

IN THIS ISSUE!

The Journey from Cotonou to Cancun, and beyond: the changing dynamics of WTO and EPA negotiations *David Primack and Sanoussi Bilal	Pages 1-4
Guarded optimism at WTO Mombasa talks *Gichinga Ndirangu	Pages 4-6
WTO: Time for EU and US to deliver *Karin Gregow	Pages 7-8
Editorial: Agriculture is key to unblocking the Doha Agenda *Rangarirai Machemedze	Pages 8-10

The Journey from Cotonou to Cancun, and beyond: the changing dynamics of WTO and EPA negotiations

David Primack & Sanoussi Bilal

The outcome of the Fifth Ministerial Conference of the World Trade Organization (WTO) in September 2003 in Cancun has demonstrated that the political will required by the developed countries to meet the ambitious commitments made at Doha, and thus help facilitate the transition of the multilateral trading system to a fair and equitable one, has not yet arrived.

Despite the decision taken at the WTO's 15 December 2003 General Council meeting to reactivate the negotiating committees, the current impasse implies a status quo in the WTO's work programme. For the African, Caribbean and Pacific (ACP) countries, this outcome stresses once again the imperative for, inter alia, greater coherence in strategy between negotiations in the Doha round and their negotiations on economic partnership agreements (EPAs) with the European Union (EU), a more in-depth understanding and articulation of their own trade-related sustainable development priorities, and effective institutional

structures to manage increasing economic integration at the bilateral, regional and multilateral levels. Whether EPAs offer a better forum for effectively linking trade and development issues will depend in many ways on the ability of the EU to approach them with effective capacity building, patience, and most of all, the political will to 'walk' their pro-development 'talk'.

Starting first with a consideration of the political dimensions of the Cancun outcome, this article delves into the web of implications for the ACP countries. Particular attention is paid to how the lack of progress at the WTO may influence the recently commenced EPA negotiations between the EU and various ACP regional groupings under the Cotonou Agreement. The aim is to highlight key aspects of the changing dynamics of WTO and EPA negotiations post-Cancun, and offer suggestions on how the relevant actors may consider moving forward.

The fallout from Cancun: destination missed or just part of the journey?

Despite more than 20 months of virtual gridlock at the WTO between the Fourth Ministerial Conference in November 2001 in Doha and the Fifth session this past September in Cancun, the collapse of talks in Cancun took many observers by surprise. While little of the delicately negotiated balance of the Doha bargain had come to fruition by September 2003 (both in process and substance), few expected the talks to end the way they did - closing half a day early with no consensus on any of the agenda items. Since the collapse, a global debate has emerged attempting

to assign blame for the outcome, as well as establish whether it was indeed a victory for developing countries (DCs), or rather the loss of a rare opportunity to re-balance the top rung of the international trading architecture. Steering clear of the often unproductive 'blame-game', it can clearly be said that the fallout from Cancun has forced all actors and observers to reassess the process, substance and systemic dimensions of the current multilateral trading system (MTS) and its future direction.

From a substantive perspective, the argument has been made that Cancun was merely a midway checkpoint on the progress towards the ambitious commitments laid out by Members in Doha. Granted the 'development agenda' report card did show failing grades in terms of missed deadlines and unfilled promises for almost all its components, the second half of the allotted time to conclude the round still lies ahead (with arguably more time available than initially envisaged, as few believe the conclusion date of 1 January 2005 is attainable). As astutely noted by Rubens Ricupero, the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD), Cancun should thus be treated "as part of a journey, not as a destination missed." Indeed, history shows that such a collapse during the process of ambitious trade negotiations is not uncommon. What was to be the mid-term review during the Uruguay Round in Montreal in 1988, ended without agreement in all but a handful of areas, and the December 1990 meeting in Brussels - where the round was to be concluded - ended in no less than a disaster, with delegates walking out empty-handed. Clearly ambitious

journeys take many an unexpected turn.

