

Cancun talk collapse opens up new opportunity for future preparedness

Debapriya Bhattacharya tells *The Daily Star*

STAR BUSINESS REPORT

The collapse of the world trade talks in Cancun, Mexico has now given a chance to the developing countries and least developed countries (LDCs) to ready themselves adequately in the run up to the post-Cancun Geneva talks to be completed by December 15, 2003 and for the next ministerial to be held in Hong Kong around 2005, renowned economist Debapriya Bhattacharya said.

Giving a round-up of the Cancun talks, he said the first draft text of the ministerial declaration which was released on July 18, 2003 was basically a skeletal one reflecting the then prevailing fractured state of negotiations in Geneva. The second draft of August 24 had more substances indicating commitment modalities for negotiations on specific issues. These details were available in the seven annexes on agriculture, non-agricultural market access (NAMA), preferential and differential treatment (S&DT), and one each on "Singapore Issues" (multilateral investment policy, multilateral competition policy, transparency in government procurement, and trade facilitation).

The ministerial in Cancun was kicked off based on the second draft declaration. In the process of ministerial, another revised draft came out on the fourth day, i.e. on September 13, which guided the discussions on the final 24 hours of the meet. The third draft text was an improvement on its earlier version, contained alternative formulations, options and time frames reflecting varying ambitions of different groups of WTO members, Debapriya said.

"What was interesting to note is that for the first three days, the discussion moved round agriculture, which was an "offensive agenda" for the developing countries and the LDCs. But from the fourth day, the discussion turned on the "defensive agenda" – the Singapore Issues – which ultimately turned out to be

decisive issue of the meet," the CPD executive director said.

Contrary to a popular perception, the discussions broke down not on the issue of unwarranted agricultural subsidies in the developed countries, but due to reluctance of the developing countries and the LDCs to include new issues in the negotiation basket. "It became inevitable when in the third draft the deadline for negotiations on Singapore Issues was tagged with timeline for negotiations on agriculture subsidy and NAMA," he said.

Agriculture

He said in the crucial agriculture issue, the developing countries' proposal was: (i) to tighten rules to supervise the cuts in domestic subsidies to farmers in the US, Europe and Japan; (ii) to eliminate export subsidies; (iii) to go for deeper cuts in tariffs in developed countries to allow greater market access for exports from developing countries; and (iv) to lower tariff cuts for developing country food sectors so that they can maintain food security and promote rural development.

The draft declaration did not put the exact numbers related to cuts in domestic and export support. So, it was not clear how deep the agreed cuts would have been. Thus, till the end it remained unsettled to the extent to which the developed countries acquiesce to the demand of developing countries and the LDCs regarding agricultural subsidy, Debapriya said. "Rather, the developed countries triumphed with ensuring their inclusion in the special safeguard mechanism (SSM) on special products (SPs)."

The CPD executive director said the positive point for the LDCs was that they were exempted from tariff reduction commitments. But the catch was that the language on the issue regarding developed countries providing free access to agriculture products was square bracketed in "shall" and "should" and thus its

mandatory nature was left open to negotiation.

The other problem in the third draft was inclusion of the extension of so-called Peace Clause, which provides space to the developed countries to carry on with their pre-Uruguay Round trade distorting measures in agriculture, he said.

"Moreover, the developing countries and the LDCs did not look kindly to the wide ranging agricultural subsidies allowed under the Blue Box and Green Box provisions. The developed countries agreed to cap some of these, but at a high threshold level.

"Despite these, I should say the talks were inclining forward and the breakdown squandered away the progress made in agricultural negotiations", said Debapriya.

NAMA

In case of Non-agriculture Market Access, there was a debate on whether a linear or a non-linear formula approach complemented by sectorial approach should be taken, he said.

"The third draft, however, proposed a non-linear approach, taking note of the tariff peaks of different products. There was also a proposal as regards non-tariff barriers (NTBs) with a view to identifying, examining and categorising the NTBs. A deadline of October 31, 2003 was proposed. Subsequently, negotiations were to start based on request offer on horizontal or vertical approach," Debapriya said.

He said it was agreed that the LDCs would be exempted from such measures but they were expected to substantially expand the coverage and increase their level of binding commitments.

Some of the developed states were in favour of "zero-for-zero" elimination of tariff. But the LDCs were calling for autonomous and predictable duty and quota free market access for non-agricultural products on non-reciprocal basis,

Debapriya said.

He said one important development as regards LDC interests was that there was a call for providing of duty-free quota-free market access to goods from LDCs within a stipulated deadline (the date was never mentioned).

"However, there were two caveats: this was to be achieved through bilateral initiatives, and also it was not binding in nature with any fixed date. Of interest is that for the first time, the LDCs not only targeted the developed states but also the developing countries in their call for market access."

There was also a mention about the WTO members to adopt and implement flexible rules of origin for exports from LDCs. But the formulation was of non-binding nature, he added.

Special and Differential Treatment

Of the 88 demands for effective implementation of Special and Differential Treatment, 27 were included in the third draft, while six of them were directly related to the LDCs, Debapriya said.

"Among these demands, the most important ones were follow-up on provision for rules of origin and free market access. However, these two issues were couched in soft language. Moreover, the scope for arbitrary implementation of these provisions by the developed countries whether "all" LDCs would receive the preference remained under debate", Debapriya said.

