

**Agricultural Trade Liberalization and the Poor:  
A Development Perspective on the  
WTO current Negotiations**

Agriculture is a fundamental and key sector for all World Trade Organization members' economies and the successful conclusion of the Doha Work Program negotiations depend largely on the success of the agriculture negotiations. In 2001, Ministers decided to launch the so-called "*Doha Development Agenda*", in which all the negotiations had to fully take into account the development needs of the poor. This article describes and analyzes how *development friendly* the Agriculture negotiations are so far, and also see how the big players, in an Organization whose processes are supposed to be inclusive and transparent, are carrying out the process.

**BACKGROUND**

Agriculture negotiations in the World Trade Organization, begun in 2000, as mandated by the Agreement on Agriculture (AoA) in its Article 20, which states that: "*five years after the implementation of the agreement, negotiations have to begin in order to fulfil the long objectives to establish a fair and market-oriented trading system in agricultural markets*". In that sense, in March 2000, the WTO Agriculture Committee adopted a work program in order to start these negotiations. However, since Members prefer to negotiate fundamental issues

in packages that must be agreed upon in every single subject under negotiation, it was impossible to fulfill the Mandate under the ordinary committee sessions. At that time, only the Agreement on Agriculture and the General Agreement of Trade in Services (GATS) were open to negotiation, and there was not enough space for trade offs, hence for example gaining in Service could have meant loosing in Agriculture or vice versa.

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*the "Doha  
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As a consequence, members decided to launch a more ambitious Round where not only Agriculture and Services were the issues under negotiations; so, they added a range of subjects that made possible a wider negotiating margin for all members. In Doha, Qatar, Ministers agreed to launch negotiations for a number of existing issues, as well as they pretended to include inside of the Multilateral Trade System a new group of areas, which had been trying to knock the doors of the WTO since long time ago. These are the commonly known Singapore Issues, whose working groups were created in the I WTO Ministerial Conference held in Singapore, 1996.

From its inception, the negotiation and implementation of the various agreements in the WTO, have not been successful experiences for the developing countries, especially the least developed ones. Therefore, considering the difficulties that already existed in implementing the decisions and rules that were developed coming out of the Uruguay Round, there was concern whether consensus over the launch of a new round could be achieved from the majority of the WTO members, especially the Developing Countries.

### THE "DOHA DEVELOPMENT AGENDA"

At that time it was critical to launch a new negotiation with a real motivation to these countries that had no real incentives in getting engaged in such a risky compromise. But there was also a real interest, especially from Developing Countries and Least Developed Countries to engage all WTO members in a real negotiating process on Agriculture - a key issue for most of them. In Doha the final (let us say "balanced") result was to launch a very ambitious Round, that encompassed a large number of issues beside Agriculture and gave Developing Countries and Least Developed Countries a real chance to fix the imbalances from the Uruguay Round. This new Round was to incorporate the Special and Differential Treatment as an integral part of the WTO structure and cope with several development matters, the main example being, Public Health under the TRIPS agreement (Trade Related Aspects of Intellectual Property Rights) a very standing topic for the poorest countries which do not have the tools to deal with their serious health problems.

In that sense, Ministers in Doha launched the so-called "*Doha Development Agenda*" (DDA), the final legacy of Mister Mike Moore (former Director General of the WTO), which for some remains more a slogan than a reality. Today there is not too much to expect about a Round which was committed to face all the problems linked with trade and development, when the proposal of giving successful answers to such problems was the only real incentive that a vast majority of members had to accept a new Round of Negotiations.

In a environment full of expectations, new and very ambitious negotiations on agriculture were launched. Ministers recalled the long-term objective referred to in the Agreement- i.e. to establish a fair and market-oriented trading system through a programme of fundamental reform, encompassing strengthened rules and specific commitments on support and protection, in order to correct and prevent restrictions and distortions in world agricultural markets. Ministers reconfirmed by that time, they were fully committed to undertake comprehensive negotiations aimed at: “substantial

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*Initially, ambitions  
and expectations  
were very high*

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*improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support”.* Also, they agreed that special and differential treatment for developing countries had to be an integral part of all elements of the negotiations, to be embodied in the Schedules of concessions and commitments and, as appropriate, in the rules and disciplines to be negotiated, so as to be operationally effective and to enable DC to effectively take account of their development needs, including food security and rural development. As a result of pressure from some members, such as the European Union (EU), Ministers took note of the non-trade concerns reflected in the negotiating proposals submitted by Members and confirmed that their non-trade concerns were to be taken into account in the negotiations as provided for in the AoA.