Yet, as journeys often unfold, certain moments can be pointed to as playing a pivotal role in defining the path ahead. *From a political perspective*, Cancun certainly played this role for a majority of DCs - especially for those in the ACP.

Coming of age

Heading into Cancun, many feared that as had historically been the norm for trade negotiations, DCs would acquiesce to the will of the great trading powers on the majority of their pro-development demands and accept the best deal they could get. However, proving perhaps that the 1999 Seattle WTO Ministerial was not as anomalous as some might have hoped, Cancun was a political 'coming of age', signalling for once and for all that the concerns of the smallest and poorest Members of the WTO could no longer be drowned out at the will of their larger trading partners. If one clear 'win' for developing countries can be said to have emerged from Cancun, it was their ability to form broad alliances in the *defence* (if not yet promotion) of their core development interests, thus changing the dynamics of multilateral trade negotiations. Often without realising the future impacts, developing countries traded away vast tracts of national policymaking space during the Uruguay Round (for example, accepting rules on intellectual property rights, investment measures, and subsidies) in return for expected fruits in market access (mainly in agriculture and textiles), much of which has yet to materialise. Having learned from these painful lessons, they now have a much greater appreciation of the

importance of understanding and articulating their own trade-related priorities, as well as knowing the implications of disciplines demanded by others. The increased democratisation of policymaking in many parts of the world, and the engagement of capable domestic and international civil society organisations, has also meant that developing country governments could not justify accepting another bad deal. As a result, developed countries were unable to once again offer DCs a few 'bones' at the last minute in exchange for their agreement on a wide-ranging agenda that did not reflect their pro-development priorities (and that arguably contained elements antithetical to their sustainable development priorities). The notion that 'no deal is better than a bad deal' had come home to roost for DCs. This alone made Cancun a watershed event in the history of North-South trade negotiations.

From this viewpoint, Cancun was certainly not a 'destination missed', but rather a well-needed reality check along the Doha round journey, offering a glimpse of the kind of political will required to make the transition to a multilateral trading system based on sustainable and equitable development. If anything was missed, it was the opportunity for developed countries to demonstrate the political willingness to pursue the ambitions set out in the so-called Doha 'development agenda', and take leadership in working towards a pro-sustainable development evolution of the MTS. In view of the new role taken on by DCs, one can only hope that Professor Jagdish Bhagwati was correct in saying "Cancun will serve as a stepping stone to a successful conclusion of the Doha Round of trade negotiations".

A shift in negotiating dynamics

The widespread use of alliances in Cancun allowed DCs to withstand the pressures from their major developed country partners. If this strategy can be reproduced - as it was arguably done at the Free Trade Area of the Americas (FTAA) Ministerial in November 2003, it has the potential to fundamentally change the dynamics of multilateral negotiations. To maximise this change however, and play a meaningful role in shaping the future of the MTS, developing countries will have to demonstrate their ability to transform defensive alliances into positive ones.

If the attainment of negotiating power is defined as the ability to have elements of one's agenda represented in the outcome of an exchange of commitments, balanced alongside the interests of other parties, then it would be difficult to argue that DCs flexed such power in Cancun. The quick rise to stardom of the cotton initiative, like the more successful initiative on access to medicines in Doha, offers but a glimpse of some of the more egregious distortions in the trading system that might be addressed when positive negotiating power is exploited by DCs. In contrast, the debates in Cancun were alarmingly silent on longstanding development issues such as special and differential treatment (S&DT), implementation issues, as well as declining commodity prices. To add insult to injury, the language in the 13 September draft text would have seen negotiations on three of the four 'Singapore' issues move ahead - despite demands from over 70 developing country Members to the contrary. As a result of this political coming of age however, this unacceptable text could not be forced upon the unwilling majority of developing country Members.

These facts bear out that the shift in the role of developing countries in the WTO represents the arrival of an important ability to block the imposition of another's agenda. This is by no means a trivial achievement. It is however, only a step -albeit a fundamental one - along the path towards achieving greater participation in WTO negotiations and greater influence in positively shaping their outcomes. Thus DCs must be mindful of the important role of alliances (and maintaining the flexibility to arrive at acceptable compromises), not only in defending common development interests, but also in promoting their respective strategic objectives through concrete proposals.

