

**Interpreting Cancun:  
Experience and Lessons for Bangladesh**

**Paper No 27**

Debapriya Bhattacharya  
Mustafizur Rahman  
Ananya Raihan

---

Price Tk 30.00

**Centre for Policy Dialogue**

House 40 C, Road 11, Dhanmondi R/A, GPO Box 2129, Dhaka 1209, Bangladesh

Tel: 8124770; Fax: 8130951; E-mail: [cpd@bdonline.com](mailto:cpd@bdonline.com)

Website: [www.cpd-bangladesh.org](http://www.cpd-bangladesh.org)

December, 2003

**The Centre for Policy Dialogue (CPD)**, established in 1993, is a civil society initiative to promote an ongoing dialogue between the principal partners in the decision-making and implementing process. The dialogues are designed to address important policy issues and to seek constructive solutions to these problems. The Centre has already organised a series of such dialogues at local, regional and national levels. The CPD has also organised a number of South Asian bilateral and regional dialogues as well as some international dialogues. These dialogues have brought together ministers, opposition frontbenchers, MPs, business leaders, NGOs, donors, professionals and other functional groups in civil society within a non-confrontational environment to promote focused discussions. The CPD seeks to create a national policy consciousness where members of civil society will be made aware of critical policy issues affecting their lives and will come together in support of particular policy agendas which they feel are conducive to the well being of the country.

In support of the dialogue process the Centre is engaged in research programmes which are both serviced by and are intended to serve as inputs for particular dialogues organised by the Centre throughout the year. Some of the major research programmes of CPD include **The Independent Review of Bangladesh's Development (IRBD), Governance and Development, Population and Sustainable Development, Trade Policy Analysis and Multilateral Trading System and Leadership Programme for the Youth**. The CPD also carries out periodic public perception surveys on policy issues and developmental concerns.

Dissemination of information and knowledge on critical developmental issues continues to remain an important component of CPD's activities. Pursuant to this CPD maintains an active publication programme, both in Bangla and in English. As part of its dissemination programme, CPD has decided to bring out **CPD Occasional and Working Paper Series** on a regular basis. Dialogue background papers, investigative reports and results of perception surveys which relate to issues of high public interest will be published under its cover. This Series will also include draft research papers and reports, which may be subsequently published by the CPD.

The present paper, *Interpreting Cancun: Experience and Lessons for Bangladesh* has been prepared under the CPD programme on **Trade Policy Analysis and Multilateral Trading System**. This programme aims at strengthening institutional capacity in Bangladesh in the area of trade policy analysis, negotiations and implementation. The programme, inter alia, seeks to project the civil society's perspectives on the emerging issues emanating from the process of globalization and liberalization. The outputs of the programme will be available to all stakeholder groups including the government and policymakers, entrepreneurs and business leaders, and trade and development partners.

This paper has been prepared by a team which included *Dr Debapriya Bhattacharya*, Executive Director, *Professor Mustafizur Rahman*, Research Director and *Dr Ananya Raihan*, Research Fellow, CPD.

**Assistant Editor:** *Anisatul Fatema Yousuf*, Head (Dialogue & Communication), CPD

**Series Editor:** *Debapriya Bhattacharya*, Executive Director, CPD

## **Interpreting Cancun: Experience and Future Strategies for Bangladesh**

### **DOHA DEVELOPMENT ROUND AGENDA**

The Fifth Ministerial Meeting of the WTO held in Cancun, Mexico during September 10-14, 2003 will go down in the annals of multilateral trade negotiations as one of belied expectations and missed opportunities. Also, it will be remembered, at the same time, as a testing ground of the limits of the conflict resolution capacity of a global system that strives to reconcile the conflicting perspectives of a membership that has strong individual and group-based agendas. For Bangladesh the importance of putting Cancun experience, the process, outcome and future implications under critical and careful scrutiny is to draw the necessary insights and lessons from what has happened in Cancun, what were the major issues debated and discussed, and where do we go from here. The WTO is going to stay, and Bangladesh is going to stay in WTO. So it is critically important to understand how the state of play in the WTO is going to evolve in the post-Cancun era, and how Bangladesh should do her homework in this context.

#### ***The Cancun Backdrop***

The Cancun Ministerial took place in the backdrop of three important developments in the WTO: firstly, the Cancun Ministerial was the first Ministerial to be held to discuss the negotiations carried under the Doha Development Round Agenda (DDRA) and as such it was an opportunity to assess the progress achieved in the negotiations in Geneva; secondly, for the developing countries and the LDCs, Cancun was an opportunity to test the 'development' dimensions of the multilateral trading regime, and thirdly, Cancun was to provide directions to the way the DDRA was to be pursued till December 31, 2004 when the work agenda was to be completed for the member countries to endorse the outcome under the *Single Undertaking* of the WTO.

Parallel to these, the negotiations carried out in Geneva, on issues under DDRA created deep divisions amongst the WTO member countries. Cancun was expected to provide a platform to narrow down the differences and reach convergence of opinion through trade-offs which would facilitate the work of the negotiators in Geneva to arrive at negotiated agreements, which could then be accepted by all under a *Single Undertaking*.

