

After Cancún: G21, WTO, and Multilateralism

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Why did the Cancún WTO meeting collapse? What is expected next? A content analysis finds G21 at the interface of 1) less developed countries (LDCs) protesting the uneven playing field; 2) long-standing substantive fissures; 3) increasing unilateralism by developed countries (DCs); and 4) farm protection haunting multilateralism. US competitive liberalization emerges most coherently from the WTO wreckage (Feinberg 2003). Based on discrimination and asymmetrical reciprocity, it aggressively targets the European Union (EU), seeks LDC bandwagoning, discourages regime reconstruction (Krasner 1982), defies neorealist/neoliberalist/constructivist tendencies (Waltz 1979; Keohane 1989; Hopf 1998), and predicts future trade turbulence (Rosenau 1997).

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1. PUZZLES

Failure at the September 2003 Cancún World Trading Organization (WTO) talks raises questions: What led to the collapse? How did multilateralism survive with its byzantine decision-making structure, divided membership, and an egregiously uneven playing field? Why is the US uninterested in reviving the WTO? Where next from here?

Beneath the LDC-DC confrontation and unilateralism/regionalism challenging multilateralism, WTO effectiveness was being eroded by long-term European Union (EU)-US farm competition. New concerns grabbed attention after Cancún: accessing the world's largest market without an overhanging damoclean sword, reconstructing equitable regimes, and retreating from inevitable trading disorder.

Just as puzzling are theoretical questions pertaining particularly to neoliberalism, neorealism, and constructivism. How can neoliberalism, which promotes institutional cooperation over state self-help (Keohane 1989: 158-79), prove relevant after the WTO collapse? Did state interests determine supranational identities, as neorealists advocate (Waltz 1979, 1993), and as evident in US pursuits, or did identities shape state interests, as constructivists contend (Wendt 1994; Hopf 1998)? Ultimately, how do we explain contradictory postulates cohabiting the same analytical framework (Rosenau 1997).

A case study of the Cancún talks is undertaken along three dimensions: G21 genesis, negotiations, and US ubiquity. The central finding depicts both nondiscrimination and discrimination, as well as multilateralism and unilateralism/regionalism, simultaneously shaping the trading order. It implies the advantageous US position, in spite of EU rivalry, to set the rules.

2. G21 GENESIS: LION OR LAMB?

Founded by Brazil, China, India, Kenya and South Africa to protest slow EU agricultural reforms and US subsidies (Mathiason 2003), G21 generated a lot of sound and fury tantamounting to probably little. What were the purposes of the Cancún meeting, and the specific circumstances producing G21?

2.1. Cancún Purposes:

Expected to push the Doha Development Agenda (DDA) towards completion by January 1, 2005, the Cancún get-together was the fifth WTO ministerial meeting.¹ The fourth WTO ministerial meeting, in Qatar during November 2001, adopted DDA to liberalize trade in 15 areas, including agriculture, and invoking four Singaporean issues from the first ministerial meeting in 1996.² From the very start, LDCs wanted to treat these separately, with agriculture first; but DCs increasingly gravitated towards the Singaporean issues without any tangible farm policy reforms. Under its competitive liberalization trade policy approach, the US made the fulfillment of those issues a *quid pro quo* for accessing the US market, the world's largest and accounting for 20-25% of the global economy (Cox 2003). Fulfilling the Singaporean goals would streamline LDC policies and institutions with DC counterparts in terms of norms and rules, it was believed, and boost the existing US\$8tr of world trade by 1-6%, or between US\$80b to US\$500b (*Taipei Times* 9/15/2003).

Each Singaporean issue touches raw LDC cultural nerves: Trade facilitation boils down to whether customs procedures have been both simplified and streamlined with DC counterparts; competition policy cuts into anti-monopoly standards, cartel laws, and public sector spending; transparency over government procurements permits competitive foreign corporations to outbid domestic counterparts for public sector demands; and investment reforms disable domestic laws and rules against foreign investors. In addition to rattling deep socio-cultural behavioral patterns, negotiating them under foreign pressure blatantly violated LDC sovereignty (Woolcock 2003). For example, Singaporean issues threaten corporatist patterns of interest intermediation, as evident across Latin America, or public sector investments, as in China and India. Insult is added to LDC injury when these are dragged to the negotiating table.

DCs and LDCs may be on a collision course because of the misplaced assumption of a level playing field. The results: policy priorities accent self-help over collective interests, and liberalizing mechanisms invariably fall short.

The multilateralist assumption of a level playing field based on reciprocity and non-discrimination contradicted WTO's extension of privileges and promises. Some GATT inheritances were problematic from the start. After eight laborious years, the Uruguay Round secured partial trade agreements on agriculture, services, and intellectual property rights - three areas of many where regime features of shared rules, procedures, norms, and principles

¹ The first was in Singapore, December 9-13, 1996, where the fourfold issues to plague the Cancún meeting would be first raised; the second was in Geneva in 1998; the most famous/infamous was in Seattle between November 30 and December 3, 1999; and the fourth in Doha, Qatar during November 2001.

