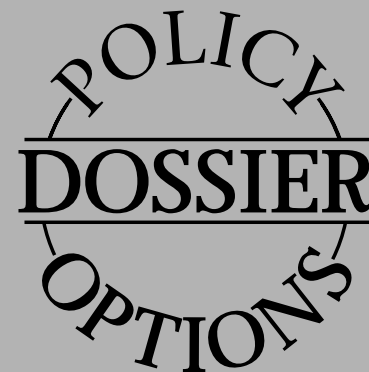


THE TALKS THAT DID HAPPEN IN CANCÚN: A VIEW FROM OUTSIDE THE NEGOTIATING ROOMS

Chantal Blouin



In its report on the outcome of the Cancún trade talks, *The Economist*, among others, was quick to blame NGOs for the radicalization of some African countries. “Such a portrayal fails to take into account the richness and diversity of the ideas put forward by NGOs and research groups focusing on trade and development,” says Chantal Blouin, a researcher with the North-South Institute. From the combination of the official and unofficial discussions on trade and development that took place in Cancún, she reports on interesting new trends, ideas and questions, some of which feed into rethinking how trade rules can support development. She notably points to proposals for alternative regulatory systems for developing countries and means to ensure the latter’s capacity to use these rules. Groups outside the negotiating rooms can contribute to informed policy debates on issues such as trade in agriculture and special rules for developing countries. And, she argues, Cancún was an excellent showcase for groups from around the world that are doing just that.

Dans son compte rendu de la conférence de Cancún, *The Economist* s’est empressé, entre autres médias, de blâmer les ONG pour la radicalisation de certains pays d’Afrique. Une accusation qui omet de prendre en compte la richesse et la diversité des idées avancées par ces ONG et plusieurs groupes de recherche sur le commerce et le développement, soutient Chantal Blouin, chercheuse à l’Institut Nord-Sud. Des discussions officielles et informelles menées à Cancún, l’auteure dégage de nouvelles tendances, idées et questions intéressantes, dont certaines permettraient de repenser les règles commerciales pour mieux soutenir le développement. Notamment des propositions de systèmes réglementaires alternatifs pour les pays en développement, et différents moyens donnant à ces pays la capacité d’appliquer les règles en question. Il n’est pas nécessaire de participer aux négociations officielles pour contribuer aux débats sur des questions comme le commerce agricole ou l’élaboration de règles adaptées aux pays en développement. Et justement, affirme la chercheuse, Cancún a constitué une excellente tribune pour ces groupes venus du monde entier.

The first days of the WTO Ministerial Meeting in Cancún, Mexico, in September 2003, revealed the small margin of manoeuvre of the government representatives present. The United States and Europe claimed that they could not offer much more on agriculture, given domestic constraints. African leaders had to respond to their cotton producers, and coming home empty-handed was not an option for some of them. With so little room for compromise in agriculture and with the controversial nature of the debate on the inclusion of foreign investment and other

new issues in the WTO, it was difficult to see how progress could be made. Therefore, the failure to reach an agreement on how to further the trade negotiations was not very surprising. Nevertheless, at the end many negotiators felt that progress was being made on agriculture and that the negotiations in Geneva might continue on that basis.

While trade ministers and officials were negotiating themselves into a dead end in the Cancún Convention Centre, a multitude of parallel discussions were taking place in the hotels along the boulevard that runs alongside the

beaches in Cancún. The participants in these events came from a range of organizations: from academics to representatives of nongovernmental organizations involved in fair trade, they engaged in debates on how to find innovative solutions to the problems plaguing the multilateral trading regime. In the flood of post-Cancún analyses, some were quick to fault the NGOs for the perceived intransigence of some African countries. But such views ignore the positive contributions that can emerge out of the dialogues taking place outside the negotiating rooms. From the combination of the official and unofficial discussions on trade and development that took place in Cancún emerges a set of interesting new trends, ideas and questions, some of which feed into rethinking how trade rules can support development. The discussions on forging alternative regulatory systems for developing countries and the latter's capacity to use these rules will be reviewed below. Other ideas go beyond the realm of trade policy toward other forums of global co-operation. This article summarizes some aspects of the debate on agriculture and trade, as governments and citizens struggle to find ways to achieve sustainable livelihoods for farmers around the globe.