Ministers agreed that Modalities for the further commitments, including provisions for special and differential treatment, had to be established no later

than 31 March 2003. Also, it was accepted that all participants had to submit their comprehensive draft Schedules based on these modalities no later than the date of the Fifth Session of the Ministerial Conference (September 2003). The negotiations, including those concerning rules, disciplines and related legal texts, were to be concluded as part and at the date of conclusion of the negotiating agenda as a whole (January 2005).

#### THE MAIN PLAYERS

Once back in Geneva, members started to work in the Negotiation body that was created at Doha. At the beginning it was a mere discussion where every member stated its position and presented a lot of ambitious proposals. By that time we could identify some key members in the game: first, the Cairns Group members<sup>1</sup>. These are the most competitive states in the area of agriculture. From these negotiations they expect to get an new agreement, which eliminates subsidies and obliges member states to prohibit such measures which have been used to protect farmers in the subsidy retaining states but that in the end distorts prices and therefore the trade in these commodities. In that sense, the Cairns Group is willing to increase their market access opportunities, especially in Europe where it has been very difficult for them to enter. The firsts Cairns Group proposals were similar to the one they unsuccessfully presented at the beginning of the Uruguay Round in 1985.

The United States entered the game with a very ambitious proposal,

<sup>1</sup> Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Fiji, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand, Uruguay.

rather similar to the approach of the Cairns group but much less development friendly. Initially, the US looked determined on creating new rules orientated to the elimination of all kind of distortive measures and the creation of a new market-oriented agreement. The US applies substantial domestic support measures and also pays millions of US Dollars per year in export credits to US farmers. This second issue does not conform with the rules or agreements of the WTO; thus, at that time, it appeared suspicious that a country with a very protectionist farm bill was willing to discontinue the support they had traditionally offered to a powerful lobby in the US Congress. In any case, with the experience of the Uruguay Round, we need to bare in mind that if the EU states were willing to liberalize, the US would do the same. If not, nobody moves forward through liberalization on a unilateral basis.

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*Developing  
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The next major player is the European Union plus the new comers, who are unwilling to end their culture of subsidization and who are still regretting, after ten years, the introduction of Agriculture into the rules-based multilateral trading system. They do want greater market access abroad, but they are not willing to end up with their domestic support measures and don't want to open their market to an imminent group of countries who are competitive by nature. At the end, they accepted a new round, as they were really interested in creating disciplines with regard to the export credits handed out by the US. Of course, the EU did not miss the opportunity to put up a condition that was successfully included in the Doha Mandate - the inclusion of the Non Trade

Concerns<sup>2</sup> in the negotiations. With the Non-Trade Concerns, the intention was to get a new blank check to protect, by different means, their producers and own markets from the possible liberalizing outcomes of this round, despite their claims that the introduction of the Non-Trade Concerns is to offer solutions to a number of issues that explain the multifunctional role of Agriculture<sup>3</sup>, as it is not only a trading matter. However, is the benefit given to this relatively small portion of the population worth the overall burden on the Europeans citizens?

We also find some other Non-Trade Concerns, those raised by the Developing Countries and Least Developed Countries. Some of their poorest farmers, in fact, have been obliged to stop farming as they cannot compete with the distorted prices of products coming from the north and therefore cannot guarantee their own livelihood and basic needs. For poor Nations, therefore, the Non-Trade Concerns have a different face, which tries to accommodate some real concerns such as rural development, poor alleviation, and food security among others.

It is understandable that some consumers need to know what they are eating, but this cannot be used as a pretext to arrest negotiations and thus the liberalization of the agricultural sector in such an unfair way.

<sup>2</sup>For the EU, these are issues that go beyond the pure trade concerns – such as environment, social values, etc.

<sup>3</sup>Multifunctionality of the Agriculture: Defined by the EU as the complementary role, played by agriculture in addition to producing food. It includes its contribution to sustainable development, the protection of the environment, the sustained vitality of rural areas, poverty alleviation, animal welfare and matters linked with the Geographical Indications.