² The issues are: trade facilitation, competition policy, transparency in government procurement, and investment. Summarized aptly in "State of affairs."

had to exist for the WTO to become functional from January 1, 1995 and to pursue the the Doha goals from February 2002. The Cancún objectives of widening and deepening these, however, bred misperceptions and more asymmetry, in turn weakening collection action, a neoliberalist pillar.

Misperceptions stemmed from many sources. In several DCs, the declining contribution of agriculture to economic growth was not matched by a similar reduction in the political clout of farming interests over policy-making and electoral calculations; whereas in several LDCs, agriculture continues to play a dominant role in economic growth and commensurate with the prevailing political leverage of farming interests. For example, even though the Uruguay Round was deadlocked from the outset due to a sudden US insistence to liberalize farm trade and the EU refusal to do so, the March 2002 US farm legislation still authorized US\$170b of farm subsidies so the Bush administration could 1) win the languishing fast-track authority to complete bilateral and regional free trade agreements; and 2) promote Republican Party interests in the 2004 elections across such critical states as Arkansas, Georgia, Iowa, Minnesota, Mississippi, and South Dakota. The legislation sustained 1) price supports for wheat and cotton; 2) subsidies for honey, mohair, and wool producers; and 3) conservation programs for livestock, fruits, and vegetables. It also imposed subsidies on peanuts, lentils, and chickpea producers.

By neglecting foreign producer interests (Pierri 2002), the 2002 US farm legislation antagonized 1) cotton producers in Benin, Burkina Faso, Chad, and Mali into spearheading the African boycott at Cancún; 2) Latin G21 members with high agriculture export ratios, such as Ecuador's 67%, Uruguay's 55%, Argentina's 52%, Bolivia's 39%, Colombia's 37%, Brazil's 33%, and Peru's 24% (IMF 2000); and 3) even DC manufacturing groups facing LDC tariffs, like Deutsche Bank AG, Unilever NV, DaimlerChrysler AG, General Electric Co., and the US National Association of Manufacturers (*Taipei Times* 9/15/2003). Similar misperceptions plague trade in services and intellectual property rights: Since they are competitive sectors, DCs seek their expansion, but in LDCs they are sheltered and nourished by the government.

Asymmetry riddles negotiation dynamics, particularly agenda setting. DC dynamics shape the structures, rules, norms, practices, and decisions of the multilateral organization more than LDC dynamics. For example, disagreement between the US and the EU, rather than between US and LDCs, or EU and LDCs, fueled the Uruguay Round stalemate (Winham 1989: 280-302). Why non-governmental organizations (NGOs) are ignored at the multilateral level can also be partly traced to DC dynamics. Even WTO's Director General (DG), Dr. Supachai Panitchpakdi and WTO's 2003 General Council Chairman, the Uruguayan Carlos Pérez del Castillo, fought unsuccessfully to include NGOs in some advisory WTO capacity against formidable business interests reflected in DC positions (Raghavan 2003). Preventing collective action and excluding non-state actors denied neoliberal growth; and again, neorealist tendencies profited.

2.2. G21 Catalyzers

Both agriculture and Singaporean issues, together with their implications, converged unexpectedly when the US and EU adopted a Joint Proposal on August 13, 2003 to defend farm subsidies in Cancún. Since both sides compete against each other for farm markets, the Joint Proposal tantamounted to a *machiavellian* respite (Monbiot 2003). Not long after the Cancún collapse, the EU announced retaliatory trade sanctions of US\$2.2b on US Harley-

Davidson motorcycles, textiles, and Florida citrus fruit by December 15 if steel tariffs imposed in March 2003 were not lifted, and of US\$4b on over 1,800 products by March 2004 if US export subsidies were not eliminated (Weisman 2003). Earlier at the Montreal WTO mini-ministerial, the single-minded US-EU position to defend domestic support, market access, and export competition, forced the LDCs and the Cairns Group into creating the G20 (*Business Standard* 10/9/2003). With the US-EU Joint Proposal, this transformed into G21 from September 2.

