

In Search of a Benevolent World Leader for Free and Fair Trade

by Gillian Virata

Prelude to Cancún

In August 2003, I was about to set off for the hegemonic center, Washington, D.C., to become an advocate for fairer trade, when a wise old man, my father, who had once led developing countries in many a (losing) negotiation with developed countries, told me that all the fuss could soon be over. The whole agricultural trade issue was going to be resolved in Cancún in two weeks' time. My father is not a naïve person but even he thought then, despite many experiences to the contrary, that an agreement was an agreement.

My father was referring to the World Trade Organization's fifth ministerial conference held from September 10 to 14 in Cancún, Mexico. The conference would have marked a major milestone in the Doha Development Agenda, which was agreed on by WTO members in the previous ministerial conference held in Doha, Qatar, in November 2001. One of the key issues up for negotiation in that agenda, and of great interest to developing countries, involved the liberalization of trade in agricultural goods.

The stakes were high. The numbers showed that the \$300-billion subsidies that developed countries paid to their richest farmers were keeping millions of subsistence farmers in the world's poorest countries in poverty. Hopes also ran high. After all, the World Bank had shown that with a new agreement liberalizing agriculture, global incomes would increase by \$520 billion in 10 years' time and 144 million people would rise out of poverty. It seemed obvious that the subsidies were morally indefensible and the world's leaders were expected to act like, well, leaders. They had been, after all, the most zealous of free traders and the most righteous development proponents.

On August 13, there came an ominous sign from the top two powers, the United States and the European Union. They met and as a result of this meeting claimed to have come to an agreement on the liberalization of agriculture. Critics, however, were quick to point out that their joint declaration did not say by how much or how soon they would reduce the subsidies.

Paul Johnson, in his column "Mysteries of Trade Diplomacy" on *Forbes.com*, made the same criticism while noting that the two countries were very definite about their unwillingness to reform their farm subsidy programs. It was, he says, "one of the biggest mysteries of trade diplomacy" that the U.S. had "suddenly decided...to join the E.U.'s exclusive club of rich countries for perpetual agricultural protectionism."

The Group of 21

In Cancún itself, an attempt was made to divert the negotiations with other issues (under the heading of "Singapore issues") that gave the Korean delegation a chance, as described in Greg Rushford's October 2003 *Rushford Report*, to "stick the knife in the negotiations, deep." The Koreans, like the Japanese, the Americans, the Canadians, and the Europeans (a.k.a. "the Big Four"), are among those that support their farmers with subsidies and were probably happy that no progress was made on agricultural trade issues.

I realize that not all developing countries would benefit from freer trade in agriculture. Philippine officials have told me that the Philippines' uncompetitive sugar industry, for example, would collapse without the quota it receives from the United States. The government also controls

imports of rice and corn into the country to protect its rice and corn farmers, who, like most farmers in developing or least-developed countries, work with sorely inadequate infrastructure support (no irrigation or roads) and remain the largest and poorest segment of the work force.

And yet the Philippines joined the group of 21 developing countries that refused, in Cancún, to discuss anything else until the proposal to reduce rich-country farm subsidies was debated. Our officials felt that individually the developing countries had little hope of standing up to the likes of the Big Four, but together they managed to make themselves heard and noticed—for the first time.

By insisting on discussing the Singapore issues, the Korean delegation prompted what was reported in the press as a walkout of delegates from Africa, the Caribbean, and Asia. According to a Filipino official who was present at the meeting, this act was not premeditated and did not involve the entire group. But the insightful official saw these events—the formation of the Group of 21 and the hardened stances of developing countries during attempts at negotiation—as a reaction to the manner in which developing countries have been pressured of late to further open up their markets to imports without receiving meaningful concessions in return.

Little Guys Stick Together, For Once

An economist from an international cotton organization, whom I interviewed on February 13, said that the actions by the developing countries leading to Cancún, at Cancún, and post-Cancún had been suggested to them at an international cotton conference in the summer of 2002. The advice had been to “be prepared, stick together, and seek aid while negotiations conclude.”

For him, Cancún was a sign that the developing countries had finally wised up to the tactics of the developed countries following the experiences in Seattle and at the Doha meeting of the WTO, where developed countries managed to avoid any discussion on the protection they offer to their agricultural sectors by means of a “peace clause” that prevented anyone from complaining about these subsidies until this year. He described this behavior as the developing countries being cornered into signing an agreement without developed countries caring for the consequences. Such behavior, he added, was reminiscent of the way the U.N. Security Council was treated over the Iraq issue. Finally, he predicted that the WTO panel’s decision on Brazil’s complaint regarding the subsidies would determine the viability of the WTO as a venue for effective multilateral negotiations.

Many developing countries have been convinced by the U.S. that free trade is a good thing. One official from a developing country commented, however, that the manner in which the present U.S. administration has pressured countries to open up has caused more tension in these countries than in the past. “The past U.S. administration,” he said, “was more understanding of the difficulty in our countries of opening up too fast or too much.” The pressure in the years before Cancún was much more intense and forceful and may have caused, in his opinion, the “eruption” at Cancún.