Coming back to the different players, we must examine the Developing Countries, a very heterogeneous group, which encompasses some of the most competitive members of the Cairns Group as well as some of the less competitive economies. Particularly for the latter, it has been very difficult to undertake the compromises of the Uruguay Round Agreements: they have opened their markets in a good faith, and have found themselves today in a very weak position, unable to cope with all the distorted imports that invaded their markets. This group of countries started to work since the very beginning of the negotiations with a number of proposals, which contained a lot of special and differential treatment dispositions aimed at developing a fair and equitable trading system in this field. Among the alleged benefits of these proposals, one could list the elimination of subsidies, the reduction of the domestic support measures, a balanced and fair tariff reduction for developing countries, a set of development friendly measures aimed to contribute to improve developing countries' conditions with regard to rural development, food security and poor alleviation, and so on.

As a final group we may find the Least Developed Countries, that since the beginning have been asking to be out of any new commitments on Agriculture.

Here the players are, with a very complex task to undertake and with a tight work program to cover as mandated in Doha. A key deadline was March 31<sup>st</sup> 2003, when WTO members were to agree on Modalities as a first step to go on with the process and to build the final rules. Before the first deadline, the Chairman of the agricultural negotiating body presented a text, which tried to

take into account all member's proposals, and of course to reflect the Doha Mandate. In a few words, for the WTO Secretariat, this text was a very balanced one, which could have been used as a basis or starting point for the discussions and the approval of modalities. This was also the position of some countries, especially the Developing Countries, even if the text did not meet their high expectations. However the Europeans, and consequently its likeminded partners, opposed the text from the very beginning. For them, it was too ambitious on every single pillar of the negotiation, as it was asking for high cuts on tariffs, deep reductions on domestic support and export subsidies and, worse of all, it did not include anything on Non-Trade Concerns. On the other hand, the US did not accept the text at all, as it was too far from her high ambitions with the negotiation process.

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The failure to meet this important deadline was not a good sign for the round, as all the other deadlines, which were to come, had to be postponed in the course of the negotiations. However, it was hoped that Cancun could be the right opportunity to approve Modalities at the level of Ministers. Hence all the WTO staff started working on that objective, setting up an intensive working program based on consultations for every single standing issue which had to be clarified in order to create a basis for a consensus.

Nonetheless, all these meetings turned out as a waste of time, as every member came back again with their own old and well-known positions, showing no will to get closer. In reality the main problem, which did not allow

WTO members neither to agree on Modalities on time nor to make advances to get something almost agreed for Cancun, was the EU's position, which was something unknown, as by that time they had not agreed on a common internal position to allow them to come into the WTO and make a real proposal.

#### GETTING READY FOR CANCUN

As experienced during the Uruguay Round, a "*Blair House Agreement part II*"<sup>4</sup> had to be reached in order to add some speed to the process. So, a few weeks before the V Ministerial Conference, the US and the EU worked in this direction in the frame of a WTO Mini-ministerial Conference, that led to a pact on Agriculture, and a Joint Proposal to the other WTO members, which got into a happy end, while a reduced number of trade Ministers were meeting in Montreal.

With regard to the WTO Mini-Ministerial Conferences, whose no-binding results have no legal effects within the Organization, it is hard to talk about transparency and inclusiveness in the WTO, when some Ministers accept to meet outside Geneva to design a small consensus that is tried to be taken back to Geneva and sold as a WTO member's consensus. The Mini-ministerial meetings try to revive, in some cases, what used to be the well-known Club of Paris. With these events some people may have doubts and concerns about

<sup>4</sup>During the Uruguay Round, it was very hard for the US and the EU to get into an agreement on agriculture, as there were many contradictions in their own positions. In order to make the process move forward, they decided to negotiate bilaterally and got into an agreement which at the end was the basis for the rest of the negotiations on that field.

how successful for the interests of the poorest the WTO can be, when transparency and inclusiveness, the core principles of this Organization, are not fully taken into account. At the end of the day, it looks more like a rich country's game: the more power you have the more accountable you are.

Coming back to Geneva, and in the very last days of preparation for Cancun, where not only Agriculture was on stand, officials in Geneva worked hard trying to give enough inputs to the President of the General Council, who had the difficult task of preparing a draft declaration to be discussed and agreed once in Cancun.

With respect to agriculture, we had a new paper on the table, and more than simply an input it was a guideline text, which defined the level of ambition and the feasible results on that area of negotiations for Cancun. That was the EU-US joint text on Agriculture. On that paper it was clear that an agreement on Modalities by September 2003 in Mexico was too far from reality. First, because positions among the WTO members were still stuck into details; second, and more important, because the two main players, even if they got a kind of pact, could not agree on every single issue related to the ongoing Agriculture negotiations. At the same time, they had the great task to present on time a positive sign that could have moved out this pessimistic environment of Geneva and therefore change the destiny of Cancun.

