and least developed nations, it is necessary to make essential and vital changes in several areas, which, however, the developed world has not agreed to do.

Reasons for failure at Cancun

Among the many reasons for the failure of the Vth Ministerial Conference at Cancun are:

1. The high-handed stance of developed countries.
2. The lack of commitment by the industrialized nations to the Singapore issues.
3. An indifference towards developing nations.
4. Inability of the developed economies to accept free cross-border movement of labor.
5. Lack of faith in the policy of give and take.
6. Lack of two vital issues favoring developing nations namely - special and differential treatment to developing economies and anti-dumping measures.
7. Lack of realization on the part of developing nations of new facts of the world trading system, when developing nations are moving fast into a preferential trading system.
8. No commitment and belief that a partial trade liberalization is better than none.
9. Ineffective role of the WTO in carrying out the agenda. As the WTO has become a truly inclusive platform.
10. Indulging of the major players especially, the USA and EU in distortion interventions.
11. Lack of a united stand by developing nations. The developing economies have adopted one

too late.

12. Consolidation of the WTO Process.

Implications

The failure of Cancun conference has far reaching implications for both the developed and developing economies.

First, the reverberations of what happened at Cancun are being felt at the global level. At Dubai, the World Bank and the IMF actually started to think and talk about the Doha agenda, with development as a central theme.

Second, the developing countries have started to concentrate on bilateral processes and association into groupings, resulting in the process of creating trading blocks. The latest example is of India in Bali (BMIST).

Third, there are indications from the developed world that the two major issues of the Singapore agenda, i.e. multilateral framework on investment and competition policy, are being withdrawn from the WTO agenda due to the united stand and increasing resistance from developing economies.

Fourth, at Cancun, where the interests of developing economies were recognized and their voices were heard, it was also realized that unless the concerns of developing and least developed nations are considered, the WTO-based multilateral trading system cannot make any further progress.

WHAT SHOULD BE DONE NOW?

It is believed that the failed WTO meet at Cancun was a victory when, as a matter of fact, it was a defeat for the developing world. A failed WTO means that they have to negotiate bilaterally with the major players, the USA and the EU, against whom they have little bargaining power. The developed economies have the markets and can substitute goods from developing nations. Hence, there is a need to make WTO strong.

The developing and least developed nations must underline the need for WTO negotiations as early as possible at Geneva so that the process of free trade could move forward. The developing nations and least developed economies have a high stake in the survival and strengthening of a multilateral trading system. Thus the WTO-based multilateral trading system, however imperfect, is in the interest of developing world. It is true to say that existing regional and bilateral trade agreements cannot be considered a replacement for WTO. Had it not been for the WTO there could not have been a G-21 on agriculture or a G-21 on free trade agreement with the USA. The WTO is therefore absolutely irreplaceable.

India and Brazil, which formed a pre-Cancun alliance to successfully bring into focus the trade distorting domestic support and export subsidies doled out by rich countries, should hold on as in the past; they have learnt that sticking together achieves positive and productive results. At Cancun, a powerful coalition of developing nations managed to influence the consents, structure and direction of the negotiation in a way that is compatible with development aspirations of developing nations.

All member countries of WTO have come to realize that WTO negotiations, which had collapsed at Cancun, must resume and should also move with the right perspective and in the right direction.

If the deadlock continues, the very soul of WTO, i.e. the promotion of a multilateral trading system, would be defeated and bilateralism would ensue.

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