

## **LAMY STILL INSISTS THAT SINGAPORE ISSUES ARE PART OF DOHA SINGLE UNDERTAKING**

### **Report of Panel Discussion at the UN on WTO and Cancun**

**By Martin Khor, Third World Network, New York 2 November 2003**

While the European Union is still reflecting on the position to take on the Singapore Issues in the WTO, EC Trade Commissioner Pascal Lamy is still insisting they are part of the single undertaking adopted in Doha and that their status is similar to that of agriculture and non-agriculture market access (NAMA).

Mr Lamy gave this interpretation of the status of the Singapore Issues during a "Special Event on Trade" at the United Nations in New York which he addressed last Friday, along with a senior Brazilian official, Ambassador Clodoaldo Hugueney, Under-Secretary General for Economic and Technological Affairs of the Ministry of External Relations.

The EC and Brazilian officials gave two interesting and contrasting presentations on what happened in Cancun, and what now needs to be done.

Asking the question "who killed Cancun?", Lamy said what happened there was "not an accident". On the other hand, Hugueney said the Cancun events were like "the chronicle of a death foretold," the title of a famous Latin American novel.

The panel discussion was organized by the UN Department for Economic and Social Affairs (DESA) and UNCTAD, and chaired by the Chair of the Second Committee, the Bangladesh Ambassador. Roberto Bissio of the Third World Institute was lead commentator.

Lamy started by saying that since it was Halloween that day, he would liken Cancun to a cheap Halloween horror movie, and address the theme, who killed Cancun and is there life after Cancun?

He rejected the view that Cancun failure was an accident which could have been avoided if there had been another night of negotiations. This explanation, he said, "put too much weight on blaming individuals like the Chair or one negotiator like me for making a tactical error."

In his view, there were serious problems that blocked the negotiations. The systemic issues included the emergence of new groups in the WTO, with developing countries setting the agenda. This was like in the UN and was now emerging in the WTO too.

He said it would be a mistake to view the Group of 21 as simply an agriculture phenomenon, as it was also geopolitical. "We have to respect and welcome the emergence of this group as a counterweight to the G8," he said, adding that it would struggle to include other issues than agriculture.

There was also the emergence of the Group 90, of ACP and African countries and

LDCs, to which not enough attention had been paid. "Their demand was less visible and audible until the last night session in Cancun when delegate after delegate stood to denounce the Derbez text", said Lamy.

"My fear is this large group did not have enough stake in the negotiations to make them succeed. They were worried about erosion of their preferences. Most of all they needed to make their voice heard at the WTO. We have to address this concern."

The systemic question, he said, is whether Cancun was about North-South confrontation, with the South having a tidal wave of concerns. The G20 was opposed to the North on agriculture. The Africans were opposed to the cotton text. The G90 had a common theme against the Singapore issues, which are close to the Europeans' hearts.

He said this North-South explanation missed the point that 30 percent of world trade is South-South. The world media portrayed EU policy in agriculture as against developing countries, but this was not true as after June the EC had for the first time accepted elimination of export subsidies in products of export interest to developing countries.

There are, he said, institutional problems in the WTO - of not having a proper mix between legitimacy and efficiency.

For the future, Lamy said, it was important to judge if Cancun was an accident or part of a deeper evolution. If it was an accident, "we can mount the horse, go ahead and with a decent down payment bring the Round to conclusion. The second theory says hard thinking is needed first; otherwise we fall from the horse again or go in the wrong direction. I think we should have reflection."

He expressed surprise at how some ministers now seem agreeable to adopt the Derbez text for negotiations. "In Cancun, the text fell badly as it failed to capture the middle ground on issues like cotton, where the text strongly took the US line, and delegates stood up to denounce it as an affront to developing countries and as a heresy.

"This text looked dead and buried. Now the APEC leaders said negotiations can start on the basis of this text. It is less clear what the G90 think. India has said it is not ready to move on the basis of this text. We need to take a distance and have reflection on this."

The EU position is that it fought hard for the Doha agenda and it is ready for more. "On cotton, we have no objection at all on our side to move forward. On Singapore issues we moved in Cancun. We have to reconsider our position now. Our goal is to be ready in the General Council in December, we are working with our Parliaments, NGOs, business and third countries on this."

He said the EU had to answer whether Europe retains its bias for multilateral trade. "The answer is yes from the European Council and from Parliament."

In his view, "Cancun was not an accident, and there are deep seated problems we need to consult on." The barometer is rising with some countries signalling they are ready

to get back to work in Geneva. "If this is matched by substance in their positions, we can come back."