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Unfortunately, the story repeated itself: the big ones were seated at a table, and found out the way to get a half way compromise, which were not

the Modalities as expected for Cancun but a step forward that they called a Framework for the Modalities. This Framework included only the issues where both members got into an agreement, leaving outside a list of standing issues that were supposed to be agreed to in the course. The most important fact is that it was a text without any numbers or percentages at all, something close to a blank check as nobody could guarantee the final amounts, a crucial information that with no doubts, allows everyone to see how ambitious the outcome could have been and its effects on the reality.

It was a great surprise to see the EU reaching an agreement with the US, two players that at the beginning had very different positions - the US demanding for a much less distorted agricultural market and the EU trying to keep their status quo for ten more years. In this case, there were the Americans who seemed to have lowered their level of ambition, but as the EU didn't accept to move forward at all on domestic support and export subsidies, the US felt happy to be allowed to keep her also distorting domestic measures, increase her level of domestic support allowed by the WTO and match it with the last farm bill, and most important, keep the *laissez faire* on Export Credits which still exist in the rules-based multilateral trading system.

As a matter of fact, all the levels of ambition with this joint proposal were missed, but only one issue was still too demanding, namely the need for more market access in Developing Countries, without considering two full years of proposals presented by most of them, in which they asked for a special and differential treatment taking into account the negative experience in the implementation of the Uruguay Round Agreements, and its deleterious effects

in the agriculture sectors of these countries, whose farmers have had strong difficulties in competing with the very price distorted agricultural products coming from the north.

<b>Different text proposals at a glance</b>	
<b>Texts</b>	<b>Highlights of the Proposal</b>
Harbinson's Text <sup>5</sup> (Modalities for negotiations)	On market access, the higher the tariff the deeper the cut (band approach). Special and Differential Treatments (S&D) for developing countries with a stand-alone category for Special Products. Export subsidies to be phased out in ten years. Disciplines on the Export Credits. On Domestic support, some reductions. Nothing on Non-Trade Concerns.
Joint EU-US framework for agricultural negotiating modalities	Tariff reduction methodology that reflects the EU-US tariff's structure, demanded deeper tariff cuts for developing countries. Some reductions but end date to the elimination of the Export subsidies. No decision on Export Credits. Creation of new domestic support measures, no capping for some of them, overall reduction but not for specific products.
G-20 text	On market access S&D for developing countries with a band approach, deeper cuts for developed ones with a different reduction formula. On Export Subsidies, elimination on all products in a period of time to be negotiated. On domestic support, capping per product, strengthened criteria and reduction of all measures.
Text on Agriculture presented in Geneva by the General Council Chairman to be considered in Cancun (Framework for agricultural negotiating modalities)	Close to the EU-US joint text on export subsidies and domestic support. On tariff reduction, different approaches for developing and developed countries
Derbez Text on Agriculture (Framework for agricultural negotiating modalities)	Back to the EU-US joint text with some flexibilities for developing countries in the tariff reduction formula.

<sup>5</sup> Ambassador Stuart Harbinson, former Ambassador of Hong Kong for the WTO, who by that time was chairing the Committee of Agriculture on its Special Sessions.

Developing Countries with offensive interests believe that developed countries that give a lot of money to their farmers do cause the problem in the sector, and at the end they always gain more markets in a very unfair way. Therefore, some Developing Countries want all these damaging measures to disappear. Others admit that, in order to preserve their own spaces at home, the only tool they may have access to by the agreements is a fair tariff protection. In fact, these countries do not have enough resources to put into practice sustainable plans which involve subsidies and direct payments to their big farming populations.

Developing Countries were expecting developed ones to take this concern seriously into account, but what the big ones say is: *"they cannot get rid of all this payments while Developing Countries keep their relatively high level of tariff protection that in some circumstances make them not so competitive in their markets"* (textually said by Mr. Zoelick in Cancun). What it is clear is that Developed countries have no intention of reducing their high level of support in the short term, as it would not be politically feasible if authorities want to remain in power. At the same time they expect Developing Countries to remove their relatively high tariffs immediately, which is not feasible, politically and economically, and unfair from any point of view. Now the question is, who is willing to make the first step?