Agriculture was at the centre of the negotiations in Cancún. The announcement of a coalition of developing countries under the aegis of Brazil was received with much expectation as well as with excitement in some quarters. A former Brazilian ambassador to the GATT strongly contrasted the developing countries' current situation of relative strength, where the G-20+, as the coalition is termed, was able to form and stay united, with the Uruguay Round (1986-1994), where Brazil was not able to join forces with other developing countries. The South African trade

minister went further, saying that "this was the first time that, by combining our expertise, we sat as equals on these negotiations." The members of the G-20+ are very aware that in order for this moment to be a turning point, they need to maintain their unity, a point that was driven home when the Central American countries quit the negotiations.

The determination of developing countries to reduce agricultural subsidies in the northern countries is perhaps best represented by the case of cotton. The African proposal on cotton

One of the causes of the low prices in agricultural markets is the enormous productivity gains in agriculture over the last decades. The question is, who is capturing these gains in productivity? In coffee, it appears that these gains have not benefited the producers. In the late 1980s, they received almost half of the revenues from the \$30 billion global coffee market. Today, only 8 percent of the \$70 billion goes to the producers.

— to eliminate all subsidies to cotton by 2006 — was bold. But this also represented a real crisis for some countries. As the Mali trade minister explained to all that listened, Mali's economy is highly dependent on cotton exports, and this cannot be changed in the short or medium terms. Moreover, the subsidies provided to cotton producers in the United States are driving world cotton prices down to the point where the livelihoods of African farmers are being threatened and whole economies destabilized. The elimination of subsidies in this sector will not solve all the worries of African cotton producers: the long-term decline of the prices of primary commodities remains a key structural problem. Nevertheless, there was a sense in Cancún that such a bold gesture from the United States would

have done much to restore confidence in the trading regime, to clearly position the WTO as a forum where negotiations can achieve equitable rules, in addition to making a real difference to the lives of African cotton farmers.

Making a difference to the lives of farmers was also at the centre of the discussions at another forum, one that brought together groups and producers involved in fair trade. Over the years, fair and sustainable trade schemes have developed and institutionalized all over the world. There are now more than five million producers (of such commodities as coffee and cocoa, banana and other fruits) engaged in such attempts to take concrete action against the problems of weak and volatile world prices in the agricultural sector. Fair trade has made progress toward creating a single international certification organization and establishing certification standards. In addition to ensuring fair prices for farmers for their products, fair traders have to include a social premium that supports community development and to offer long-term contracts and advance payments to the partners in order to provide more stable incomes to the producers.

One of the key questions for this movement now is how to expand their activities. In some markets in Europe, fair trade is already well established; for instance, in Switzerland, organic/fair trade bananas have more than 25 percent of the market. But still, fair trade generally remains on a small scale and focused on specific commodities; for example, fair trade coffee sales represent only 0.5 percent of total coffee sales in North America and between 1 and 3 percent in European markets.

However, the role of fair trade can also be used to highlight important policy issues regarding the operation of conventional agricultural markets in developing countries. Producers often stress the problem of market



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Harvesting coffee in Costa Rica. Productivity gains have not benefited coffee producers, who get only 8 percent of the \$70-billion coffee market. More competition and a lower level of concentration in processing and retail would help them get a greater share of the pie.

concentration in processing and retail as one of the main distortions in their markets. As some participants to the fair trade symposium highlighted, one of the causes of the low prices in agricultural markets is the enormous productivity gains in agriculture over the last decades. The question is, who is capturing these gains in productivity? In coffee, it appears that these gains have not benefited the producers who are faced with world prices below the costs of production, but have been captured by traders and processors. Data presented by UNCTAD at Cancún point to the fact that in the late 1980s, producers received almost half of the revenues from the \$30 billion global coffee market. Today, only 8 percent of the \$70 billion goes to the producers. A greater role for competition policy at the national and international levels would be one positive step in dealing with the problem of concentration at various levels of the value chain in the

agri-food sector. We note here that the case for international action on competition issues to occur at the WTO, and not in another forum, has not been clearly made.

