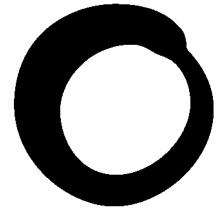


June 2003



**Friends of
the Earth**

Briefing

WTO: Check up in Cancun

Preparing for the World Trade Organisation Ministerial Conference (Cancun: 10th to 14th September)

The next ministerial meeting of the World Trade Organisation takes place in Cancun, Mexico between the 10th and 14th September this year. It follows the decision to begin another round of trade negotiations made at the 2001 WTO summit in Doha.

It is already clear that the negotiations across the board are in crisis, with major differences emerging between the United States and European Union, as well as between developed and developing countries. This Briefing sets out why Cancun represents a crucial health check for the seriously ailing WTO and its free trade experiment.

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Friends of the Earth International, with 68 countries in membership, will be present throughout the Cancun talks, and will have experts on hand in London and around the country to discuss their implications for trade, the environment and sustainable development.

WTO: What's the Point?

International trade is now worth at least \$11 billion every day. But the rules of the game are loaded against weaker players, including poor countries and small producers of goods and services across the world. Some 70% of world trade is conducted by multinational corporations, and the gap between rich and poor is growing.

The World Trade Organisation was set up in 1995 as part of the Uruguay Round of trade negotiations. It exists to liberalise international trade: that is, to remove what it sees as “barriers” to trade like import and export duties, and to establish and enforce rules for governing international trade. It is a controversial organisation with increasingly troublesome problems.

The last (4th) Ministerial Conference took place in 2001 in Doha, Qatar, where a new set of negotiations were begun. Called the “Doha Development Round” by those trying to make the process more palatable, the degree of agreement on the issues tabled there is heavily obscured by procedural irregularities and the post-September 11 atmosphere that affected the meeting. The 3rd Ministerial, held in Seattle in 1999, was a seminal moment in the rise of public concern about “corporate globalisation”. It collapsed after determined resistance by developing countries to bullying by others and in the face of considerable public protest met with heavy policing.

By any account, this Cancun Ministerial will be a measure of the health of the WTO as a whole. On its success or failure rides the future of the free traders’ dream.

Issues and players

In Cancun trade ministers from the 146 member countries will discuss the so-called “Doha Development Agenda”, including:

New (or Singapore) Issues – faltering: investment, competition policy, transparency in government procurement and trade facilitation (custom procedures) were added to the list of negotiations under heavy pressure from the EU and others. This forced a Chair’s ruling, which stated that, *“negotiations will take place after the 5th session of the Ministerial conference (Cancun) on the basis of a decision to be taken by explicit consensus at that session on modalities of negotiations”*. This declaration was highly controversial and has been subject to varying interpretations ever since. Pro-investment countries led by the EU (and vocally the UK) have been deliberately interpreting the statement to mean the issue on the table in Cancun is *how* to proceed, whereas many others believe the issue on the table is *whether* to proceed.

Formal statements against the agreement include the November 2002 statement issued by India, China, Pakistan, Cuba, Zimbabwe and Kenya, which states that for any such negotiations to take place, they must include the critical issue of obligations of home countries and TNCs themselves in their host countries. The statement also pointedly omits to accept that such an agreement is acceptable through the WTO, although it leaves the door open to acceptable talks elsewhere. A number of subsequent statements from other Members have brought out a number of equally strong problems. Added to these have been calls to drop the investment, or the New Issues altogether, by:

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- the International Confederation of Free Trade Unions (ICFTU), which said in April 2003 that the proposal “fall short” on such issues as environmental and labour safeguards and the right of governments to regulate business to protect their economies and promote development;
- the June 2003 statement by the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF), which says that the proposed agreement would be, *“devastating to developing countries, but it would be historically false and politically dangerous to view it as a North/South issue...[the agreement] is a political weapon aimed at our rights as workers and citizens. It is a shared threat, and it is our common responsibility to unite to oppose it until it is buried once and for all;”*
- the services industry in the US, which remain unconvinced of the need for a WTO investment agreement because they prefer the strength of the over 2,100 bilateral agreements the US already has; and
- the UK International Development Select Committee, which in July 2003 called on the UK government to *“unequivocally drop its support for opening negotiations on the Singapore Issues.”*

Despite all of this and the Trade Justice Movement record lobby of MPs this year, the UK government has yet to come out and clearly state that it no longer supports the negotiations.

It is for these and other reasons that Friends of the Earth believes that there is no legitimate mandate to proceed with negotiations on investment or any of the New Issues in the WTO. We advocate strong, legally binding corporate accountability legislation outside the WTO to counter ineffective, voluntary “corporate social responsibility” green wash by big business.

Agriculture – stalled: draft text prepared by Agricultural Negotiations Chairman Stuart Harbinson (himself a controversial appointment) has been criticised by almost all parties. The US, with the Cairns Group of developed and developing country agro-exporters (New Zealand, Australia, Canada and 15 other developed and developing countries), think that the proposed reductions in subsidies paid under the Common Agricultural Policy do not go far enough. The EU and Japan say they are too radical. The EU points to the US' own massive subsidies program while the US makes a considerable issue of the perceived need to increase “market access” for goods from developing countries. Developing countries are concerned that the draft requires very substantial tariff cuts from them, and critics point to the unacceptable power and sway held over governments by huge international agri-business. The prospects for agreement currently look poor. The real question is whether or not developing countries will be forced to make concessions in other areas, like New Issues, in order to get the deal in Agriculture they desperately need.