## CANCUN MANDATE

As decided at the Doha Ministerial Meeting, the Cancun Meeting was mandated to provide mid-term direction to the work on the Doha Development Round Agenda, which the Geneva based missions of the WTO member countries were entrusted with to carry forward. Thus the primary objective of the Cancun Ministerial was to take stock of the

### BOX: CANCUN MANDATE

- take stock of the progress made in Geneva negotiations, provide the necessary political guidance, and arrive at negotiated decisions.
- take decisions by explicit consensus on modalities of negotiations on Singapore issues.
- receive reports:
  - (i) from Committee on Trade & Environment on issues in para. 32 with recommendations, where appropriate, for future action, including desirability of negotiations;
  - (ii) on technical assistance and capacity building in the field of trade and environment;
  - (iii) from General Council on:
    - progress on those elements of the Work Programme which do not involve negotiations;
    - further progress in the continued e-commerce work programme;
    - recommendations for action on small economies;
    - progress in trade, debt and finance examination;
    - progress in trade and technology transfer examination;
  - (iv) from DG on:
    - implementation and adequacy of technical cooperation and capacity-building commitments;
    - all issues affecting LDCs, following coordination with other IF agency heads;
    - "Implementation of the Commitment by Ministers to Facilitate and Accelerate the Accession of the LDCs" (status report);
  - (v) from TRIPS Council on:
    - recommendations following its examination of the scope and modalities for non-violation complaints under Article XXIII of GATT 94.
- Agriculture negotiations:
  - submission of draft schedules (no later than date of the Fifth Session).
- TRIPS negotiations on the establishment of a multilateral system of notification and registration of geographical indications for wines and spirits:
  - conclusion of negotiations (by Fifth Session).

ongoing negotiations, which basically had two distinct components: firstly, to provide directions for successful conclusion of the incomplete *Built-in and Continuing Agenda* of the Uruguay Round which essentially included negotiations in the areas of agriculture, services, trade related intellectual property rights, textile and clothing, and investment measures; and secondly, to provide guidance on launching negotiations in new areas as agreed under the DDRA. Cancun was expected to be an opportunity to test the bottom lines and flexibilities of the member countries and the trade-offs they were willing to negotiate with respect to the abovementioned mandates.

## **CANCUN PROCESS**

### ***Meetings in Geneva***

The preparation for the Cancun Ministerial did actually begin from the kick off date of Doha Round negotiations in January, 2002. As mandated in Doha, the negotiations under the DDR were carried out under 22 negotiating committees, 5 working groups and 4 working parties. The process of consultation was quite extensive. Only in the year 2002 a total of 5224 meetings took place on various agenda. Record number of documents (request: 160, offer: 30) was submitted by the negotiating countries under the GATS. The number of proposals on agriculture alone was 107, while for market access the number was 26.

### ***Missed Deadlines***

There is some controversy that the Doha Round Agenda was a little ambitious. Crucially important negotiations were envisaged in the areas of agriculture and services where there were significant differences as regards approach and substance amongst the major players and among groups of countries. There were particular deadlines to be met before Cancun, and negotiations on a whole range of issues were to be completed before the January 1, 2005 deadline. Although, the various negotiating committees and groups tried their best, differences in a number of key issues proved to be irreconcilable and as a result deadlines for negotiations on individual issues were missed.

The first missed deadline was July 31, 2002, when the Members failed to arrive at “clear recommendations for decision” as regards the Special and Differential Treatment (S&DT) for the developing countries and LDCs. The only progress was that the General Council agreed to set up a “Monitoring Mechanism” for S & DT. The new deadline was set for December 31, 2002. However, by year-end 2002, agreement could only be reached on four of the 85-plus proposals submitted since February, 2002. Since the discussion ended in a stalemate, a new third dead-line was set for February 10, 2003. This deadline was also missed. In April 2003, the new Chairman of the General Council decided to proceed on the premise that “all 88 proposals will be addressed, without prejudging the results”. The request for clarification of the Doha mandate on S&DT was brushed aside. The objective of the Doha mandate was to make meaningful progress in the negotiations on S&DT since this was perceived to be making the Doha “Development” round truly developmental. However, both procedural and agreement -

specific issues dominated the discussion in the run-up to the Cancun Ministerial. The discussion, however, brought to the fore the insurmountable gaps between what the DCs and LDCs expected from the negotiations and what the developed nations had undertaken by way of commitments and financial responsibility.

