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WTO Fails, Central America Feels Repercussions

by LADB Staff

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World Trade Organization (WTO) negotiations collapsed in Cancun on Sept. 14, just as Central America Free Trade Agreement (CAFTA) negotiations got underway in Managua. Nongovernmental organizations (NGOs), campesino groups, students, and other activists saw the failure in Cancun as a victory for developing nations in their ongoing and historically fruitless efforts to focus the rich countries' attention on the negative effects of trade liberalization.

From the opening moments of the meeting, it was inescapable that the need to address inequalities perpetuated by the present system would dominate the proceedings, both inside and outside. Outside, the beachfront meeting venue was guarded on land by hoards of police and at sea by Mexican warships. The warships faced no opposition, but police were hard pressed to keep protestors from overrunning barricades. Nor were the police able to prevent the suicide of a South Korean protester, Lee Kyung-hae, who ended his life as a gesture against economic oppression.

Inside the meetings, a coalition of nations led by Brazil, India, and China worked successfully to make clear that if the economically dominant nations tried to bulldoze their agenda, there would be no agenda. The breakdown cast doubt on the probability that the WTO would meet its January 2005 target date for phasing out the developed-countries' agricultural subsidies. It also appears that it will jeopardize US and European Union (EU) multilateral trade deals in general, including CAFTA (see other article, this issue) and the Free Trade Area of the Americas (FTAA), a hemispheric trade scheme that the US has said it wants to complete by 2005. This is, according to most commentators, a political embarrassment for the administration of US President George W. Bush, a major promoter of the WTO as an engine of growth.

The largest sticking point at Cancun was the issue of agricultural subsidies. They continue to pose a problem in NAFTA as well, with Mexico's President Vicente Fox under pressure to renegotiate aspects of that agreement. US agricultural subsidies will spell doom for some Mexican producers, according to agricultural organizations. Central American grassroots, agricultural, and campesino organizations have predicted the same for CAFTA, where producers cannot compete with the subsidized and technologically more efficient North Americans. The talks came to an end, however, before the agricultural issues even came up for discussion.

The meeting chairman, Mexico's Foreign Minister Luis Ernesto Derbez, said he decided to adjourn the meeting after it became clear on Sept. 14 that "consensus was impossible. It was not a rash decision; it was a rational decision." WTO has suffered breakdown before, in 1999 in Seattle, when outside demonstrators dramatized opposition to the WTO's undemocratic powers and pretensions. But this is the first time that an end came from within. This time, the developing countries banded together in the Group of 21 (G-21), comprising the most populous of developing nations, China, Brazil, India, the African Union countries, and those of the Asian, Caribbean, and Pacific alliance

(ACP). For the first time, these countries did not get subverted in bilateral side- deals with the wealthy nations and were able to pursue their interests to the end.

NGO observers, who have been raising the issue of asymmetry in the effects of free trade on developing countries, faulted the EU and the US for scuttling the talks and lauded the poor countries for resisting pressures to go ahead with agreements that were not in their interest. "The US and Europe must come back to the negotiating table acknowledging the new reality and embracing a new commitment to multilateral cooperation," said Phil Bloomer, head of advocacy for Oxfam, the international development organization.

Brazilian Foreign Minister Celso Amorin, putting his side's victory in perspective, said, "The pieces will be picked up again; they were picked up after Seattle, and the negotiations will go on." Amorin's outlook stood in sharp contrast to the dramatics of US Sen. Charles Grassley (R-IA), who bemoaned the situation as "a sad day for the global economy." Grassley threatened, "The United States evaluates potential partners for free-trade agreements on an ongoing basis. I'll take note of those nations that played a constructive role in Cancun, and those nations that didn't." Those nations will likely take note that the Iowa Republican owes his job to the subsidies and that he took the same scolding stance toward a complaining Mexico, when that country objected to the US Farm Bill, which authorized the aid to US farmers (see SourceMex, 2003-05-28).

The developing countries saw the EU and the US as responsible for the turn of events. Barry Coates, director of the World Development Movement, said, "This was the only option for the developing countries; they have been bullied, ignored, and marginalized. Quite simply, walking out was better than the deal on the table. The US and the EU played Russian roulette with the WTO, and the bullet was in the chamber."

A medieval organization

EU Trade Commissioner Pascal Lamy had a more structural explanation for the curtailment of the negotiations. "Despite the commitment of many able people, the WTO remains a medieval organization," he said. "The procedures and rules of this organization have not supported the weight of the task. There is no way to structure and steer discussions among 146 members in a manner conducive to consensus."

Lamy said the EU would work to revamp decision-making procedures within the organization. Martin Khor, director of the Third World Network, looked deeper and observed, "The deeper reason is the untransparent and undemocratic system of drafting of texts in the WTO. The decision-making system in the WTO should be reformed so that there is more transparency and democracy, so that developing- country members can participate more effectively, especially in the drafting of texts." Many officials on both sides of the issue agreed that the Doha round was derailed but not dead. But for others, an alternative possibility loomed. Both US Trade Representative Robert B. Zoellick and German Economic Affairs Minister Wolfgang Clement said, in separate news conferences, that several developing countries had approached them for bilateral trade arrangements.

Since those announcements on Shutdown Sunday, suggestions have emerged in the press that the US may be turning away from multilateral strategies to pursue trade deals on a one-to-one, or regional, basis. CAFTA and the FTAA are examples of that alternative, as are recently concluded deals with Chile and Singapore. An unnamed US official has said in print, "Washington would find other ways to advance trade liberalization if the global effort bogged down further because of increasing acrimony between rich and poor nations." If the US intends to go that way, say analysts, then threats like Grassley's, and pompous declarations about tests of some countries' "commitment to free trade," could backfire, adding fuel to anti-US sentiments.

John Audley, a trade expert at the Carnegie Endowment for International Peace in Washington, said, "I worry now that the US will engage in the kind of pressure that Sen. Grassley alluded to when he made his statement that 'We'll remember who our friends are,' in Cancun." Audley explained that, with a sluggish economy and mounting complaints in the US that cheap imports have contributed to the loss of more than 2.5 million jobs in the last three years, the Chile and Singapore deals might be the last free-trade agreements to "come down the pipe for a while."

Brazil's President Luis Inacio Lula da Silva, one of the leaders of the strategy that led to the outcome in Cancun, was more than happy with events. "It was an exceptional result because we didn't get what we wanted, but the US and the EU didn't get what they wanted either, which was the consolidation of their policy of subsidies," he said. Lula said that the G-21 had waged "a political and commercial battle with the so-called developed bloc" for more just conditions in international trade. "We asked neither favors nor privileges," he said. "We asked that the countries in development be treated with equality. We want the opportunity to compete freely." The victory was a key to the future for Lula, who contended that his side won respect at Cancun, and "nobody respects those who go to negotiate with their heads down."

The leader of South America's largest economy added, "The game is tough, and you can't win it with weakness." The G-21 countries are: Argentina, Bolivia, Brazil, China, Chile, Colombia, Costa Rica, Cuba, Ecuador, Egypt, Guatemala, India, Mexico, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, Venezuela. El Salvador left late on Sept. 13; Nigeria entered Sept. 14.

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