Coming back to this EU-US joint text, it could be said that it certainly made people move in the WTO and engage members in a more active manner. It was one of the few positive effects of this tactic movement from the big guys. Reactions on that regard did not wait to come over in the Head of Delegation

Consultation meetings with the Chairman of the General Council, who had the titanic commitment to present, in a few days, a draft Ministerial text which also had to give an answer to this agriculture race and create a balance among all the subjects under negotiations.

This was exactly when the well-known G-20<sup>5</sup> was born. There were initially no more than five country members, that, as a reaction to the EU-US text, started to draft a proposal to counterweight the joint EU-US framework for agricultural negotiating modalities. Then the composition of the G-20 started to increase as other members started to react to such paper, which did not meet the interests of the majority. The G-20 proposal tried to fully revive the Doha Mandate (art. 13<sup>th</sup> and 14<sup>th</sup>), which seemed to not be fully considered in the EU-US text. It was interesting to see how a large number of Developing Countries, coming from different backgrounds and which never had a common position, made this effort and tried to engage on a common paper. The G-20, whose majority members have a more offensive interest, also comprises some other countries with a kind of defensive position. Here we can see how flexible some Developing Countries have already been along the process.

<sup>6</sup>The G-20 currently comprises Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, the Philippines, South Africa, Tanzania, Thailand, Venezuela and Zimbabwe. At the beginning Colombia, Costa Rica, Ecuador, Guatemala, Peru and El Salvador made part of the alliance, but after Cancun, they left the Group. It is said they abandoned the G-20 by pressure of the US, as a precondition to launch bilateral negotiations with some of them and for others to conclude successfully the CAFTA (Central American Free Trade Area) with some others.

### WHAT HAPPENED IN CANCUN?

Delegations left for Cancun without any consensus on any issue. The only matter that in a certain sense was solved in Geneva was the Public Health decision referring to patents and drugs (under the TRIPS agreement), a standing issue that was in the limelight in Doha and since the beginning was one of the incentives that the Least Developed Countries had to get involved in a new Round, but at the same time it was the key product used by the developed ones to commercialize and sell the *"Doha Development Agenda"*. In that regard, Ministers in Doha decided to come out with a solution for this issue by the Fifth Ministerial Conference, but since December 2002 all the consultations on that hot topic were over and there were no expectations on finding a right solution. So, delegates were about to take their flights to Mexico, and a few days before in a green room, as usual, developed States representatives sat down the main demanders on that issue, and without consulting with the rest, reached an agreement which only seems to be better than nothing. With this strategic outcome, some believed that the Africans were happily leaving for Cancun and ready to say yes on every single issue of interest to developed members. At the end it was not that easy at all.

Once in Cancun, it can be said that the real meeting agenda was only about agriculture, even if other matters as well were treated in the plenary sessions; yet, they were hanging and waiting for a possible result on a very hot issue for most of WTO members - Agriculture Negotiations. The results in this area were definitely going to move the other areas of negotiation. As a consequence, this time the strategy was trying to find a solution on this as soon

as possible, and then going on with the rest of the subjects.

Having known the strategy, the G-20 started to become the main star of the show and took off with the strong position of refusing to accept the agricultural modalities annex of the draft ministerial text, largely inspired by the EU-US joint text, as a basis for the discussion and then for the negotiations.

The G-20 had such a successful marketing strategy, since the early days of the Cancun Ministerial meeting, that it allowed them to be invited to every single meeting and to sit many times with Mr. Zoelick (US Trade Representative) and Mr. Lamy (EU Trade Commissioner), even if they tried to ignore their existence. At the end they pointed at the group's intransigence as a cause for the collapse of the talks.

During the consultation meetings along the Conference, the level of the discussion was very high, and the different parts tried to show some flexibility taking into account the straight guidelines they had brought from home. As a result of these talks, it was evident for the rest of the world that the EU, the US and Japan were truly willing and able to abide by their Doha Commitments. The G-20 and other groups showed enough flexibility but they never put apart what it was said in the Doha Mandate.

A few days later, a second draft paper to be considered by the Ministers came out. This text was not so far away from the first attempt written in Geneva, but it definitely remained unbalanced. Both proposals, although, reflected in a wide spread way the views of the big players, and not even the ideas of the G-20 and some other groupings were seriously taken into account.