For many of the participants, the idea of developing fair trade as a large-scale alternative to conventional trade seems feasible, with a combination of good marketing to create demand in northern and southern markets and policy measures to promote such practices. Domestic policies that promote fair trade might include trade missions that focus on fair trade and procurement practices that favour fair trade producers. For now, the relevant trade policy question appears to be mostly about ensuring that trade rules do not become impediments to fair trade practices, labelling and promotion by national governments. In the long term, the question is how can the WTO contribute to making fair trade activities irrelevant, i.e., by contribut-

ing to creating sustainable agricultural markets that allow farmers around the world to receive fair prices for their products? As one speaker from a fair trade certification organization said, "Once all food on the shelves of our stores will be fairly traded, there will be no more need for our labels."

In the background of many trade talks in Cancún was the ongoing debate about the special and differential (S&D) treatment of developing countries in the WTO. In the previous round of negotiations, the Uruguay Round, S&D treatment was redefined and developing countries, with the exception of the least developed ones, are now expected to take on the same obligations as the industrial countries. S&D treatment now means granting additional time for implementing new agreements such as the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) in developing

countries and providing technical assistance to those countries to do so.

Many in developing countries are challenging this new vision of S&D treatment as inadequate. For instance, a former Mexican ambassador to the WTO stressed in Cancún that the transition periods granted to developing countries (3, 5 and 10 years) are completely arbitrary as they were fixed without any reference to actual development taking place. Some analysts are proposing a revision of the system. In order to take into account the complexity of the developing world, some are proposing that the special and differential treatment system be modulated and graduated, so that it goes far beyond a simplistic system based only on per capita income. There is agreement that Brazil, India and China are in a very different position from that of the smaller developing countries, but changing the S&D treatment rules should not downplay the levels of poverty found in these large countries. Moreover, some countries are very hesitant to move toward a more layered system as this is seen as dividing and weakening the developing countries' negotiating position.

Some outside the negotiating rooms proposed that the new thresholds be not only income based but also sector or issue specific. Even regional indicators, perhaps based on human development indicators, could be used. For instance, in regions of Brazil with low levels of human development, the national and local governments could adopt economic measures, such as subsidies that are not WTO-compliant, to promote economic development. The development of finely tuned indicators will not be easy, but there are precedents. The WTO Antidumping Agreement already includes specific thresholds: it specifies that a dumping investigation has to be terminated as soon as the volume of dumped imports accounts for less than 3 percent of the imports of the prod-

uct. Nevertheless, it could be some years before these ideas reach the negotiating table.

Assuming such sophisticated new rules can be adopted, one central question will remain. What is the

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capacity of developing countries to avail themselves of these exemptions? Indeed, this was at the core of a discussion among researchers working on TRIPs. In the debate about intellectual property rights and access to medicine, several analysts believe that "the rules are not the problem. The problem is the capacity to use it." The case of the dispute in South Africa is often pointed to as a clear example of such an obstacle. Despite the fact that the TRIPS Agreement does allow member governments to issue compulsory licenses to produce cheaper generic medicines, in the late 1990s when the South African government introduced legislation that would have done just that, the US government put pressure on the South African government to rescind it and 39 multinational pharmaceutical firms sued the government. The lesson was that developing countries may have the right to override patents, but political and legal pressure can dramatically decrease their capacity to use that right. This kind of pressure is still being exerted in a number of bilateral contexts, and the strategies to counter them are not easy to deploy. Resorting to the influence of civil society is pointed to as a key strategy; in the South African case, only an international campaign by several large NGOs was able to counter the influence of the northern actors. Other possible strategies that pressure groups

in the northern countries can take are to develop collective action and support for developing countries, to create strong disincentives or sanctions for actors who act in bad faith, or to make better use of public opinion by exposing undue political pressure. However,

this problem is linked to structural asymmetries in the balance of power, and there are no simple solutions.

In its report on the outcome of the Cancún trade talks, *The Economist* asserted that NGOs deserve much of the blame for the radicalization of some African countries that blocked the negotiations: "Too many of them deluged poor countries with muddle-headed positions and incited them to refuse all compromise with the rich world." Such a portrayal fails to take account of the richness and diversity of the ideas put forward by NGOs and research groups focusing on trade and development. Trade discussions highlight some difficult development issues: how can a country lessen its dependence on agriculture without threatening its social stability? How environmentally sustainable and socially desirable is large-scale, industrial agricultural production in the south? Groups outside the negotiating rooms can contribute to informed policy debates on issues such as trade in agriculture and special rules for developing countries. Cancún was an excellent showcase for groups from around the world that are doing just that.

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