Brazil's Ambassador Hugueneu said trade was central to achieving the Millennium Development Goals. If there was real liberalization in the three pillars in agriculture, developing countries would benefit up to US\$400 billion by 2015. This is more significant than ODA. "The benefits can be significant. Because the losses we suffer are so important to us, we are moving for dispute settlement with the US on cotton and with the EU on sugar." The losses of developing countries resulting from cotton subsidies are very significant and the losses from deterioration in terms of trade and commodity prices are enormous.

He agreed there is no substitute to the multilateral trade system (MTS). Bilateral, regional and plurilateral arrangements can play a role, but are no substitute to the MTS.

"That's why we want results in this Round and revive negotiations. The survival of the MTS does not depend on this Round, but if there are repeated setbacks, there will be significant loss for the MTS. Negotiations are now being diverted to bilaterals, to the detriment of the MTS."

His interpretation of Cancun is that it was like the title of the novel, "chronicle of a death foretold." The failure was due to many reasons. Some are long-term - the transition of GATT to WTO, the decision making system, the larger membership.

"It was the sense of developing countries that this Round would correct the misgivings they have on the Uruguay Round, and the concept that development is at the center of this Round was also seen in terms of timing. We should have reached conclusions on TRIPS, Special and Differential Treatment (SDT), Implementation, modalities for agriculture, market access." But except for TRIPs and health, there were no conclusions on the issues.

"We arrived in Cancun with everything open. It is not proper to do this at a Ministerial. We should have only 2 or 3 points open for Ministers to decide in a few days. Frustrations piled up. There was a feeling that the development dimension was being lost."

He added that the EU-US understanding on agriculture could not be taken as something final for others. It should not be imposed on others, especially on those in the Cairns Group or on developing countries which are sensitive on effects on their own markets.

Thus, Cancun was not an accident but was well foretold before the meeting.

At Cancun, he said the discussions on agriculture were moving ahead, with a good meeting between the G20, EU and US. In his view, the Derbez text is better than the one in Geneva (the Harbinson text in the annex in the Perez Castillo draft declaration). "If we had had further discussion in Cancun, we could have reached agreement on a large part of the framework."

He added that the emergence of the G20 was one of the factors that made him see Cancun not as a failure but a meeting that did not conclude.

On the Singapore issues, he said that "when the developing countries rebelled on the last night in Cancun against the Derbez text on these issues, it was better that they did this than their agreeing in silence to what did not reflect their own interests."

He added the G20 played a very positive role. The G20 is an attempt to reconcile the interests of different members. This is the essence of negotiations of multilateral setting - "to be inclusive". The EU and US failed to do that in their text.

The G20 position remains on the table as "we have to contemplate not only total liberalization, as many Latin American countries, China, India, are not in the same situation as Brazil."

He said that Japan, EU and US can afford to reduce their domestic support and open their markets as they have only few farmers and are high income societies, so they would not suffer so much from trade liberalization. This is not so for developing countries, so we have to be inclusive of their interests.

On the prospects for resuming negotiations, he recognized that the EU needs time for reflection. "Everyone needs to reflect. I am comfortable with the idea that people need time. But we must have positive signals before 15 December, to reassert our commitment to the Doha agenda, to the level of ambition."

He added that "we need to have guidelines and a roadmap for the work for 2004, which was a difficult year, with EU enlargement and the US elections. We should thus have something in place at the end of 2003 to avoid a more difficult situation in 2004."

On where to start from, Hugueneu said the Derbez text is a basis. But it has problems. On cotton, the Derbez text is not the basis, and on Singapore issues it is not the basis.

Referring to Lamy's statement that the EU has to reconsider its position on Singapore issues, he said: "But the EU withdrew at least two items in Cancun. Let us see what outcome we can have. This is not an easy task. Here, the Derbez text is no guidance."

On S&DT, he said this was not an ideal instrument or solution to address development concerns. If the general rules encompass the interests of developing countries from the start, it would be better than having S&D Treatment. Thus, S&DT is only second best. But as the rules do not reflect the interests of developing countries, "we are faced with second or third best solutions in having S and D Treatment.

He agreed that South-South trade was important and there are instruments such as regional integration, GSTP among developing countries. But the concept of South South trade should not be used as an attempt to split developing countries into different groups and discriminate against some of them. As countries progress, they can be requested to take on more responsibility, "but we resent attempt to transform

this into a rule against us."

Roberto Bissio, as lead discussant, referred to Lamy's query of who killed Cancun, and said it was widely thought that the Singapore issues were dead, but they seem to be reviving like the monster character Jason in the movie 'Friday the 13th'.