GATS

Debapriya pointed out a major development in Cancun was the emphatic introduction of the issue of movement of natural persons as service provider. He said, under services negotiations, the ministerial took note of the interest of the developing and other countries in mode 4. However, this text was immediately followed by the stricture that members will have 'the right to introduce new regulations to control such movement in pursuance

of policy obligations', he added.

However, the text in LDC paragraph is relatively strong, where the text says "we shall give special priority to the sectors and modes of supply of export interest to LDCs, particularly in regard to movement of service suppliers under mode 4". This was an achievement in terms of recognition of the demand of the LDCs, especially Bangladesh, said Debapriya.

Nonetheless, the draft text as it would stood would not have ensured real benefits until the services classification agreed to include less skilled category of services. We can specifically talk about ISCO-88 list of occupations for inclusion in to the GATS agreement. Further more, without transparency in Economic Need Test (ENT) and qualification requirements the actual market access for service providers will remain a far cry, he said.

Singapore Issue

The CPD executive director said the Singapore Issues turned out to be the red herring in Cancun talks. In the third draft, one of the four issues namely, Competition was side stepped by agreeing to continue the study phase. Two other issues, Transparency in Government Procurement and Trade Facilitation were laid out for immediate commencement of negotiation. Launching of negotiations on investments on agriculture and NAMA, while allowing some time to clarify the modalities of its negotiation.

He said in the final stage of talks, the European Union agreed to withdraw investment as an issue slated for negotiation and government procurement was also under discussion for its withdrawal or for a more circumscribed formulation.

But due to the entrenched positions where some of the developed countries want for all the four issues with "none at all" position of the LDCs and the developing countries has

created a serious deadlock, Debapriya said.

With hindsight, it now seems, if the discussions were allowed to continue, as a compromise, the LDCs and the developing countries might have accepted trade facilitation, he said.

Cotton Issue

The plight of the African cotton farmers, in the face of huge subsidies given particularly in the USA, shows that one can catch the imagination of a trade talk if the issue is argued logically and persistently with a human touch, Debapriya said.

He said Bangladesh could take a similar approach by portraying the possible misfortune of a large number of female workers in its clothing industries which may come following the phase-out of the multi-fibre arrangement and eke out a preferential market access facility.

"Regrettably, the final draft on the cotton issue exposed a deep cynicism when instead of undertaking a targeted initiative for subsidy reduction, the affected countries were advised, inter alia, to move out from cotton production" Debapriya said.

Dilemma of Bangladesh

Bangladesh was designated to play three roles in Cancun – as national representative, as LDC leader, and as vice-chair of the ministerial. At the end of the day, Bangladesh probably tried to uphold the agreed two major national priorities – market access of industrial products and temporary movement of service providers, Debapriya said.

"This position may not have fully coincided with the set of priority espoused by the African LDCs who were more focused on agriculture subsidy and they were more reticent about Singapore Issues than Bangladesh.

"Further, Bangladesh faced tension as the vice-chair as it was trying to make the process a success, which demanded more flexibility from all including softening of LDC positions. "Bangladesh tried to pursue a negoti-

ating stance in line with the Dhaka Declaration, but of course within the prevailing political realities and was ready to show more flexibility than the G-21 plus group states and group of the African LDCs," the CPD executive director said.

Talks Collapse

Regarding collapse of talks, Debapriya said both sides overplayed their hands and did not have full opportunity to assess the give-away of the other side. "Because of the asymmetric information, the agents could not find an optimal solution," he said.

"The developed countries did not anticipate that LDCs would finally accept trade facilitation and the toned down formulation of government procurement; developing countries thought that if they continued to press on they would be able to realise the full agenda. But it was definitely the decision of the USA and EU which influenced the Chair to close the Ministerial pre-maturely as the developing countries and the LDCs were preparing to stay back an extra-day remembering the Doha experience."

Two Major Achievements

Debapriya maintained there were two main achievements at Cancun - first the accession of the two LDCs Nepal and Cambodia although the accession schedules were discriminatory, Nepal tried to put up a dignified position, while Cambodia bluntly criticised the WTO in their acceptance speech.

The second achievement is on TRIPS and public health issue, a consensus achieved in Geneva related to removal of obstacles from import of life saving drugs to make them available at reasonable and affordable prices from generic manufacturers; (ii) technical and financial cooperation upon request, he said. Bangladesh can take advantage of this by exporting generics under compulsory license to other countries and by demanding technology transfer from the developed countries, Debapriya mentioned.

Future, what next

Debapriya went on as it stands now, the WTO process continues to meet deadline of official-level talks by December 15, 2003. "The work programme initiated under the Doha mandate also continues. While all proposals tabled in Cancun remain valid, what is unclear is what will be the point of reference to begin the next ministerial - the third draft of the Ministerial or a fresh start from the cues of the Geneva talks?"

"We have to wait and see whether the developed countries renege on their Cancun proposals and how the developing countries maintained their new found solidarity."

It will also be interesting to see how bureaucrats will deal with issues at Geneva, while their political masters have failed in Cancun, he said.

One thing is very clear: the final deadline of January 1, 2005 for conclusion of the Doha Round will not be achieved, he added.

Uncertainties

There is no denying the fact that an element of uncertainty has been instilled in the multilateral trading regime as there is apprehension that developed countries, prefer regional and bilateral trade deals, Debapriya said. These uncertainties are underpinned by the advent of the USA and ensuing enlargement of the EU, he added.

"While new political initiatives will be required for the world leaders to bring the Cancun process to a positive end, in the meantime Bangladesh will have to revisit its bilateral and regional trade strategy to pursue its market access effort," opined Debapriya.

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