Whereas agriculture became the US *sine qua non* at Cancún, the EU made the Singaporean issues its own *sine qua non*. The US indifference to two Singaporean issues (trade facilitation and transparency in governmental purchases) was matched by the EU indifference to agriculture. Different domestic political dynamics produced dissimilar DC policy priorities. As previously argued, fast-track authority and 2004 electoral calculations weighed heavily behind US considerations, while the EU, seeking to diversify from agricultural issues and become a more robust global player, hoped its diminishing farm subsidies today, compared with ten years ago, would soften global criticism. However, its Africa, Caribbean, Pacific (ACP) preferences for fifteen sugar-producing countries and reliance on huge subsidies to become the world's largest refined sugar exporter embittered Australia, Brazil, Thailand, and the US.³ Protecting sugar producers imperils not only US-based free trade agreements (Wallsten 2003), but also the EU's, creating a fragile rationale for G21 unity. For example, Australia, Brazil, and Thailand found common cause in filing a case against the legality of EU sugar production and export subsidies. It also prompted Brazil's President Luis Inacio Lula da Silva to visit African and other G21 states after Cancún to sustain unity.

Sensing a lot could be lost with agriculture and the Singaporean issues, advanced LDCs, such as Brazil, China, and India, fortified their positions in Cancún. Yet, issue asymmetry constrained collective action. According to University of Maryland economist Arvind Panagariya, Brazil sought liberalization, India protection, while China and South Africa were business-like, thus likely to defect the G21 (*Business Standard* 11/14/2003). In addition to violating WTO principles, the US competitive liberalization approach discriminates against which LDC to allow greater market access to. Yet, behind the urgent LDC development need, the Indian argument against the *one-size-fits-all* Singaporean issue approach and Brazil's agricultural protection in the wake of the "harmful effects of subsidized products" in G21, indicate differences over policy priorities (Pierri 2002; Sidhartha 2003a). Even as they sought common identities, G21 members clung to their self-help instincts.

Rallying as the QUAD, Canada, EU, Japan, and the US, with South Korea's sympathy, squared off against the G21 in Cancún. Since transient and issue-specific identities created the coalitions, the G21 stands more to lose than QUAD: It represents developing, rather than the developed countries, facing more emotions than pragmatism.

³ The 15 include: Barbados, Belize, Cote d'Ivoire, Democratic Republic of Congo, Fiji, Guyana, Jamaica, Kenya, Madagascar, Malawi, Mauritius, St. Kitts and Nevis, Swaziland, Zambia, and Zimbabwe. See Capdevila (2003).

3. G21 AT THE NEGOTIATING TABLE

What catapulted G21 into prominence? Seven overlapping complications are examined: 1) agriculture; 2) the Singapore issues; 3) DC arrogance, epitomized by Canadian Commerce Minister Pierre Pettigrew; 4) abrupt behavior of host country's Foreign Minister Luís Ernesto Derbez; 5) LDC defection under US or EU pressure; 6) uncharacteristically open-ended discussions; and 7) democratization exposing WTO's decision-making anomalies. Their impacts on the WTO are discussed thereafter, followed by a G21 balance sheet.

3.1. Agriculture: The Cairns Connection and Other Disconnections

Three dynamics reveal the conference ups and downs: terms behind G21 negotiations, broader LDC farm rebellion, and revitalizing Cairns linkages.

The DC-LDC farm impasse which gave G21 birth became "a counterweight to the G8," as Pascal Lamy observed, a development of *geopolitical* significance beyond just agriculture (Sidhartha 2003b). Both DCs and LDCs drew very specific agricultural battle lines (Sidhartha 2003b): a three-fold DC tariff reduction plan sought one-third cuts through 1) linear elimination; 2) steep reductions; and 3) soft 0-5% reductions; while LDCs sought to 1) reduce DC domestic supports; 2) eliminate export subsidies; and 3) moderate tariff cuts. Disruptive as they were, when the Singaporean issues delivered the Cancún catharsis, these positions were almost compromised - no wonder why the failed December 2003 Geneva review session returned to them first.

Outside the G21, an agricultural disruption was already underway already. Four African cotton exporters campaigned to derail negotiations in a protest against US cotton subsidies. In addition to utilizing 25% of all pesticides in the United States, thus both damaging the environment and exposing human health to fifteen different toxins, the US cotton industry receives 30% more subsidy than the value of all the US cotton crops produced: US\$3b worth of production versus US\$3.9b worth of subsidies for only 25,000 producers, compared to the average Mali cotton producer's income of US\$240/- only (Hesse 2003; *BBC News* 9/9/2003). LDCs sought identity with selective DC interests to promote their interests.

Key DCs within the Cairns Group supported the G21 position over agriculture. Australia, often seen as the Cairns leader, backed India fully; New Zealand's Foreign Minister, Jim Sutton, talked about facing "a common enemy - the enemy [being] dumped surpluses, the subsidized exports;" while South Africa's Foreign Minister, Alec Erwin, went as far as to say "[t]he main burden of adjustment lies . . . with the big economies" (*Taipei Times* 9/11/2003). Agriculture continued to demand attention, but other issues kept the light at the end of the farm tunnel as distant as before.