Another important mandate of Doha was negotiations on *Implementation related Issues*, for which the deadline was also set at December 31, 2002. However, the members were unable to reach any agreement on the issues. The interpretation of the Doha mandate was itself a major issue here. Owing to the crosscutting nature of the implementation issues, several deadlines were set for addressing those. July 31, 2002 was the deadline for the decision on growth of the textile quota, review of the provisions of the Subsidy and Countervailing Measures (SCM) Agreement related to countervailing duty investigations, and S&DT which was mentioned earlier. For resolving the debate on anti-dumping practices the deadline was set at mid-November 2002. By December 15, 2002, the Committee on SCM was to grant extensions for the calendar year 2003 for export subsidy programmes notified by developing countries. Committee on Customs Valuation, Committee on Market Access, TRIPs Council and other relevant WTO bodies were to report on progress as regards the issues and concerns raised by the developing countries. For most of the deadlines, either the work was postponed or the targeted dates were missed. Out of a total of 95 points raised in the area of implementation only 5 points have been addressed adequately. The December 31, 2002 deadline for TRIPs and Public Health was also missed and only on August 30, 2003 a decision was made in this regard, which is considered as the only early harvest of Doha Round Negotiations during the run up to Cancun. However, the important procedural issues still remained unresolved.

As was anticipated and feared, from the very beginning Agricultural Negotiations became the centre of attention in Doha Round Negotiations and WTO Members were unable to adopt agricultural modalities before the end of March 2003 deadline. As a consequence, subsequent negotiations, which were envisaged following this deadline, were stalled. Against this backdrop, on August 13, 2003, the EU and US came up with a joint proposal which sparked real negotiations, as a counterproposal was jointly tabled by 11 Cairns Group developing countries along with China, Ecuador, India, Mexico and Peru, along with a group of six LMG countries which included Dominican Republic, Honduras, Kenya, Nicaragua, Panama and Sri Lanka. These countries subsequently

became known as G-20 plus. Efforts to reach consensus on outstanding issues in agricultural negotiations did not succeed, and in Cancun the contending parties waited for consultations and guidance at political level.

Negotiations under the GATS were relatively less controversial as compared to the negotiations under the Doha Development Agenda. However, here also the negotiations proceeded at a slow pace and in the process both the deadlines in Geneva were missed. By end-June 2002, WTO Members were to submit initial bilateral market access requests to their trading partners. March 31, 2003 was the deadline for responding to the requests received with initial offers. 30 countries responded to the initial requests made by other countries. The negotiation schedule was largely undermined by initiating the offer-request process without substantive progress on other outstanding agendas of the Uruguay Round such as assessment of impact of trade liberalisation on the economies of developing countries, conclusion of negotiations on WTO rules in GATS and the like. On September 03, 2003 the special modalities for LDCs had been adopted, which was considered to be yet another of the early harvest before Cancun. However, it made no impact on the major stream of negotiations.

Having missed the May 31, 2003 deadline for reaching an understanding on modalities (parameters and approach) for non – agricultural market access negotiations, countries were focusing on an annex to the draft Ministerial Declaration issued in late August. Here also the WTO member countries failed to agree on the formula of and approach to tariff reductions.

### **RUN – UP TO CANCUN**

The Cancun process was facilitated by the Mini-Ministerials which provided an opportunity for the Ministers of the Member countries to sound out their positions, minimise the gaps, and take joint stand with like minded groups of countries as regards various proposals under discussion in Geneva. Four such mini-Ministerial Meetings were held during the run-up to Cancun Ministerial. Bangladesh, as a leader of the LDC group in the WTO, was appointed as the Vice-Chairman of the Cancun Ministerial in the Montreal Mini-Ministerial Meeting.

**Table 1. WTO Mini-Ministerial During the Run up to Cancun**

Place	Date	Participating Countries	Issues
Sydney, Australia	November 14-15, 2002	25	TRIPs and Public Health, S&DT, NAMA, Singapore Issues
Tokyo, Japan	February 14-16, 2003	23	NAMA, Agriculture, Services, Singapore Issues
Sharm-el-Shaikh, Egypt	June 21-22, 2003	29	NAMA, S&DT, TRIPs and Public Health, Implementation Issues, Singapore Issues
Montreal, Canada	July 28-30, 2003	27	Agriculture, Development and General Balance of Discussions leading to Cancun

The LDCs organised a Mini-Ministerial Meetings of their Trade Ministers in Dhaka during May 31-June 02, 2003. The Dhaka Declaration emerged from this Meeting adopted a prioritised list of proposals keeping in view the upcoming Cancun Ministerial Meeting. Prior to the Dhaka LDC Ministerial Meeting a Global Civil Society Forum was held in Dhaka during May 29-30, 2003 which was organised by the Centre for Policy Dialogue in association with six international and regional civil society organisations. The forum adopted its own declaration and a number of its recommendations found their place in the Dhaka LDC Ministerial Declaration.

The run up to Cancun entered into the final phase with the publishing of the draft Declaration of July 18, 2003 prepared by the Chairman of the General Council Mr. Perez Castillo. This was the first serious attempt to present a draft text that would facilitate discussion in Cancun and help the member countries to arrive at negotiated final Ministerial Declaration. The declaration came in the aftermath of the criticism in TNC Meeting [July 14-15, 2003] that delay in preparation of a draft will leave majority of the member countries from having a say in the draft declaration text to be prepared by the Chairman. The first draft was skeletal in nature and fractured in substance. Presence of so many brackets and dots reflected disagreements of the member countries on major issues. The draft text unbundled the Singapore Issues by way of incorporating separate articles in the declaration with options to negotiate or not to negotiate. Many countries and civil society organisations questioned the legitimacy of circulation of declaration at “Own Responsibility” of the Chairman. It is to be mentioned that the practice of circulation of text at Chairman’s own responsibility was first initiated in Geneva prior to the Doha Ministerial Meeting.