**David Primack is the Programme Coordinator at ICTSD.*

**Sanoussi Bilal is a Senior Programme Officer with ECDPM*

This is an abridged version of the full article taken from Trade Negotiations Insights Vol.3 No.1 <http://www.ictsd.org/tni/index.htm> and is hereby reproduced with their kind permission

Guarded optimism at WTO Mombasa talks

Gichinga Ndirangu

While the EU and US were united in their fronting of contentious issues at Cancun, they broke ranks in Mombasa

Trade Ministers and ambassadors from 15 African countries left the Serena Beach resort in Mombasa on Kenya's coast last week with guarded optimism after intensive discussions with EU Trade Commissioner Pascal Lamy and US Trade Representative Bob Zoellick. Further talks between African trade ministers and other developing country

blocs are expected as the pace towards consensus-building quickens ahead of the sixth WTO Ministerial conference expected mid-2005.

Last week's talks, also attended by WTO Director-General Panichpakdi Supachai, failed to unlock the gridlock at the World Trade Organisation (WTO) since its failed fifth Ministerial conference in Cancun, Mexico, last September. In spite of offers by both the EU and US to meet some of the demands of African countries, significant differences remained on many of the contentious issues that created a stalemate in Cancun.

The Cancun talks collapsed over an attempt spearheaded by industrialised countries to expand the WTO trade agenda, a move stridently opposed by most poor countries. Developed countries had sought drastic reductions in industrial tariffs and new trade rules on trade facilitation, transparency in government procurement, investment and competition policy.

Analysts view last week's meeting as significant in forging a united African negotiating front at the WTO. At Mombasa, both the EU and US welcomed Africa's attempts to strengthen the G90 alliance which includes the least-developed and African, Carribean and Pacific countries. This is viewed as an apparent move by the EU and US to counter the powerful bloc of developing countries led by South Africa, Brazil, China and India, which shifted the power balance at Cancun.

"Through the G90, Africa has shown a purposeful intention to engage in the multilateral framework. This forum

will help define Africa's priority agenda at the negotiations and lay a basis for progress in reversing the losses from Cancun," said EU Trade Commissioner, Pascal Lamy. "At Cancun, Africa set out what it wanted but lacked a negotiating forum. The G90 provides a useful engine through which to highlight Africa's concerns," he added.

The Mombasa meeting, though an informal consultation which was not expected to make any formal decisions, was seen as significant in narrowing existing differences and injecting political momentum for negotiations in Geneva which have got off to a slow start. US Trade Representative Bob Zoellick described it as "an important strategic dialogue."

Mr Lamy and Mr Zoellick addressed the African trade ministers separately at Mr Zoellick's request and the two only shared a common platform at a final joint press conference with Kenya's trade minister Dr Mukhisa Kituyi.

The Mombasa meeting showed emerging differences in the EU and US negotiating positions in contrast to Cancun, where both shared common views, even presenting a joint negotiating proposal on agriculture.

While the EU and US were united in their fronting of the Singapore issues at Cancun, they broke ranks in Mombasa. The US indicated its willingness to drop insistence on launching negotiations on all the four contentious issues while the EU insisted it would only cede ground on two issues - investment and competition policy.

"We are willing to drop insistence on the Singapore issues in order to narrow the focus and lay the ground for real progress; 2004 should not be a lost year," observed Mr Zoellick.

An indication by the EU of its willingness to eliminate export subsidies on products of export interest to African countries was seen as an important first step on one of the most divisive issues.

"An elimination of export subsidies has been one of our key demands in order to protect our farmers from the impact of dumping. As Africa, we shall consult to determine products on which we wish to see an elimination of export subsidies," Dr Kituyi told The East African.

However, the EU did not indicate the range of products on which it would be willing to eliminate export subsidies, leaving it upon African countries to self-select. Any list submitted by African countries is expected to be subject to negotiation with the EU.