Ministers also begun negotiating on the other three key issues that make

part of these negotiating process in Mexico: Market Access for non-agriculture goods, the four so called Singapore Issues and all the development ones, especially the Cotton Initiative, brought up to the WTO process few months before the countdown for Cancun had started.

September 14<sup>th</sup> was the last day of the Conference, - the crucial day when everything or nothing could have happened. Once again, and taking into consideration how stuck the game was, the figure of the *Green Rooms* revived on all the four standing issues of discussion. While the big players, were convened for these restricted meetings, all the rest of the members was just waiting outside the door in order to get some news and start working on a strategy. Some others were sitting and just listening in one of these big boring and senseless plenary meetings, which are a dying figure of the old diplomacy, but today still work as a pretext to let the world believe that everybody is being taken into account for the decision making, when at the same the big guys are just deciding for the rest. In this contingency, after every green room meeting, some of the countries invited to these informal consultations used to convene last-minute small meetings in order to update their allies about what happened and the new proposals which had arisen.

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*Bilateral  
arrangements cannot  
replace the need for  
multilateral rules*

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Therefore, in the very last hours, the different alliances from the Developing Countries and the Least Developed Countries, especially the African, Caribbean and Pacific (ACP) countries, decided to make a review on

the different issues that were under discussion, in order to see how things were and how to proceed. Most of these members realized that the following: on Agriculture, the text was unbalanced in favor to the EU-US and Japan, and their petitions were not included at all. Same thing on Non-market Access products, a very ambitious text, but still in favor of the big guys. On Development issues, the will was only to follow with the works in Geneva, but no-key decisions were to be taken. On the cotton initiative, four African countries, proposed that developed countries got rid of their damaging subsidies on cotton as soon as possible and in the mean while, compensating these four countries for the losses caused - the answer from the developed countries was a clear no, inspired by the sensitiveness of this commodity in their domestic reality.

Finally on the Singapore Issues, developed countries and some other members were still pretending to start negotiations on new topics as Trade Facilitation, Government Procurement, Investment and Trade and Competition Policy. Taking into account how things were in Cancun, the only "flexibility" showed by developed countries, and particularly from the EU, was the possibility of engaging into negotiations for only two of the four issues- i.e. Trade Facilitation and Government Procurement; the other two were about to be taken out of the game or sent back to the working groups in Geneva, as it was not feasible to get a better solution.

On that last particular subject, some developing countries, long before Cancun, rejected the launching of the negotiations on new areas, as it was very difficult for them to deal with new issues. The Working Groups on these issues

had long time life (created in the I WTO Ministerial Conference in Singapore, 1996), but yet without any outcome which showed a consensual solution. On this occasion, developed countries have been demanding a very tight agreement, while Developing Countries, not so convinced of the advantages in carrying out negotiations on these areas, have been asking more time to study the four issues and to find the appropriate way to give a development face to this subjects, in order to get the Explicit Consensus needed, as agreed in Doha, to then figure out some modalities for negotiations which had also to take fully into account a real Special and Differential Treatment.

Coming back to the final revision before bringing out some decisions with regard to what was agreed in Mexico, most of Developing Countries and Least Developed Countries looked at the whole picture and they realized that there was no balance at all and, more than that, there was an evident unbalance in favor of developed countries. In conclusion, it was clear for them that they were not getting anything from the others. When they came back and sat down with their counterparts and expressed their disappointment and did not accept the EU's proposal on the Singapore Issues, the chairman of the Conference noticed that the different positions were still too far away and there was neither time nor will to show more flexibility from each side. All this pushed the Minister of Foreign Affairs of Mexico, Ernesto Derbez, to declare the meeting over without a substantive declaration. Some members were happy enough with that news, some others not at all.

With these low profile results, and with the slowdown perceived in the WTO negotiating environment, it seems now harder to believe that the Round

can be completed by its original time frame, as there is still too much work to be done on the way, and the big losers are going to be Developing Countries, who need to wait longer to conclude a negotiating process which is supposed to be all about development and to fix the Uruguay Round agreements negative effects. Particularly on Agriculture, the key issue for the majority, it is worrisome that negotiations started in 2000 and yet have not yield any result. All this time has been a grace period for developed countries, which are still allowed to apply their harmful subsidies and support their farmers to the detriment of the poor and of the fair and free trade objectives. Therefore, there is no urgency for the EU, US, Canada, Japan (just to name a few), to end negotiations in 2005 or in 2007.