A special session of the Committee on Agriculture was held on July 26, 2003, since it was being perceived that agriculture may turn out to be a “deal maker” or a “deal



breaker” in the Cancun. The EU-US Joint Statement on August 13, 2003 was initially considered to be a major breakthrough in the negotiations on agriculture. However, when the G-20 emerged with their own counter proposal it became clear that it would not be easy to come to a consensus in the negotiations on agriculture. The outstanding issues in agricultural negotiations were left to be decided through consultations at the political level in Cancun.

A second draft was circulated by the Chairman on August 24, 2003 leaving almost no time for formal consultations as the last meeting of the General Council was scheduled to be held during August 25-26, 2003. The second draft offered a much improved text, with some flesh added to the skeleton of the first draft. The text provided a general framework on two major issues: agriculture and non-agricultural market access (NAMA); however, targets, timeframes and deadlines were left blank. The draft was a significant advancement in terms of consolidating the outline of a successful Ministerial, although, diversity of the views of all the major parties was not reflected in this draft. The draft text was accompanied by seven Annexes on Agriculture, NAMA, S&DT and the four Singapore Issues. The text placed all controversies in the Annexes under the “Framework Approach” proposed by the US. The Four Singapore Annexes revealed the intention of the developed countries to achieve some negotiated decision on at least one of them: Investment, Competition Policy, Government Procurement and Trade Facilitation. The draft text started with the article on TRIPs and Public Health, perhaps in an attempt to highlight and showcase the early harvest of the Doha Development Round. Many member countries criticised the text “on chair’s responsibility” since it was perceived to undermine legitimacy and ignored the demand of the member countries on transparency and democratisation of the WTO procedures. According to most of the developing and LDC representatives in Cancun, despite the presence of Annex C on S&DT, “Development” was largely missing from the text.

To sum up, Geneva went to Cancun with a number of unresolved issues in key areas, and it was left to the Ministers, prodded and guided by their Geneva Missions and also under pressure from their domestic lobbyists and pressure groups, to try to arrive at a declaration that was based on consensus. It was not going to be an easy task.

## **MINISTERIAL MEETING**

Along with the member country delegations, the inaugural session held on September 10, 2003 was attended by civil society representatives, and the media. Delegations from all

the 146 WTO member countries participated in the Cancun Ministerial Meeting. Around 1700 delegates attended the Ministerial with observer status. Plenary Sessions were held all through five days of the Ministerial, in nine sessions where Ministers presented their views and articulated their positions and priorities. One of the major events of the Cancun Ministerial was the accession of two LDCs, Nepal and Cambodia, into the WTO. The process of official negotiation included working group meetings, “green room consultations”, meetings of Head of Delegations, and informal country consultations. The civil society organisations organised various side events in different venues.

Following the inaugural session Mr Luis Ernesto Dervez, Minister for Foreign Affairs, Mexico who was the Chairman of the Ministerial Meeting, announced the appointment of five *Facilitators* known as the *Friends of the Chair*. Singapore was appointed as Facilitator for Agriculture negotiations, Hong Kong for Non-agricultural Market Access (NAMA), Kenya for Trade and Development which included three major issues, commodity, implementation, and S&DT, Canada for the crucial Singapore Issues and Guyana was appointed as the Facilitator for Miscellaneous Issues which quickly came to be dubbed as the Cemetery Group. Concerns were expressed as regards the selection process of some of the Facilitators who had entrenched interests in particular issues. Working Groups were to be ‘open-ended’ i.e. all Members would be free to participate in the discussions being conducted. These Working Groups were to operate with transparency and inclusiveness.

## **NEGOTIATIONS IN CANCUN**

Despite the fact that the Doha Round was dubbed the Doha Development Round to give emphasis to the ‘Development’ context of negotiations, the overarching approach of the Cancun Ministerial discussion was, to a large extent, based on the country agendas, approaches and priorities, rather than having the central focus on such issues as S&DT and implementations related issues. Thus the major emphasis was on negotiations on Agriculture, NAMA, and Singapore Issues.

The draft declaration put forth by the Chairman of the General Council on August 24, 2003 did not give exact numbers concerning cuts in domestic and export support. So, it was not clear how deep the agreed cuts would have been. Consequently, till the end it remained unclear to what extent the developed countries were willing to listen to the demands of developing countries and the LDCs regarding agricultural subsidies.

It was seen as a triumph by the developed countries that they were able to ensure inclusion of the Special Safeguard Mechanism (SSM) on Special Products (SPs) in the Chairman's draft.

From the LDC perspective, the positive development was that these countries were exempted from tariff reduction commitments. However, the language was not definitive enough on the issue of providing zero-tariff market access to agricultural products from LDCs since the text was square bracketed in "shall" and "should" and thus its mandatory nature (a definitive shall) was left to be decided through negotiation in Cancun.