3.2. Singaporean Issues

Even though the Singaporean issues were not on the checklist, and explicitly rejected as a Cancún benchmark, that is, as developmental issues, they crept in. Since the benchmark list included a revision of intellectual property rights, elimination of agricultural subsidies, and increased movement of natural persons - each one resisted by the US and EU (Khor 2003a) - importing the Singaporean issues broadened the notion of trade, but antagonized India (Singh 2003). How these hardened positions hijacked agriculture over five days exposes the

decision-making peculiarities. I discuss them before commenting on various dimensions of the ever-escalating drama.

The Singaporean issues didn't just fall from the sky: LDCs did not believe these issues belonged to the Doha Development Agenda since they deeply encroached domestic concerns, while some were simply unrelated to trade; but DCs in general, and Lamy in particular, saw them not only as part of the single Doha undertaking (Khor 2003a), but also part of the Cancún agenda (Sidhartha 2003c). Building upon the Doha Declaration, DG Panitchpakdi, Chairman of the General Council Pérez del Castillo, and the Chairman of the Trade Negotiations Committee, agreed in June 2003 to merely take stock in Cancún, and provide political guidance over a check-list of issues. Based on consultations with various heads-of-delegations (HODs) during June and July, a ministerial declaration was drafted by August.

Check-listed issues included modalities for agriculture and non-agriculture market access; services; rules; dispute settlement; trade-related intellectual property rights (TRIPS); and trade and environment. Freezing this list, as Malaysia's Foreign Minister Rafidah Aziz proposed, was met by Canada's and New Zealand's opposition. Singaporean issues entered a separate list, with the stipulation of deciding the modalities of negotiations *by explicit consensus* at Cancún (Raghavan 2003). Implicit GATT/WTO consensus traditionally counted only disagreement; but LDCs demanded counting both disagreement and silence, that is, explicit consensus. The proposal failed.

3.3. Pettigrew's Manufactured Consensus

Confrontation was guaranteed when the DG appointed Canada's Commerce Minister Pierre Pettigrew as chair of the Singapore-issues working group. His arrogance and unpopularity, vivid from the Seattle WTO meeting, triggered the creation of the G70 among LDCs, mostly from Africa and Asia. Uniting them was the demand to exclude the Singaporean issues from the agenda. When Pettigrew's working group met on the 11th, he sought the required explicit consensus. Of the 52 countries to respond, 21 voted against negotiating the issues, 14 to negotiate all four issues, 14 to negotiate only two of the four issues, and 3 were either unsure or sought further clarifications (Clarke 2003). In the absence of an explicit consensus, Pettigrew moved the issue from the frying pan to the fire by refusing to accept a *no* answer and manipulating the issues through the 11th and 12th. On the 13th he proposed a step-by-step approach on all four issues through Conference Chairman, Mexico's Foreign Secretary Derbez. The WTO was undermined, and along with it neoliberalism. In the scramble, US interests triumphed.

3.4. Derbez's Stentorian Moment

Derbez was the wrong person to address the conference at such a democratized WTO moment. His abrupt behavior exposed the inexplicable WTO machinations.

Outraged by Derbez's text, African and Asian states formed the G90, the former angered by the benign neglect of cotton subsidies affecting four north-west African countries, the latter, led by China and India, finding the Singaporean issues out of place. Derbez convened two *green-room* meetings on the 14th, one attended by 9 of his counterparts, the other by 30 (Rady 2002). Both produced the same outcome: complete rejection. As negotiations over Singaporean issues were deadlocked, he closed the conference *sine die*, even as the EU retreated from its all-or-nothing Singaporean stance.

His abrupt one-page terminating declaration on the 14th caught many LDCs, especially the G21, off-guard. It was seen as a “wish list of the developed countries.” Under deadlocked conditions when so much is at stake, the routine GATT procedure of extending discussions, as at the Uruguay Round, was not pursued by Derbez, although he indicated a reconvention in Geneva during December.⁴ As it was, the EU retreated from its Singaporean stance, and the G21 stood close to an agriculture compromise, with trade ministers from Brazil, China, India, and South Africa meeting their EU and US counterparts to save the ministerial draft circulated on the penultimate day. This draft doubled the LDC farm tariff reductions over the EU and US (70+% versus 36-40%). Yet, the *carte blanche* G70 rejection of Singaporean issues, even when only one remained contentious, terminated the Cancún parley. G21 members challenged this decision, while EU members were left stupefied (*Business Standard* 9/20/2003).

3.5. Second (Latin) Thoughts

G21 defection, or expressing indifference to it, became a big post-Cancún issue. What was its significance for Latin America, the EU, and others in G21?