With no criteria established on taking decisions on elimination of export subsidies, African countries are expected to face resistance from the EU on certain strategic agricultural products like sugar and powdered milk.

African civil society representatives at Mombasa cautiously welcomed the EU offer, warning that it fell short of multilateral commitments agreed upon three years ago. "This concession, though an important first step, still falls short of what was agreed at the Doha WTO Ministerial conference under which industrialised countries committed to elimination of all export

subsidies, including all forms of export credits, that promote export dumping," said Irungu Houghton, Oxfam's Pan Africa Policy Advisor.

But the US was less candid than the EU on making offers on agriculture. It failed to commit itself to ending its huge domestic support for agriculture, which was raised to a record \$180 billion over a 10-year period under the 2002 Farm Bill.

It was also less forthcoming on ending its annual \$3 billion cotton subsidies, which have pitted it against the four West African cotton producing countries of Benin, Burkina Faso, Mali and Chad. These countries have argued that US subsidies harm the livelihoods of African farmers and cut world cotton prices by at least 25 per cent.

The four countries have sought a rapid timeframe in eliminating the cotton subsidies, which the US rejected in Cancun. Instead, the US said it favoured a sectoral approach under which, in consultation with the World Bank and IMF, it would consider providing technical support for development of the textile industry.

At Mombasa, the US showed little willingness for a rapid solution to the cotton issue by linking progress to overall reforms in agriculture.

"We favour a complete elimination of export subsidies and reduction in domestic subsidies within the frame of an overall reduction in agricultural support. Cotton will benefit from this overall package on agricultural products," Mr Zoellick said.

**Gichinga Ndirangu is a Kenyan – based writer on globalization and trade issues*

This article first appeared in the East African newspaper and is hereby reproduced in its entirety.

WTO: Time for EU and US to deliver

Karin Gregow

As trade ministers and ambassadors from 15 African countries gathered in Mombasa last week to chart a way forward for the WTO negotiations, EU and US came empty handed to the meeting. It was obvious that they had no offer of real benefit to African countries to put on the table.

The Kenyan trade minister Dr. Mukhisa Kituyi had invited them to the meeting at a crucial point in time. The World Trade Organization (WTO) negotiations have been stalled ever since the collapse at Cancun in September last year. And five months after Cancun the heavily criticized, undemocratic and untransparent process of WTO still continue to be applied. Following the collapse of the Ministerial Conference, the talks moved back to Geneva in the form of informal consultations, which excluded many WTO members, such as a majority of the African countries.

The Mombasa meeting clearly showed the willingness and flexibility of African trade ministers to provide political leadership and help bridge differences in order to get the WTO talks back on track. However, it is obvious that this flexibility is still lacking among the two major powers, EU and US.

Agriculture is probably the most crucial area and it is widely acknowledged that without any moves in agriculture, nothing else in the WTO negotiations will move either. In Mombasa, EU reiterated its offer to end export subsidies on products of particular interest to developing countries. Although this is now presented as a major concession from EU's side, it is not a new offer – it was included already in a joint proposal by EU and US on agriculture in August last year for Cancun. And it is certainly backtracking from the commitment in Doha three years ago, where countries committed themselves to eliminate all forms of export subsidies. And EU still refuses to discuss time frames and an end date for the elimination of the export subsidies.

The US, for that matter, did not put any concrete proposals to reduce trade distorting domestic support or the subsidy components of their export credits before the African ministers in Mombasa. In a letter written by the US Trade Representative Robert Zoellick to all WTO members in January, US stresses their willingness to get negotiations back on track and assures that 2004 shall not be a lost year, despite the US elections. The letter is an evident shift in tone from the threats and accusations towards developing countries just after Cancun. But the real substance is lacking.

The two subsidy superpowers continue to subsidise their own farmers to the tune of \$1 billion a day. They are able to maintain this massive support to their farmers through shifting their support measures to boxes which are supposed to contain measures that do not distort trade. It is however clear that the EU and US have their own view on what is trade distorting. But for the African farmers whose

livelihoods are threatened by the dumping of subsidized agricultural products, it is all too clear what is trade distorting.