The other problem in the Revision 2 was the inclusion of the extension of the so-called *Peace Clause*, which allows developed countries to carry on with their pre-Uruguay Round trade distorting measures in agricultural.

The developing countries and the LDC members of the WTO had strong opinions concerning the wide ranging agricultural subsidies allowed under the *Blue Box* and *Green Box* provisions. Developed countries agreed to cap some of these, albeit at high threshold levels.

In agriculture, the emergence of the G-21 was an important development of the Cancun Ministerial. As a matter of fact, a group of developing countries with similar views on a number of issues in Agreement on Agriculture (AoA) gradually began to emerge during the course of negotiations in Geneva. The Group was joined by others in Cancun. This group put in their concerted effort to provide language and number to the text [subsidy and tariff cuts formula] on agricultural market access. It was argued that the EU-US joint text lacked specificity since it left blank spaces where critical percentages and other hard figures were called for in terms of tariff reduction, reduction in domestic support and export credits. The G-21 proposal also excluded key elements of Harbinson's Draft such as "Special Product (SP)" and Special Safeguard Mechanism (SSM) targeted for developing countries. Developing countries did not accept EU-US joint text and proposed: (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's food sectors so that they can maintain food security and promote rural development. Extension of Peace Clause disappointed G-21.

### ***Non Agricultural Market Access (NAMA)***

In case of NAMA, there was a debate on whether to adopt a linear or a non-linear formula approach complemented by sectoral approach.

The Revision 2, 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 identify, examine and categorise the NTBs. A deadline of October 31, 2003 was proposed. Subsequently, negotiations were to start based on request-offer on horizontal or vertical approach. 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.

One important development as regards LDC interests was that, there was a call for providing 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 it was not binding in nature with any fixed date. It is of interest that for the first time, the LDCs targeted not only 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.

### ***Special and Differential Treatment***

Of the 88 demands for effective implementation of S&DT, 27 were included in the Revision 2 Annex C, while 6 of them were directly related to the LDCs. Here, amongst the issues of interest to the LDCs, the most important ones were related to follow-ups on provisions as regards rules of origin and free market access. However, these two issues were couched in relatively soft language. Moreover, because of ambiguities in the language there was scope for arbitrary implementation of these provisions by the developed countries and the issue of whether “all” LDCs would receive the preference remained somewhat unclear.

## **GATS**

A major development in Cancun was the introduction of the issue of movement of natural persons as service provider. Under services negotiations, the Ministerial took note of the interest of the developing and other countries in mode 4 under the GATS. 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”.

However, the text in LDC paragraph is relatively strong, where it is stated that “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 perceived as an achievement in terms of recognition of a longstanding demand of some of the LDCs such as Bangladesh.

However, in realising the draft text it would not have mattered much in terms of actual benefits unless the services classification included the less skilled category of services. Consideration of ISCO-88 list of occupations for inclusion into the GATS agreement was important in this context. Further more, without transparency in Economic Need Test (ENT) and equivalence of degrees and qualification requirements, market access for service providers would hardly mean anything.

## ***Singapore Issues***

Singapore Issues turned out to be the red herring in Cancun talks. In the third draft, one of the four issues *Competition*, was side stepped by way of proposing continuation of the study phase. Two other issues, *Transparency in Government Procurement* and *Trade Facilitation* were put up for immediate commencement of negotiation. Launching of negotiations on Investment was de facto tagged to concessions on agriculture and NAMA, while allowing some time to clarify the modalities of its negotiation.

In the final stage of Cancun talks, the European Union agreed to withdraw investment as an issue slated for negotiation. Government procurement was also under discussion for its withdrawal or for a more circumscribed formulation.

But the entrenched positions of some of the developed countries such as South Korea and Japan in support of initiating negotiations on all the four issues vis-à-vis, “none at all” position of the LDCs and the developing countries created a serious deadlock.

### ***Cotton Issue***

*Cotton Issue* was transformed into the “TRIPs and Public Health” issue of Cancun. The plight of the African cotton farmers, in the face of huge subsidies given particularly in the USA, was forcibly argued by the group of African countries and drew the imagination of the trade talk in Cancun.

Although cotton was of vital interest to only 4 or 5 countries of Africa, the ‘*Cotton Issue*’ came to epitomise all the bad that is wrought on the economies of poorer countries by the huge subsidies given to the agriculture sector of developed countries.

In theory Bangladesh could also initiate a similar campaign by portraying the possible negative impact of the MFA phase out particularly in terms of the livelihoods of the large number of female workers in its export-oriented RMG sector.

Regrettably, the final draft on the *Cotton Issue* exposed a deep cynicism when instead of undertaking a targeted initiative for subsidy reduction, the concerned countries were advised by some of the developed countries to go for export diversification and value addition. US stand was cynically insensitive to the demand and expectations of the West and Central African countries on this issue. The Implementation Issues also did not get due attention despite attempts by the LDCs and developing countries.