From that point of view, we may see Cancun as a failure to get closer to a more liberalized multilateral trade system, and to draw up a fairer market with more opportunities for the poor farmers. This lead us to the conclusion that Cancun was at the same time a victory, and not exactly for the south, and a failure, not precisely for the north, who are regretting having lost such an opportunity; but if Developing Countries had accepted to move forward approving the proposals that were on the table, it was going to be for them a great loss, and a missed opportunity to obtain a rules-based multilateral system with greater equity.

#### AN EVALUATION OF THE CONFERENCE

We may consider both the process and substance to evaluate the conference. With regard to the process, the failure to meet important deadlines

in the Doha Work Program, as indicated above, contributed significantly to the inadequate preparation for Cancun. That program was finely balanced since Doha; development issues first, then agricultural modalities, followed by non-agricultural market access, (all deadlines missed on the way) and only then a decision to be taken on the Singapore issues. The inadequate and slow pace of agricultural reform in the EU largely contributed to the slipping deadlines and the consequent impasse.

As far as the substance is concerned, the EU-US joint text, as said, reflecting a bilateral compromise that accommodated both countries' protectionist policies, put into question the continued commitment of the two major subsidizers to the high ambitions set by Ministers in Doha. This, in turn, threatened to undermine the fundamental development promise of the Doha Agenda.

In that regard, it is also remarkable that the perceived imbalances in the process of globalization highlighted by civil society groups and developing countries spurred developed countries leaders to make commitments in various international fora. These included the adoption of the UN "Millennium Development Goals", as well as promises made at the Monterrey Conference on Financing for Development and the Johannesburg World Summit on Sustainable Development. At all these conferences (including various G-8 meetings), leaders of the developed world pledged to address inequalities in the multilateral trading system through a "development round" of negotiations in the WTO. But taking a look at this process, is it really happening?

It was clear that the reaction in Cancun from some large trade partners, and especially from the US, was to blame Developing Countries. A few weeks later, Mr. Zoelick started traveling around the world with the purpose of proliferating, in a very outrageous manner, the bilateral or regional integration schemes, in which the US has all to win, and in that way they can in order to start gaining some more allies when they get back to the WTO. A week after Cancun, the US Trade Representative launched a campaign in the Americas and in Asia, and some bilateral and regional negotiations were announced, and the first mandate from the US to some of its “partners”, especially in the Americas, was to abandon the G-20 and just keep quiet in Geneva.

The increasing integration of the global economy and the interdependence of nations make walking away from the rules-based multilateral trading system not an option for either developed or developing countries. Bilateral or regional trading arrangements cannot replace the need for multilateral rules. They can be useful as a step forward to promote South-South trade, but for some Developing Countries a bilateral or regional negotiating process with a developed one is a race to the bottom for the poor.

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were missed*

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WTO agreements could bring some more opportunities and equity, especially in these areas where the small ones have no power of negotiation. A good example of this situation can be the inconclusive Free Trade Area of the Americas, when last November it was practically decided that genuine market access and the removal of major distortions in global agricultural and other

product markets can only be successfully negotiated in the WTO.

#### **WHAT LESSONS CAN WE DRAW FROM CANCUN?**

First, the old tactics, relied on by the EU, US and others, of delaying process and holding back on key flexibilities until the last moment will not work in a growing Organization of 148 members, whose decisions are usually taken by a group of few powerful members, and pressure to Developing Countries and Least Developed Countries commonly worked out successfully, especially using the preferences or the bilateral agreements.

Second, countries should be cautious about forming strategic alliances that compromise the ambition of agricultural liberalization. This could strengthen the forces of protection and divert these countries from the strategic objective of creating more open markets - as is witnessed in the US approach in the EU-US joint text.

Third, many developing countries, especially small ACP countries and Least Developed Countries, need to develop the capacity to move more quickly, and exercise their flexibilities as new conditions unfold in the negotiations. They should focus more and look carefully on what is going on in Geneva and its serious effects back home. It is true that they do not have the institutional capacity and the resources to carefully follow the negotiations, taking into account their problems at home, but this is the right moment to actively participate in the creation of new rules for themselves; and being present means taking part, in one way or another, in the decision making process. In that way, Developing Countries and Least Developed Countries

will be able to say that the new rules were agreed to and not completely imposed by someone else.