Tensions have been considerably heightened by the US move in June to file a formal complaint at the WTO over EU policy on genetically modified food and crops (**GM or GMOs**). Widely perceived as a means for the US to turn and secure the highly sceptical market for the future of its GM-saturated agriculture, the EU, backed by civil society and many developing countries, stand firm on the right of people to choose what they wish, and do not wish, to eat. While not formally on the Cancun agenda, the issue is high on the list of many WTO critics, including Friends of the Earth, and the issue will be difficult to bury or sideline.

Patents – stalled: negotiations on Trade Related Intellectual Property Rights, or **TRIPs**, particularly in medicines, have become a key political issue for developing countries struggling with mounting deaths from treatable illnesses, like malaria and tuberculosis, as well as HIV/AIDS. The US, heavily influenced by its massive pharmaceutical industries, is at odds with developing countries over access to medicines.

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Services (GATS) – faltering: after chronically low response rates to the alleged “bottom-up” negotiation process, the negotiations on services are in danger of losing their way through lack of interest. Another possibility is that the WTO has had to create such a complicated process in order to make the issue palatable that it is too burdensome for Members to be able to work with. Either way the negotiations, widely attacked by civil society, are headed for the rocks.

Other issues – stalled: particularly **Special and Differential Treatment** for developing countries, designed to assist smaller economies adjust to an enforced one-size-fits-all liberalisation experiment. Sweeping promises made during previous rounds of negotiations have never been honoured, and the patience of many developing countries seriously struggling with both the pace and scope of WTO movements is becoming increasingly thin.

Other important areas include the troubled negotiations on the highly controversial **Dispute Settlement Mechanism** and the relationship between **Multilateral Environmental Agreements (MEAs)**, like the Kyoto Protocol, and the WTO. These questions are not expected to be resolved at Cancun.

All issues under discussion are taken as a “single undertaking” – that is, a single take-it-or-leave-it package. Allegedly to facilitate agreement, the single undertaking actually forces a huge amount of horse trading between countries, and even between issues, sometimes most inappropriately. For instance, on 21 July the EU General Affairs Council said, “...the launch of negotiations on all four of the Singapore issues at Cancun was necessary in order to preserve the principle of the single undertaking. In this regard the Council confirmed the objective of negotiating new WTO rules and disciplines in all four areas, and rejected suggestions that any one of the four Singapore issues might be removed from the scope of the single undertaking.” The pro New Issues lobby consider them to be firmly within the single undertaking, while opponents deny this. In many ways it is clear that some WTO members are pushing process over content, consensus and justice.

Power politics

Although the WTO is nominally a “democratic” organisation, in practice small and developing countries find it difficult or impossible to negotiate on equal terms with the heavy hitters. The procedures of the WTO are open to abuse and manipulation, including numerous invitation only “**mini-Ministerials**” and **green room meetings** where deals are cut, often without all the relevant players being present, or even informed.

The US frequently organises such meetings “*to orient people’s thinking and mindsets,*” and Cancun promises more of the same because of the dire state of much of the actual negotiation schedule. According to the *International Trade Daily* of 7 April 2003, the US admitted the bulldozer approach when it said of a meeting, “The important thing was to get people thinking that the way to catch up, instead of moving back, is to move forward on all fronts...and we just wanted to help build that kind of consensus, because the way this place operates, you have to have a critical mass of people thinking in a particular direction, or they won’t get there.” Power politics are not new, but the tone of these is increasingly bold. Friends of the Earth argues that this is because of the vast financial gains at stake for the trans-national companies (TNCs) whose homes are in the developed world.

While US and EU wield considerable power, developing countries are beginning to fight back. For example an interesting partnership between India and China, a potentially powerful bloc, is growing in the face of Western domination of the WTO process thus far. Civil society from around the world and supporting developing countries await the horse trading and pressure to come. Feared in particular are potential forced trade offs between Agriculture and Special and

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Differential treatment on the developing country hand (where past promises are being recycled instead of honoured) and the New Issues and GATS on the developed country hand (who stand to make considerable amounts of money from opening these new areas to WTO rule).

Of considerable concern is the new trend toward Chairs of negotiations issuing draft texts under their "own responsibility". Such actions, while supposed to move negotiations on, fly in the face of the alleged democratic and consensus built WTO process. For example, Stuart Harbinson, then Chair of the WTO's General Council, submitted a draft Ministerial Declaration to the Doha Ministerial "on his own responsibility". The draft was opposed by the majority of the WTO membership and did not include differing viewpoints on contentious issues, as is usual practice. It also sidelined developing countries' objections to the text, but by being set as the text from which everyone worked from, it became the basis for the "agreement", albeit weak, finally reached at Doha.

This method has already been applied to the draft final statement for the Cancun Ministerial. To give themselves plenty of time to wrangle, on 18 July the Chair of the General Council issued on his "own responsibility" a draft of the final agreement. It is already raising hackles.

The draft fails to include many details on contentious issues on the WTO's agenda, including TRIPs, Agriculture and the New Issues. Developing country negotiators know that there are drafts in circulation, but have yet to get access to them, and since preparatory meetings are being called "informal", and since all informal WTO meetings are unrecorded, it is difficult if not impossible for those left out of the loop to take an active role in decision making and ensuring that issues of concern to them are included. One recent comment from a developing country negotiator shows the view quite clearly: *"Members can say whatever they want (in WTO meetings), but ultimately, what is decided is what the Chair says the meeting has decided."*

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Also available are the Friends of the Earth Media Team - 020 7 566 1649 and Tony Juniper, Executive Director, via the media team.