As observed in the first footnote, G21 had as many as twenty-three members, during 2004. Even without meaningful WTO compromises, that may remain a peak G21 point. From fear of being excluded from the Central American Free Trade Agreement (CAFTA) by the United States, El Salvador left G21 early. This was before the Cancún parley had even ended. After it ended, other CAFTA aspirants - Costa Rica and Guatemala - faced both US carrots and stick to defect, carrots in terms of increased production quotas under CAFTA (Mathiason 2003), stick through an unambiguous warning of being left out of CAFTA. Bolivia, Colombia, and Peru waited in line to disassociate themselves from G21, in that order, and upon specific instructions from the United States. Chile's passive presence was matched by Mexico's uncomfortable membership. Except Brazil, Latin G21 members were strapped by US interests. Collective action and identity-formation suffered (El-Naggar 2003).

The European Union's approach was similar. Turkey, hopeful of EU membership and as recipient of huge US support in the war against terrorism, defected even before El Salvador did. One EU delegate indicated in Cancún: “We have a long line of people at our door seeking bilateral trade agreements” (Rajagopalan 2003). Clearly, the EU would not hesitate to use its economic clout to thwart obstructionist coalitions.

Others in the G21 had mixed sentiments. China remained a passive player, and the only firm stance stand India took was in terms of the Singaporean issues, thereby not directly confronting the US. South Africa, like Brazil in Latin America, was left stranded between African and its own interests. Others, owing to FTAs with the US, remained ambivalent (Bokhari 2003). Those without FTAs also showed ambivalence. Egypt, for example, not only eagerly sought a US FTA before the Cancún meet (Abdel-Razek 2003), but also saw G21 membership dashing that hope. Its Minister of Foreign Trade, Youssef Boutros-Ghali, served as the meeting's deputy chairman, while also pushing his country's agenda of *balancing*

⁴ Preparatory work identified four issues: agriculture, cotton, tariffs on industrial goods, and the Singaporean issues, also called the *new* issues. Clearly the effort was to please as many sides as possible. See Walker (2003).

subsidy reductions. Subsidies generally impact his country in quite contradictory ways: They benefit Egypt's cotton exports, but inflate food import prices (Wahish 2003).

3.6. Free-for-all Fiesta

Unlike in other WTO or GATT meetings, the Cancún agenda suddenly became too open-ended, thus inviting all kinds of comments, responses, and reactions, instead of filtering them as is customary. DC-LDC relations were already on thin ice over agriculture; The Singaporean issues simply dissolved whatever fragile protections they had. But managing 148 members, the last two given admission only in Cancún, is a tall task no multilateral organization has been able to accomplish effectively, raising questions if such a forum is itself the problem. I return to WTO's peculiarities later.

3.7. Decision-Making at Odds with Democratization

Even if Cancún's falling curtains seriously questioned how so many countries from all levels of economic development coexist with mutual respect in a multilateral organization, invoking WTO's byzantine decision-making structures is inevitable in recovering from the Cancún collapse. Democratizing decision-making process and eliminating clandestine past tendencies and negotiation structures remain WTO deficits.

According to Martin Khor (2003b), consensus was impossible at Cancún because 1) the closely-filtered, traditional GATT/WTO Geneva system of decision-making was retained in the open-ended Cancún atmosphere; 2) the resort to facilitators at Cancún, instead of reducing divergences, only exacerbated them; and 3) trust had been severely violated, thereby magnifying the non-transparent and clandestine decision-making. The three-tiered Geneva system consisted of 1) underground consultations, that is, private and exclusive exchanges; 2) confessionals, through which each country representative conveys the minimum he/she seeks in an agreement; and 3) above-ground informal head-of-delegate meetings, that is, public and inclusive gatherings. Even though these above-ground gatherings did not eliminate differences, working group chairpersons were left with formulating compromises. This was simply not possible at Cancún, since the Singapore-issues working group chair, Pettigrew, had vested interests in negotiating those issues rather than seeking a compromise. Khor is right to believe that the recovery from the failure at Cancún necessitates privately-staged consultations, in turn necessitating the Geneva system. In the process, multilateral requirements like democratizing decision-making and increasing inclusiveness become even farther remote.

Consequently, the ever-weakening G21 is unlikely to exert as much force as it did for a day or so at Cancún. Although Brazil, China, and India are unlikely to abandon their positions or loyalties to G21, each has cross-cutting US interests requiring accommodation of sorts along the way. Pragmatism may prevail over emotions for each.

3.8. G21 Appraisal: Pros and Cons

At least three drawbacks surfaced. First, galvanized by persistent DC farm trade distortions, G21 members showed questionable commitments to their own cause, and selective disincentives from the United States undermined their new-found unity. Second, as

Table 1 shows,⁵ eighteen G21 members find their largest export market and seventeen their biggest source of imports in the US, which the aggressive US competitive liberalization trade policy, based on simultaneous bilateralism, regionalism, and multilateralism, utilizes as a bargaining chip (Feinberg 2003). Third, as an *ad hoc* outgrowth (Rajagopalan 2003), G21 involved neither prenegotiations nor future coordination, let alone any blueprint.