### **THE WAY FORWARD**

The formation of the G-20 can be seen as an event of great significance in the multilateral trading system. It provides the opportunity for more equal negotiating capacities in the WTO. Developed countries should see this as an opportunity instead of a threat. Groupings such as the G-20 are not based on a north-south divide - there are several developed countries, such as those in the Cairns Group, who share the conviction that freer but at the same time more equitable global markets must be created in agriculture.

Two steps are essential to move forward in this process: first, the US should reconsider its “unilateral alliance” with protectionist positions in the EU-US joint text (and thus not miss this historic opportunity to contribute to a freer and more equitable trading system in agriculture, with opportunities for all members). Second, all WTO members must continue the journey towards the successful conclusion of the Doha Round within the timeframe and be faithful to its development focus.

If this does not happen, we will miss another historic chance to give positive answers to the creation of a more equitable and freer rules-based agricultural trading system and consequently to the development needs. If those who have to make the biggest efforts towards liberalization do not really increase their market access opportunities and do not remove distortions that still exist, rather than asking for more markets abroad, we cannot expect any

positive results. If that will not happen, subsidies and other trade distorting measures will persist, and Developing Countries will have no more option than keeping high tariffs as their only tool to protect their sensitive products, and therefore their farmers.

If there are no positive movements forward, the only way WTO members can take to an end these negotiations is by focusing their attention and efforts on their products of strategic importance and leaving the big ambitions aside. This is not the right answer for the process, but at the end of the day it is a realistic solution. In that possible scenario we will still see Europeans keeping subsidies on the most sensitive products, while Americans hand out export credits to their voters, Japanese apply high tariffs (900%) on rice “for security reasons”, and Africans try to find the way to successfully use their preferences given in Brussels and Developing Countries protecting, with tariffs, their markets from all of the above. All together it will be seen as a small step to reach the final goal inscribed in the WTO agreements.

Agriculture is an issue that waited so long to be introduced into the WTO system (almost 50 years) and with the Uruguay Round agreements we have moved forward a lot, but now it seems that some countries want to slow down the whole process, as it was not such a brilliant idea bringing Agriculture into the rules-based multilateral trading system, because sooner or later it will be necessary to give up to a deeply-rooted culture of subsidization, or to protectionist policies, something that in the real world seems not to be feasible.

The year 2004 could be a lost year for the Round. This is the negative impression that already exists in Geneva and in some capitals, even if in the

last December WTO General Council meeting it was agreed to get the negotiating bodies back on track, in order to conclude as soon as possible what it was not completed in Cancun - namely, a Framework agreement to continue working on Modalities. On the contrary the big players have been sending a more positive message.

From the US side, this is an election year, a very delicate issue for President Bush. At the same time, the EU is facing the enlargement and the change of authorities in the coming months; both countries are facing many trade disputes in the WTO, and they are very close to a Trading war. So, the next steps in the Organization should be taken with caution, and the best thing for them is that nothing happens or at least, no key decisions will be taken. If everything keeps in ice, it would be hard to conclude the round within the timeframe. This means starting talking about a final agreement on agriculture for 2007 at most, which implies seeing the first implementation effects by 2012. Do some countries' farmers can wait until then to feed their people, or to start growing?

It looks like there will be a lot of noise in Geneva if the negotiating bodies restart in the coming months, but it also seems it is going to be more noise than substantive results, as the US and the EU are not willing to break their pact on Agriculture, and they are just waiting for some more flexibilities to come from the rest of the members. The only "flexibility" shown so far by the EU since Cancun, has been the willingness to eliminate Export Subsidies (as mandated by Ministers in Doha), but only in a list of products that have to be designed by Developing Countries taking into account their exports interest. It looks like

a very attractive proposal, but how do you draw up a list in which every country may have different interests and how to make them correspond with the EU's own areas of interest or intentions? This idea came out in Cancun in a meeting with the G-20, but it looks more like a strategic proposal in order to divide the few alliances when making up a list that should satisfy every one.

In conclusion, it is possible to perceive how scarcely development-friendly this Round is so far. On the other hand, it is also interesting to see how world diplomacy and especially its institutions are practically at the service of the big powers who are still in the front, driving the bus with the rest as simple passengers with little or no voice in the system. Cancun, at the very least, was the first sign that Developing Countries and Least Developed Countries can oppose Developed countries with any fear of retaliation. Maybe, having said NO was a mistaken strategy or may not change anything, but saying "Yes" in Cancun, would not have solved any problem and could have been a wrong step for development - if we expect Trade liberalization to be the right path to reach it, as people in Washington DC usually say!