While some developing-country delegates were wrong to have celebrated the failure at Cancún, a few analysts have pointed out that probably the best thing or the only good thing that came out of the meeting was the Group of 21. For many of these representatives, the “achievement” was a political prize that they could carry back home with pride. Brazilian external affairs minister Celso Amorim went so far as to say, in an interview for the *Financial Express* in October 2003, that “the new G20+ Group has revolutionized the WTO game.” Lori Wallach, director of Public Citizen’s Global Trade Watch, asked in her article in *Foreign Policy*’s January/February 2004 issue: “Shouldn’t those living with the results determine the policies versus having them imposed

by the WTO?" The article was tellingly titled "The real message of the collapse of trade talks in Cancún: Business as usual is over for the WTO."

Response from the Big Guys

On the other side (the side of the Big Four), there seemed to be at first a search for blame and, perhaps rightly, a reminder that much was lost at Cancún. They claimed to have been ready to negotiate on agriculture. The U.S. pressed for the conclusion of bilateral trade agreements and, it is reported, put pressure on some of the Group of 21 to leave the group, and some did.

In January, news broke in several dailies that U.S. chief trade negotiator Robert Zoellick had written to the other WTO members. In his letter he said that a breakthrough in farm trade was needed for negotiations to progress. I began to hope again that the U.S. would yet turn out to be the benevolent hegemonic leader we all hoped it would be.

Zoellick's action prompted a response from E.U. trade commissioner Pascal Lamy welcoming the American initiative and adding, in a speech before the European Parliament, that Europe was "willing to end its export subsidies on a list of agricultural products that would be negotiated with developing countries...." Things were starting to look up from where I sat.

I was feeling further reassured that the U.S. would indeed eventually lead the world into a period of freer trade, including agriculture, from the reports of trade counsels of both parties of the U.S. Congress at the annual congressional update of the World International Trade Association and the Women in International Trade. The counsels reported that the Chairman of the House Committee on Ways and Means, Bill Thomas, had sent a letter to President Bush, later released to the press, urging him, in negotiations for the U.S.-Australia Free Trade Agreement, to "resist any pressure to exclude any sector or product from liberalization."

He added that there was "no reason to change" the policy reflected in the Bipartisan Trade Promotion Authority Act of "competitive liberalization." Any exclusions, he pointed out, would "jeopardize our ability to conclude and implement agreements which benefit U.S. employers, workers, farmers, and consumers." To exclude one industry, he said, would put the government "under enormous pressure to exclude others." He went on to remind the President that such exclusions would then prompt negotiating partners to do the same and, if unabated, this would lead to an unraveling of negotiations.

And then the news: Australia caved in. Sugar, a crop that also affects developing country exporters, was excluded from the FTA. Again, the interests of a few but big, moneyed, and powerful agribusiness corporations (including those in the E.U.) and the politicians whom they supported were served. The interests of the rest of the world (including other Americans) were, if not dashed, then ignored.

The Debates Go On

Meanwhile, as of this writing, negotiations for the Free Trade Area of the Americas have also snagged on the agriculture issue. The U.S. was reported, by Reuters, to be planning to negotiate "a high-level trade agreement" with just 14 of the 33 other nations of the Americas to try to pressure Brazil and the other Mercosur trade bloc members to be more flexible on agriculture.

At a luncheon sponsored by the DC Bar and WITA on February 12, Ambassador Ross Wilson, who was leading the U.S.'s FTAA negotiations, described Mercosur as wanting an "FTAA-lite" and that the U.S. position was that of seeking "balance" in the agreement. The Brazilian ambassador to the U.S., Rubens Barbosa, took exception to this statement and explained that the

Mercosur countries wanted a *comprehensive* FTAA and wanted *all* goods and services on the table, including agricultural goods, as well as discussions on anti-dumping laws and subsidies. He described as quite *unbalanced* and unfair the proposal of the U.S. to have “WTO-plus” conditions on items important to the U.S. implemented immediately and for goods important to Mercosur to be discussed at the end of the negotiations or perhaps implemented, as in the FTA between the U.S. and Australia, over a period of 20 years.

With these results, it looked like the chance to be the benevolent world leader was up for grabs and only the E.U. now qualified. Europe has not, however, given us much reason to expect benevolence—it was instrumental in including the peace clause in the WTO’s Agreement on Agriculture and for bringing up the Singapore issues in Cancún.

Recent talks between the E.U. and the Group of 21, the *Financial Times* reports (February 15), also seem to have stalled over agricultural issues. The E.U. wants to be selective about which subsidies it reduces or eliminates, and the developing countries want all export subsidies eliminated. “We heard the same old story,” a developing-country trade official was quoted as saying. “There wasn’t anything new.”

Hope?

Yes, developing countries will be unreasonable. Yes, we will demand more than we are willing to give. Yes, we have political agendas. Yes, there is rampant and endemic corruption in our systems. Yes, our desperate situations breed widespread poverty, hatred, and, sometimes, terrorism. And, even when willing, our governments are largely incapable of changing these circumstances on their own, even with massive aid programs.

But, despite the prospect of pain, anger, and hardship to workers and farmers in the protected sectors of developed countries, helping the poor in the poorest countries with nothing more than what is fair is perhaps one of the few options left to lift millions out of poverty and improve the use of resources in all countries, rich and poor.

March 15, 2004

Note on sources:

Sources include various print and online newspapers, magazines, reports, and other public news and information services (some are specifically cited in the article). I also interviewed some Philippine officials, an economist of an international cotton organization, attended the WITA/WIT Annual Congressional Update, and the DC Bar/WITA program on “What’s Ahead on the Roads to the FTAA and the CAFTA?”