Four positive G21 features also stand out. First, it was more pragmatic than the G70 or G90 (Beshai 2003), which ultimately hijacked G21 and disrupted Cancún's ministerial meeting. As dynamic emerging markets, Brazil, China, India, and South Africa negotiated stubborn issues effectively with DCs; and thirteen G21 members also belong to the 17-member Cairns Group alongside three DCs, Australia, Canada, and New Zealand.⁶ Second, it shook the privileged position of agriculture in multilateral negotiations, evident when Pascal Lamy of the European Union proposed to eliminate export subsidies in order to discuss the Singapore issues. Third, G21 exposed the WTO's byzantine decision-making structure. According to a War on Want survey, 83% of LDC delegates, 112 in all, believed the WTO to be undemocratic with a DC bias (Mathiason 2003). Finally, even though a US-EU agreement produced G21 in the first place (*Business Standard* 9/16/2003), it remains a potential EU-US balancer, or serve as a model for another balancing entity.

Table 1. G21 Members and Relations with United States

COUNTRIES:	% Trade with US (1999)		Relationship with United States
	Export	Import	
1. Argentina	11	19	-MERCOSUR member; supportive FTAA member; recipient of IMF funds
2. Bolivia			-Supportive FTAA member; keeping low post-Cancún profile
3. Brazil	22	24	-Defiant FTAA member; seeks liberalizing agriculture
4. Chile	19	23	-FTA with US concluded 2002; reticent G21 member
5. China	21	11	-Silent partner, mostly very business-like approach
6. Colombia	50	37	-Receives Colombia Plan funds from US; keeping low post-Cancún profile
7. Costa Rica	53	41	-CAFTA aspirant; keeping low post-Cancún profile
8. Cuba			-Hostile to USA; one source for US G21 dislike
9. Ecuador	37	27	-Supportive FTAA member; keeping low post-Cancún profile

⁵ Asterisk indicates USA not being the largest partner (IMF 2000).

⁶ Organized in 1986 to prioritize agricultural reforms in the Uruguay Round: **Argentina**, Australia, **Bolivia**, **Brazil**, Canada, **Chile**, **Colombia**, **Costa Rica**, **Guatemala**, **India**, **Malaysia**, New Zealand, **Paraguay**, **the Philippines**, **South Africa**, **Thailand**, and Uruguay. Members in bold belong to G21. After the Cancún collapse, the Cairns Group brought forward its annual 2004 meeting from September to February, and held in Costa Rica. See *BusinessDay* (11/14/2003).

10. Egypt	11	15	-Hopes for US FTA, benefits from QUIZ
11. El Salvador	62	40	-CAFTA aspirant; officially withdrew from G21
12. Guatemala	56	37	-CAFTA aspirant; keeping low G21 profile after Cancún
13. India	22	9	-Defiant over Singaporean issues; seeks selective protection; non-resident Indians flocking in the US are source of huge remittances, and thereby an increasingly important group
14. Indonesia	16*	7*	-Active participant of US war on terrorism; Japan as largest trading partner
15. Mexico	88	80	-NAFTA member; too tied to the US, both through trade, investment, policies of choice, and migrants
16. Nigeria	36	9	-One of the US democracy models in Africa; increasing trade, especially oil flows to the US
17. Pakistan	22	6	-Active participant of US war on terrorism; beneficiary of IMF/World Bank funds and loan repeats
18. Paraguay	5	22	-MERCOSUR member; supportive FTAA member; Argentina and Brazil are larger trading partners than USA
19. Peru	28	32	-Supportive FTAA member; aspires for US FTA
20. Philippines	29	20	-Active participant of US war on terrorism
21. South Africa	8*	13*	-Member of SACU negotiating FTA with USA; Great Britain is a larger export destination, Germany as larger import provider
22. Thailand	21	11*	-Member of APEC; seeks US FTA and as bridge to ASEAN-FTA with US; Japan is a larger import provider
23. Turkey	9*	7*	-Participant of US war on terrorism; only Germany receives more exports, and France, Germany, Italy provide more imports
24. Venezuela	55	41	-FTAA member; trade figures predate Chavez revolution, which is very anti-US

Source: IMF (2000)

4. DAMOCLEAN US & OFF-TABLE ASYMMETRY

Just as WTO's asymmetrical decision-making processes and structures contributed to the Cancún fiasco, so too did G21 dependence on the US market.