Another contentious area is the so called Singapore issues – investment, competition, government procurement and trade facilitation. African countries have been opposing negotiations on these issues ever since the beginning of the WTO, because of concerns of the serious negative effects it would have on their local economies and domestic industries. In Cancun, the European Trade Commissioner Pascal Lamy offered to drop three of the issues (investment, competition, government procurement) from the WTO agenda. EU is now backtracking from this proposal and in Mombasa Pascal Lamy kept pushing for negotiations on government procurement and trade facilitation.

The US has more carefully read the mood of developing countries and stated in Mombasa that they are willing to drop the insistence on the Singapore issues. However, they still stress that they are ready to go along with trade facilitation.

For African countries, ‘dropping’ the Singapore issues means dropping them off the WTO agenda completely, once and for all. But it is obvious that EU is playing tricks here.

They offer to drop investment and competition from the Doha round, but it is clear that they want to keep them on the WTO agenda, so that they can pick them up at some later time or launch negotiations on a voluntary basis.

The question is if African countries are being asked to pay again for some of these so called concessions. EU and

US cannot keep asking developing countries to always pay twice. “We have been flexible for so long and if we still continue to be flexible, we shall be breaking our backs” said the Tanzanian Trade Minister Juma Ngasongwa in Mombasa.

If the Doha agenda is ever to become a true development round, there is an urgent need to put development at the forefront of the negotiations. The rich countries have kept dragging their feet on development issues that are crucial for African and other developing countries.

Both Pascal Lamy and Robert Zoellick have their own personal ambitions to stitch together the Doha round, since they both leave office later on this year. Zoellick has suggested a high level WTO meeting involving some ministers in Geneva by this summer, to get done what was not done in Cancun.

If this is to be achieved, the rich countries have to start moving from their rhetoric to concrete actions. The time has come for EU and US to deliver on the promises they made at the WTO Ministerial in Doha in 2001.

**Karin Gregow is a Liaison Officer with EcoNews Africa, based in Kenya*

Editorial: Agriculture is key to unblocking the Doha Agenda

Rangarirai machemedze

The EU Trade Commissioner Pascal Lamy and the US Trade Representative Robert Zoellick are running out of time. They want to see some positive developments before they get out of their chairs. But positive developments can only come when they make the first moves. Political rhetoric alone cannot achieve anything unless if it is

backed by concrete steps and action towards new negotiating positions.

A lot of activities have been happening since the beginning of the year particularly those that have been initiated by the two major trading blocks, the EU and the US. Africa has also been in the limelight when Kenya organised a meeting of African Ministers of trade in Mombasa, which has been attended by Zoellick, Lamy and the Director-General of the World Trade Organisation, Supachai Panitchpakdi. These meetings and activities are being held to resolve differences on agriculture and other issues that blocked a possible agreement on a final negotiating framework in Cancun.

However, judging by the mood of African Ministers and the EU and US in Mombasa, it is the agriculture stalemate that is key to unblocking negotiations on all the other issues contained in the Doha development agenda. It is however the casual approach that the EU and US are employing that is failing to lift the spirits of their developing countries partners. Although the US and the EU have signalled a renewed commitment to the Doha round and a willingness to compromise, this will remain rhetoric unless they give specific indications in terms of eliminating agricultural subsidies and dropping the Singapore issues as demanded by the developing countries.

Recent remarks from both the EC and the US suggest that the task of reaching an agreement on at least a framework for agriculture modalities could be accomplished by August this year. Granted but the EU must be genuine in their offers when they say they are "willing to eliminate export subsidies on products of export interest

to African countries". Concerns have already been raised that since the EU did not indicate the range of products on which it would be willing to eliminate export subsidies, African countries are expected to face resistance from the EU on certain strategic agricultural products like sugar and powdered milk. Given such a scenario immediate questions like who defines which products are of interest to African countries would arise? In real terms is this really going to be beneficial to African countries or other developing countries? If it is the Africans themselves who should decide then the issue should not be negotiable if the EU is genuine in making this commitment.