### **EMERGENCE OF G-21**

In Cancun the emergence of G-21 was compared with the resurrection of the Non-Aligned Movement (NAM). The developed countries were somewhat taken aback since they did not expect such a broad-based coalition of the developing countries (G21) and LDCs to emerge during the run up and in the course of the Ministerial Meeting. The G-21 played a leading role in Cancun talks, and the negotiators were better equipped and vocal. However, as anticipated interest of G-21 did not always match the interests of the LDCs. Major demands of G-21 were:

- Support elimination of domestic subsidies that benefit corporations over small farmers and leads to global dumping in agriculture
- Argue for exclusion of export credit from export subsidies
- Addition of Fourth Pillar: Special Products and the Special Safeguard Mechanism not specific to developing country

- Go for a concerted stance on Singapore Issues

However, G-21 was silent on Implementation Issues and S&D

### **THIRD DRAFT (Second Revision)**

The third draft was circulated in Cancun on September 13, 2003. The way it was structured in the backdrop of nerve-breaking negotiations on key issues, some countries argued that it was a deliberate step towards break down of negotiations. The text ignored the demand for EXPLICIT CONSENSUS<sup>1</sup> on Singapore Issues, and proposed for immediate negotiations on Government Procurement and Trade Facilitation. However, there was no change in the text on agriculture. On implementation related issues, the draft was a disappointment for the developing countries and the LDCs. The draft simply noted some “progress” in this regard and only instructed relevant bodies to “redouble” their efforts. Although proposal for adoption of 24 provisions was the initial harvest, these were without significant economic value. Fate of other 62 proposals, their timeline and substance of the post-Cancun work-programme, was not mentioned in the text.

### **IMPORTANT DEVELOPMENTS**

One of the important developments in Cancun was the accession of the two LDCs, Nepal and Cambodia. However, the accession schedules, which had been termed as *WTO Plus*, were seen to have discriminated against new members. Nepal tried to present a dignified posture, while Cambodia bluntly criticised the WTO in their acceptance speech.

The consensus achieved in Geneva as regards TRIPs and Public Health issue was concerning (i) removal of obstacles from import of life saving drugs in order to increase their availability at reasonable and affordable prices from generic manufacturers; and (ii) accordance of technical and financial cooperation upon request.

### **NEGOTIATIONS COLLAPSED**

The first three days of the Ministerial Meeting concentrated on negotiations on agriculture, NAMA and also on Singapore Issues. On September 14, the Chair called a meeting of nine countries to discuss Singapore Issues. In the morning an extended meeting was convened with participation of 30 countries to discuss only those issues where there were considerable differences among countries. The Foreign Minister of

---

<sup>1</sup> It was the Doha mandate that the negotiations on Singapore Issues can be started only on the basis of the explicit consensus of all WTO members.

Mexico Mr Derbez, initiated the discussion by inviting country positions on the Singapore Issues. Majority of the countries proposed to keep the Singapore Issues for discussion at the review stage. Mr Derbez insisted that negotiations be initiated on Trade Facilitation and Government Procurement and he proposed to drop the other two Singapore Issues. Most of the delegates wanted to consult their capitals but failed to get new mandate and the meeting was suspended. When the meeting was reconvened the Ministers presented on their respective country positions. Based on his judgement, Mr Derbez concluded that as there was no possibility to reach consensus on Singapore Issues, there was no scope for agreement on the whole package. The Cancun Meeting collapsed.

### **REASON FOR COLLAPSE**

It was interesting to note that for the first three days, the discussion moved around agriculture, which was an “offensive agenda” for the developing countries and the LDCs. But from the fourth day, the discussion moved on to the “defensive agenda” – the Singapore Issues – which ultimately turned out to be the decisive issue of the Ministerial Meeting.

Opinions have differed as regards the reason for collapse of the Cancun Ministerial. While some wondered that it failed on a particular issue, others attributed the failure to lack of adequate time to bridge the difference. One legitimate question was raised regarding the justification of such a provocative text on *Singapore Issues* in absence of any EXPLICIT CONSENSUS. At the same time, there was no new development in the third draft on agriculture and this was unacceptable to the G-21. There was no progress on modalities on NAMA negotiations either. “Cotton Issue” which raised a lot of sympathy in Cancun was cynically gunned down and this did not create a conducive environment. Only on “Environment” a new article was included, which was related to the decision to invite International Institutions according to Para 31 of the negotiations. There were some improvements in the LDC text but frustration prevailed among the LDCs because of the inclusion of *Singapore Issues* and inadequate treatment of S&DT and implementation related issues. (*The third draft made everyone unhappy! However, some (G-21 & LDCs) were more unhappy than the others.*)

As mentioned earlier, *Singapore Issues* turned out to be the red herring in Cancun talks. Apparently, contrary to popular perceptions, the discussions broke down not on the issue



of unwarranted agricultural subsidies in the developed countries, but owing to reluctance of the developing countries and the LDCs to include new issues in the negotiation basket. It was interesting to note that in the third draft the deadline for negotiations on *Singapore Issues* was tagged with timeline for negotiations on agriculture subsidy and NAMA. There is a widespread belief that the developed countries took resort to a strategy whereby they tried to divert attention from agriculture by introducing a provocative text on *Singapore Issues*.