Table 1 shows the dramatic G21 dependence on the United States. Not only that, but at a time when the United States trade policy orientation is subtly shifting from pure multilateralism towards manufactured multilateralism. Dubbed competitive liberalization, its three elements - bilateralism, regionalism, multilateralism - are both at odds with each other and particularly useful in recreating multilateralism without non-discrimination and symmetrically applied rules. The on-again, off-again pursuit of this approach can be traced as

far back as to the 1984 FTA with Israel and the 1988 FTA with Canada on the bilateral front, George H.W. Bush's 1989 Enterprise of the Americas Initiative and William J. Clinton's 1994 Summit of the Americas on the regional front, and the 1986 Uruguay Round breakdown over agriculture and initial US rejection of Canada's 1994 WTO proposal on the multilateral front. All three strands spiralled to torpedo the Cancún parley: Independent of WTO, FTAs multiplied, from the Canadian-US Free Trade Agreement (CUFTA) to NAFTA, then CAFTA, with FTAA currently targeted for 2005; similarly FTA interests with Australia, Singapore, and South Africa, among others, generate yet other regional linkages, for example, with Asia Pacific Economic Cooperation (APEC), Association of South East Asian Nations (ASEAN), and the South African Customs Union (SACU). Ultimately, the implicit US *ring-around-Europe* approach becomes a bargaining chip against EU interests in a reconstituted multilateral trading organization. Jettisoning the Cancún talks with the US-EU Joint Proposal was a US coup against the EU in that it ultimately served US interests more than the EU's. Derbez's abrupt ending spoke eloquently of US desires (*Scoop* 10/21/2003). Where the WTO goes from here remains for the US to decide.

When LDCs did not capitulate in Cancún, the US strategy resorted to more arm-twisting tactics. Table 1 shows how an arm-twisting US policy approach need not be necessary. All but five G21 countries find their largest export market and largest source of imports in the US. Even for those five, the US is a substantial export market and source of imports, often within the top three. Indonesia trades more only with Japan, South Africa with Great Britain, and Thailand over import sources with Japan; and while Paraguay trades more with MERCOSUR partners, Turkey's partners belong to the EU. Other than these, G21 dependence on the US can be as high as Mexico's 88% exports and 80% imports involving the US, or as low as Egypt's 11% exports and 15% imports involving the US. If these proportions are put on the line, each and every G21 member could go through a catastrophic economic collapse in the event of any trade disruption with the US, something the US may no longer have any sympathy for. Predicaments such as these provide *quid pro quo* ammunition the US is already utilizing. It is only a matter of time before Brazil, China, and India, the three G21 heavyweights, begin to feel the unleashed pressures themselves.

5. CONCLUSIONS

Four conclusions are drawn: 1) multilateralism, based on non-discrimination and reciprocity in a level playing field, was crippled, but is not yet completely dead; 2) US unilateralism is inescapable in any trading architecture; 3) the inevitably intensifying US-EU trade rivalry opens space for able and willing LDCs to climb the developmental ladder; and 4) like its better known forerunner, the G77, Cancún's G21 enriched the LDC resistance folklore more than it served as a LDC weapon.

First, the existing WTO is unlikely to fade or perish in the near future. In the absence of a collectively accepted alternative, it still anchors world trade, but as the Cancún meeting highlighted, its principles, norms, rules, and decision-making authorities (Krasner 1982: ch. 1), are likely to face as much non-discrimination and symmetrical reciprocity as discrimination and asymmetrical reciprocity.

Discrimination and asymmetrically determined reciprocity may indeed prove more effective in controlling trade, investment, and development amidst the mushrooming number of sovereign countries today. Inspired by the EU and the recent US campaign to create FTAs,

other cases are likely to proliferate, either by reviving older arrangements left in the cupboard for too long, or by formulating new ones to meet the demands of today. Southeast Asia, southern Africa, and Latin America are already providing examples. The net impact of privatized corners of the world seeking larger pieces of the global pie is distinct from those envisioned in the 1970s: Then the US, West Europe, and Japan were seen as the engines of growth; today Brazil, China, India, and Malaysia also influence the shape of the global economic order.

Second, the dominant force behind this erosion will continue to be, as it has been from 1947, US exemptions, particularly in the politically sensitive agricultural sector. In fact, how US policy-makers adjust to farmers in election campaigns may dictate farm and trade policy directions in several other countries, not just the United States. US unilateralism is likely to rely less on anti-dumping and countervailing duties, or even the 301 family of legislations (Mastel 1996), although these are unlikely to be abandoned. New forms based on custom-based bilateral or regional FTAs capitalize on the US as the largest market in human history. Accessing it 1) entails *quid pro quos* of sorts for all exporting countries; 2) becomes a privilege for any country seeking development and/or economic growth; and 3) involves tariff-reducing recipes formulated by such multilateralized agencies as the Inter-American Development Bank (IADB), International Monetary Fund (IMF), and the World Bank (IBRD).