The US has recently been playing an active role seeking to move agriculture talks forward, in marked contrast to its positioning in the lead-up to the Cancun ministerial conference. However the posturing kind of Cancun mood is still prevailing on the part of the US.

In a press conference on 20 February in Geneva, *Bridges Weekly* reports that Zoellick said that if the EU and the G-10 countries (which includes Members such as Japan, Switzerland and Norway who maintain relatively high protection for their farm sectors) accepted to eliminate agricultural export subsidies, the US could agree "tomorrow" to "eliminate the subsidy element of export credits" and to discipline its food aid programmes. Zoellick also stated that the US was comfortable with the idea of capping product-specific Amber Box support, a proposal put forward by many non-subsidising WTO Members that found its way in the Derbez agriculture framework text drafted in Cancun.

"We can support that, I don't know whether Europe can," Zoellick said.

Another area that the US has been insisting on is the issue of market access. In Mombasa, Zoellick told the 15 African Ministers that there must be some substantial improvements in market access and the same should happen to the elimination of export subsidies. In Cancun Zoellick used the same tactic to persuade the developing countries to agree on the issue of market access if they wanted him to agree on the elimination of all forms of subsidies. His concerns are also shared by other groups including the G20 and the Cairns group, which have some overlapping members.

Australian (key member of the Cairns Group) Trade Minister, Mark Vaile has been quoted as saying the Cairns group would do what it can to ensure genuine, long-term reform and liberalisation in the agriculture talks.

"As a leading voice for agricultural reform since its formation in 1986, the Cairns Group has a central role to play in getting the agriculture negotiations back on track to deliver a strong outcome that meets the ambitious reform objectives set out in the Doha Declaration which launched WTO negotiations in 2001."

"We will discuss strategies to accelerate progress on agriculture and will look at ways to keep maximum pressure on all sides especially the major users of agricultural subsidies to work constructively for an outcome that delivers substantial improvements in market access..."

His comments are coming against a background of the insistence by the G20 countries and the Cairns group of the need for their exports to gain easy

access to both developing and developed countries' markets. But this would mean a lot of sacrifice on the part of the developing countries as they would need to lower tariffs substantially.

The developing countries should fight hard for the EU and the US to eliminate the billions worth of subsidies without giving in on the market access issue. The agriculture sector of the developing countries have been hit to the extent that they cannot afford to trade on the market access in exchange of subsidies elimination.

Cancun failed largely because the US and EU proposed to do too little on agriculture and the insistence by the EU mostly to start negotiations on the four called Singapore issues. Because developing nations' economies tend to be agriculture-based, major cuts to farm subsidies could help lift 144million people out of poverty. In addition, there is a lot of work that has been placed on the shoulders of developing countries in the WTO and this work most of it has not yet been started. There is no need to add more work on the WTO agenda in the form of Singapore issues until a number of issues have been concluded.

The Doha development agenda should be seen to be moving forward. But this can only happen if the EU and the US show some practical commitments by setting up dates on which subsidies should be eliminated. Agriculture is the sticking point in the Doha Development agenda because it touches on the very roots of existence of the majority of people in the developing world.

**Rangarirai machemedze is a Senior Analyst with SEATINI*

**Produced by SEATINI Director and Editor: Y. Tandon; Advisor on SEATINI: B. L. Das,
Assistant Editor: Percy F. Makombe**
Editorial Board: Chandrakant Patel, Jane Nalunga, Riaz Tayob, Percy Makombe and Yash Tandon
**For more information and subscriptions, contact SEATINI, Takura House, 67-69 Union Avenue, Harare,
Zimbabwe, Tel: +263 4 792681, Ext. 276 & 341, Tel/Fax: +263 4 251648, Fax: +263 4 788078, email:
seatini.zw@undp.org, Website: www.seatini.org**
Material from this bulletin may be freely cited, subject to proper attribution.