### **GAIN OR LOSS**

Opinion as regards whether collapse of Cancun is a gain or loss is divided. Some believe that '*No deal*' is better than a '*Bad Deal*'; others believe that '*Something is better than nothing*'. Some are of the opinion that something good is likely to emerge from the collapse. Firstly, the collapse of Cancun talks will lead to a refocus of attention on the developmental aspects of the *Doha Development Round*. Secondly, the outcome of Cancun proved that 'concerted critical engagement' can act as a deterrent to 'pressure' by powerful members. The collapse of negotiations at Cancun led to a rediscovery of new strength of the developing countries.

On the negative side, whilst struggling for incremental gains, the gains made through hard negotiations in Geneva and Cancun were lost, at least for the time being. Given the emerging situation it remains uncertain whether the developed nations are going to renege on their own proposals and rollback their offers made in Cancun.

There is an apprehension that the failure of talks in Cancun will usher in an era of ascendancy of Bilateralism as opposed to Multilateralism. Bilateralism has its own pitfalls, especially for small trading partners dealing with powerful ones. The concept of consensus based decision-making of the WTO may come under attack and such apprehension appears to be not without justification when immediately after the breakdown of the talks, EU's Trade Commissioner Pascal Lamy termed the WTO decision-making process as "mediaeval", and argued for changing it.

### **CANCUN OUTCOME: WHAT IT MEANT FOR THE LDCS**

Within the tension of the mainstream negotiations of the Cancun Ministerial, the third draft text did include some of the expectations of the LDCs. In agriculture, the text proposed exemption from all reduction commitments including the requirement to

reduce *de minimis* domestic support. The text also talks of duty free and quota free market access though the language is ambiguous [shall/should]. The draft also provided text on indication for granting, on an autonomous basis, duty free and quota free market access, though without any time line. During the run up to the Cancun, the adoption of LDC modalities was a positive development. The draft also included text on priority to be given to Mode 4 under GATS but without clarification on market access barriers as regards movement of natural persons. The draft also included a text on flexibility of Rules of Origin and effective capacity building and technical assistance under Integrated Framework (IF), but in a language that is not binding in nature. However, on the whole the LDC paragraph and also other parts in the text that concerning developing countries of the third draft was more substantive compared to the earlier versions.

### **CANCUN AND BANGLADESH**

Bangladesh's participation in Cancun Ministerial reflected the incremental progress in terms of domestic capacity building. Bangladesh Mission in Geneva played a proactive role in various negotiating committees which discussed issues of interest to Bangladesh. A number of proposals were submitted on a number of issues. Bangladesh identified and prioritised their issues of interests in the light of Dhaka Declaration. A number of consultation meetings were held through WTO Advisory Committee at the Ministry of Commerce and 5 Working Groups under the Advisory Committee; thematic Task Forces prepared a number of background papers. Civil Society Organisations (CSOs) such as the Centre for Policy Dialogue (CPD) and Bangladesh Enterprise Institute (BEI) are members in the Advisory Committee and a number of Working Groups. Both of these organisations prepared a number of policy briefs as a contribution to the design of Bangladesh's negotiating stance. Participation of Bangladesh media in Cancun also increased the visibility of Bangladesh's effort in the Ministerial.

Bangladesh was invited to be one of the three vice-chairs of the Ministerial. As such she had to play three roles: a global role as a vice chair, a partisan role as an LDC leader, and her own national role. Bangladesh probably tried to uphold previously agreed two major national priorities -- market access of industrial products and temporary movement of service providers.

On many issues Bangladesh's position and priorities did not necessarily match with those of other LDCs. African LDCs who were more focused on agriculture subsidy, were

more reticent about *Singapore Issues* compared to Bangladesh. On the other hand Bangladesh was more concerned with market access for industrial goods, flexibility in the Rules of Origin and movement of natural persons. Thus Bangladesh was relatively more interested in the negotiations on NAMA and GATS although on Singapore Issues she remained ambivalent. As the vice-chair Bangladesh had the added responsibility of trying to steer the negotiations to a consensus based conclusion which also demanded more flexibility.

Bangladesh tried to pursue a negotiating stance in line with the Dhaka Declaration of the LDC Ministers. However, within the prevailing realities in Cancun, she was ready to show more flexibility on a number of key issues which did not necessarily follow the line taken by G-21 plus group states and group of the African LDCs.

Bangladesh's Interests were not always similar to those of Other LDCs

- Bangladesh's priority on Textile & Clothing issues vs. priority on Cotton Issues by African LDCs
- Duty-free and quota free market access: Bangladesh's Priority Interest
- TRIPs and Public Health: Import Interests of Africa and Export Interest of Bangladesh
- Temporary Movements of Natural Persons: Bangladesh's Interest vis-à-vis allegation of Brain Drain by some African LDCs

Bangladesh chaired three of the nine Plenary Sessions. This time as a vice chair of the meeting, Bangladesh got access to the green room consultations, although it should be pointed out that unlike earlier Ministerial Meetings there was a visible effort to make the process inclusive. However, a need for better coordination between Dhaka and Geneva was felt during the negotiations.