Third, far from becoming totally immersed inside in a US trading network, LDCs are likely to also find European alternatives. This is not to suggest continued EU unity and the evolution of a United States of Europe; but irreversible economic strides already taken and a common US policy predicament of protecting the declining agricultural sector keep the EU as a significant trading actor which thereby constrain US economic interests. LDCs capable of playing one against the other, of which there may be very few, may find more opportunities and economic independence than those unable or unwilling to.

Fourth, although negotiating dynamics within the United Nations Conference on Trade and Development (UNCTAD) from 1964 were unusually affected by the G77, culminating in the presentation of the New International Economic Order (NIEO) ten years later, very little of the efforts actually uplifted LDCs. Yet, the G77, often seen as a LDC trade union by DCs, added to the folklore of LDCs resisting DC economic domination, a parallel not lost with the rise of the G21 in Cancún. Behind all the rhetoric, however, like the G77, Cancún's G21 may get submerged by practical considerations, the bread-and-butter needs of LDCs over the hopes for and promises of a rapidly approaching nirvana. Not only that, but the numbers game also work against LDCs: The larger a collective effort becomes, the lesser it can achieve, as the colliding LDC interests, perhaps even more than DC resistance, attenuate the group's aspirations.

6. IMPLICATIONS

Among the implications of these findings: 1) US CAFTA priority snowballing into a watered-down FTAA by 2005; 2) US-based FTAs diffusing across Southeast Asia, Africa, and the Middle East, in that order, to encircle outwardly expanding Europe; 3) rival FTAs in Southeast Asia and Africa sapping the US gravitation through crisscrossing patterns of trading behavior; 4) a global pattern of protectionist multilateralism in the absence of pure multilateralism; and 5) theories and models adjusting to these new behavioral patterns.

First, the United States may be best placed in this tumultuous trading order today, not just because of its economic size, but also its game plan of recreating a less resistant WTO through bilateral FTAs (Bussey & Fields 2003), although regional FTAs also play a part. The cream FTAs are those connecting US and Central American countries: Central America is an area of least resistance, therefore of greater value in building momentum for broader schemes, for example, completing the FTAA by 2005. On the strength of CAFTA, as well as ongoing FTA discussions with Bolivia, Colombia, and Peru, among others (Moreno 2003; Palmer & Roberts 2003), the USA would only face Brazilian/MERCOSUR resistance at the extreme to complete FTAA on schedule. At the Miami FTAA ministerial meeting in November 2003 and the Monterrey Summit of the Americas of the following January, a *watered down* FTAA was in the offing, even though how it evolves may not be to the liking of traditional US FTA partners - Canada, Mexico, and Chile. Prospects of a 14-member FTAA currently circulate the air; but the more interesting question may be how this translates into a larger hemispheric entity to fulfill strategic US interests.

Second, ongoing APEC, ASEAN, and SACU efforts suggesting a US *ring-around-Europe* network dampens the relative EU sphere of influence in the WTO, posing a future trade threat. With the FTAA in its proverbial pocket, and Africa and Asia waiting in line, the US is well-positioned to open markets in these countries before selectively reciprocating, creating a trading network not dissimilar to Adolf Hitler's across East Europe (Hirschman 1981). Without coherent common foreign and trade policies, the EU faces commercial isolation in a shrinking world.

Third, LDCs bold enough to play the US and EU off against each other, as a very few G21 countries are capable of and willing to pursue, help modify US influence by emphasizing crisscrossing trading arrangements. Very much like not keeping all of one's eggs in one basket, these countries may be critical to multilateralizing unilateralist tendencies of the US, and thereby encouraging the old WTO form of multilateralism over the new. However, since each member is vulnerable to both US incentives to defect and disincentives to continue operating independently, the only safeguard for any such third group would be numbers: the more the better! No single pattern prevails, indicating a future in which both tendencies of bandwagoning with and balancing US interests is likely to continue.

Fourth, should these patterns persist, the new multilateralism would internationalize US competitive liberalization. Magnifying its implicit protectionist threat on a broader scale would inevitably circumscribe the original intention of opening markets. In other words, at the extreme, the US trade policy approach today is as likely to implode over time as it threatens to explode today.

Finally, international relations theorists would have to look at the interface of contending theories to adequately explain the evolving protectionist liberalization patterns of behavior. These carry elements of neorealism, neoliberalism, and constructivism, but go beyond into James Rosenau's world of turbulence where chaos and order (*chaord*), fragmentation and integration (*fragmegration*), as well as globalization and localization (*glocalization*) coexist: US strategic interests remain reminders of neorealist thrusts; collective action and multilateralism continue to be sought, as neoliberals would savor; identity-seeking pursuits, as per constructivists, remain unabated in spite of ever-appealing interest-filled crusades; and we find *chaord*, *fragmegration*, and *glocalization*, as defined, throughout the conference. In other words, choosing between paradigms is becoming old-fashioned, since explaining real-life complexities and contradictions today necessitates different rather than similar stripes.

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