The Australian ambassador praised Lamy for an excellent presentation and asked how we can popularize the research showing increased trade leads to poverty reduction.

Pakistan Ambassador Munir Akram said the WTO appeared frozen today as there are no negotiations, the process is recessed to subterranean levels, and it was difficult for developing countries to fathom where to start. He suggested that we should take confidence building measures, identify what are the Doha development objectives and how they can benefit developing countries. There should be some down payment like on cotton to move the process forward.

Lamy said the WTO was about trade negotiations, but trade is not only about negotiations. Negotiations can open the possibility of trade but not create trade as there are supply side constraints and non-tariff barriers.

On the death of the Singapore issues, Lamy said: "I don't think they ever died. They were born in Doha in the single undertaking. I dropped two of them in Cancun. It didn't work so I got to go back to square one and go back to my constituents and ask what stand to take now."

On the WTO process being frozen, he said maybe it is. "For Europe, it was a big shock to us. We are old enough to weather it." But he had to go back to the member states, Parliament, business and NGOs to relook the 4-year-old European mandate.

He agreed if the process remains frozen, we have a big problem. "We must reinvigorate the process but cannot do it business as usual. I want to make sure what is my position on Singapore issues on 15 December, that I have a sufficient majority of my member states and European Parliament are behind the same concept. It's not obvious. The same with agriculture, even on cotton."

He agreed that the development dimension should be revisited, as there are ambiguities in the Doha Round that must be aired to clear up this concept. The issue of preferences should be clarified and the effects of the erosion of preferences as liberalization takes place should be factored in. Tariff escalation was another development issue.

Bissio said it was not correct to see trade liberalization as only having beneficial effects. In every change, some win and some lose. As for development content of the Doha agenda, there was a checklist and benchmark of what was good for development, prepared by the UNDP Millennium Development Office of Evelyne Herfskin (former Development Dutch Minister).

According to this benchmark, which was announced at Cancun, there should be a revision of TRIPS, no introduction of the Singapore issues, elimination of agriculture subsidies, and increased movement of natural persons.

It was easy to put forward a clear development agenda but these measures are resisted by the big trade players.

He also highlighted several procedural problems in decision-making and the way the WTO is run. "If a football club in my country had the same processes as WTO it would not be granted legal recognition," said Bissio.

"Each member has a vote, meeting records are kept, elections are open, in associations. None of this applies in WTO. There are Green Rooms, secret meetings, decisions by consensus but they are not seen by members before hand, procedures that are hard to conceive.

"Ninety members in Cancun said clearly they are against the Singapore issues. How can the opinion of 90 not be known? They asked the Minister concerned to take note of their views. But the text does not take this into account, even though decisions are supposed to be by explicit consensus on these issues.

"Yet when 90 countries said No, their views are not reflected in the text. Someone said the procedures in WTO are medieval. In the UN, the texts are put on the screen, and everyone knows what modifications are going on. In the WTO no one even knows who drafted the text in Cancun."

Another participant said the non-transparent processes in Cancun and WTO in general were responsible for its failures. Moreover the developed countries had pressed the developing countries too hard, to open up their markets for agriculture and industrial products, which would have damaged or destroyed the domestic economies of the poorer countries.

He said that the Singapore issues were not part of trade, and should not have been placed in the WTO in the first place. The EU should withdraw these issues altogether, since it had already shown its hand by withdrawing three of them in Cancun. It would be difficult or impossible to reintroduce them for discussions in Geneva. Their withdrawal would be them best measure to get the talks moving again.

In his reply, Lamy said he agreed he was the author of using the term the procedures are "medieval" to describe the WTO procedures. He had said for four years now, the procedures need serious updating. "Everyone agrees we have a serious problem here but no one agrees to tackle the problem. There are other serious problems so we cannot also tackle process issues. So where can we tackle the problem of procedures?"

On Singapore issues, he said the Doha Declaration stated that negotiations will start on the basis of modalities agreed to by explicit consensus.

It was agreed to delay the start by two years between Doha and Cancun. There was also mention of explicit consensus. Otherwise the Singapore issues should be seen as similar to agriculture modalities.

"The Singapore issues were part of Doha. Negotiations cannot start without

modalities. That's why negotiations have not started on agriculture and NAMA as there is no agreement on modalities in Cancun.

"There is no difference between the Singapore issues, agriculture and NAMA in this respect.

"We are reflecting on this. That 90 countries cannot start negotiations on these issues in Cancun does not mean they did not agree it is part of the single undertaking in Doha."