## **LIFE AFTER CUNCUN**

### **Broader Implications**

The emergence of G-21 plus as a strong bargaining lobby, the hard-hitting strategy of the EU and USA, the emergence of *Singapore Issues* as a deal breaker in Cancun are developments that will need to be taken cognisance in the coming days and months. More fundamental issues have been pushed upfront by what happened in Cancun: (a) The Future of the Multi-lateral Process, (b) WTO Governance, and (c) The Work Programme under the Doha Development Round Agenda.

Reactions of the major players give indications of a slow down the Multilateral System and increasing resort to Bilateralism in trade negotiations.

As both the developing and the developed country members in WTO are unhappy about the WTO decision - making process, the process itself may come under scrutiny in near future. Increasing use of discretion by the Chair raised legitimate questions as regards whether WTO is a *Chair-Driven* or a *Member-Driven* organisation. Cancun witnessed how Chairs can undermine the potential gains through protracted negotiation by acting on their "Own Responsibility". The decision about the selection of countries as Friends of the Chair and transparency and inclusiveness of green room consultations also left room for dissatisfaction on the part of the developing country members of the WTO.

As regards the WTO work programme, Cancun decided on a deadline for achieving a consensus on resuming the negotiation process. It remains to be seen whether Geneva will be able to make progress on the issues on which the political leaders failed to arrive at a consensus. Geneva process will be led by bureaucrats who will need flexible mandate from their respective capitals. Furthermore, the fate of the Cancun Draft is still unclear. It is important to sort out which one of the followings will be the point of reference for the Geneva process -

- Revision-1 (of August 24, 2003) Draft
- Revision-2 (of September 13, 2003) Draft
- Negotiate on each issue on the basis of the relevant propositions in the above two Drafts.

### **CANCUN OUTCOME: FUTURE SCENARIOS**

Following the collapse of the Cancun Ministerial talks there is widespread apprehension that the deadline for completing the negotiations under the DDRA (January 1, 2005) will not be met. In all probabilities the deadlines will need to be extended to accommodate the new realities. Some of the countries may as well seek reconsideration of the WTO decision-making process, going as far as a call for IMF-WB style weighted voting system. However, such a proposal is likely to face stiff resistance from most of the member countries.

### ***Lessons for Bangladesh from the Cancun Process***

- Although the discussion in the Cancun Ministerial was more open, transparent and inclusive compared to the earlier Ministerial Meetings, the developed countries and blocs such as USA and the EU continue to wield decisive power within the system.
- Cancun demonstrated that when developing countries come together with around well-thought out proposals, they could turn themselves into a powerful force which has to be reckoned with.
- In any future negotiations, the Singapore Issues are likely to become a major centre of discussion and countries will need to decide on the trade-offs they are ready to accept.
- Although there are a number of common issues of interest which unite the LDCs, there are substantial differences in the approaches and priorities amongst them.
- The second revision of the Chairman's Draft, prepared after severe criticism of the first draft, shows that if the LDCs can keep up the pressure, the system can not avoid responding to the LDC needs and concerns.
- There is a need to identify the preferential treatment clauses offered to the LDCs under the various S&DT provisions. Accordingly, the "will" and "shall" wordings, time bound deadlines and concreteness of the articulations will need to be carefully studied by the LDCs and it needs also to be ensured that their interests are appropriately reflected both in the texts and Annexes in a more concretised fashion.
- As can be increasingly observed, there is a growing tendency and effort amongst the developed countries to bring down their differences as regards major areas of conflicts of interest such as *Agriculture*. This may as well be a reactive strategy to counter the newly emerging alliances of the developing countries. This is likely to create renewed pressure on Bangladesh and other LDCs to fall in line with the proposals that emerge out of such alliances.
- In spite of the inconclusive end of the Cancun Ministerial, all the WTO member countries, barring exception, are keen to salvage the WTO talks. Bangladesh should take appropriate preparations keeping this in mind.
- The WTO member countries will need to arrive at agreements as regards modalities before December 15, 2003, as per the decision of the Cancun Ministerial Meeting. Substantive discussion will need to be conducted on the

various areas of the DDRA in order to finish the work agendas of the missed deadlines and the newly negotiated deadlines. In the near future Bangladesh will need to carry out appropriate preparatory work to firm up its country stance with regard to the various negotiating agendas on the table as mandated under the DDRA.

**CANCUN OUTCOME: WHAT BANGLADESH SHOULD DO**

- Make best use of the breathing space in order to adequately prepare for negotiations in Geneva in view of the December 15, 2003 deadline and beyond
- Give adequate emphasis on Bilateral engagements and negotiations
- Revisit LDC Strategies with a forward-looking approach
- Look for strategic alliance with G-21 on particular issues