

Cancun and Its Aftermath: *What Does It Mean?*

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The World Trade Organization (WTO) is the only international body that regulates trade between nations. A multilateral trading system that is based on rules, its primary objective is to achieve freer trade by ensuring that trade flows as smoothly and predictably as possible through the opening up of markets. WTO's top level decisionmaking body, the Ministerial Conference, had its fifth meeting in Cancun, Mexico last September. After almost two years of stagnation in trade talks, the meeting was held to take stock of progress in the negotiations and provide other necessary work. Unfortunately, too much grandstanding, excessive politicization, and less efforts to seek the necessary compromises to reach a consensus led to the collapse of the trade talks.

Issues of contention

There were three major controversial issues that divided developed and developing countries, namely: (a) removal of agricultural subsidies, (b) tariff reduction on industrial goods, and (c) the so-called "Singapore issues" which were heavily pushed by Japan and the European Union (EU) and greatly opposed by

developing countries. The latter referred to investment policy, competition policy, procedures for transparency in government procurement, and trade-facilitating policies such as customs procedures.

In both agriculture and industrial products, the main issue revolved on how to reduce trade barriers, how much the developed countries should give and how little developing countries should give up. The United States (US) and the EU drew up a framework to free agricultural trade but this was refused by the G20+ countries. The G20+ is a new bloc of developing countries led by Brazil, China and India that coalesced before the Cancun meeting to counter US and EU agricultural protectionism. They demanded rich countries to cut their subsidies and free agricultural trade more and poor countries to offer much less liberalization.

In 2001, the Organisation for Economic Co-operation and Development (OECD) countries spent US\$311 billion to support their agricultural sectors. The US, for one, provided US\$3 billion subsidies to its farmers leading to a drop in the world price of cotton and hurting more efficient African producers. Note that developing countries' agricultural sectors are also highly protected, though not through subsidies which are unaffordable to them but through very high tariffs.

While the overall tariffs on industrial goods applied by developed countries are already low, their tariffs remain high in la-

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bor-intensive products like textiles and other manufactures that are of interest to developing countries. Rich countries are willing to liberalize these sectors but they want the advanced developing countries to do the same. However, most developing countries refuse to expose their industries to more international competition. Countries like Brazil, which have huge agricultural sectors, would not even discuss industrial goods until clear gains in agriculture are seen. This hardening and seemingly tough and uncompromising position complicated the whole decisionmaking process in Cancun. With the participants taking too much time to reveal their true positions, the more it became very difficult to achieve compromises.

On the Singapore issues, ministers could not agree on any of the issues. Meanwhile, the developing countries rejected all four issues outright on the ground that no concessions should be made unless developed countries would concede to their demands in agriculture. And while it is true that developing countries have limited knowledge and little negotiating capacity in terms of investment and competition policy, there are, however, gains for both developed and developing countries from reforms in terms of trade facilitation and government procurement that would have addressed issues like transparency, corruption, and reduction of transaction costs of doing business with governments. In the end, the EU was willing to forego competition and investment issues but such move was deemed too late because by then, tough stances were already adopted and nobody wanted to yield.

Reactions/implications: the more telling issues

With the Cancun breakdown, anti-globalization groups and NGOs were extremely delighted. The Philippines' trade minister and chief negotiator was also elated by it. However, it seems ironic on how we could rejoice when the fact is that with the collapse of the trade talks, every country would suffer, with some having to suffer more than others. The developed countries have less to lose since they have the resources and can always engage in bilateral and regional agreements where they can easily flex their economic muscles. The real losers are the developing countries, especially the smaller and weaker ones.

Negotiators should go beyond the rhetoric that no deal is better than a bad deal. An all or nothing position was taken to be a political victory for G20+.


More specifically, like in the case of the Philippines, after Cancun, there is a need to reflect on important issues like—have we

made up our minds on what we really want to achieve and what our country's interests are? Have we made cost-benefit assessments of our negotiating positions on market access not only for agriculture but also for industrial goods that are of interest to us, notably textiles and clothing, footwear, leather and fish products where developed countries' tariffs are still high? Did we assess the individual WTO issues and their ramifications on the Philippine economy? Who in our economy would benefit and who would lose and by how much? Did we forge correct alliances or did we just follow herd mentality? Our negotiators should not focus solely on the effect of freer trade on Filipino producers of like goods, but rather should focus on national economic interest, i.e., the sum of all benefits to all Filipinos who gain minus the costs to all Filipinos who lose.

While regionalism and bilateralism are fast becoming an obsession at the moment, a multilateral system based on rules is still superior. There's always the danger that regionalism might give rise to substantial trade diversion while under bilateralism, small countries have hardly any say and concessions can easily be withdrawn. Thus, despite its weaknesses, the WTO still provides the best solution.

What's ahead?

A Geneva meeting is scheduled in December 2003 to revive the talks. To get back on track, much depends not only on powerful countries like the US and the EU but on the cooperation of weaker countries as well who need to recognize that they have the most to lose if the talks collapse. Countries should commit to more meaningful reforms. The US and the EU should go beyond their earlier proposal on agriculture subsidies while advanced developing countries should pursue reforms to reduce their own trade restrictions.

Uncertainty, however, currently still looms as the US 2004 election and the EU enlargement threaten to dampen their interest in trade talks. 

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