China, Brazil, India Join Battle in Cancun

by Ramtanu Maitra

The World Trade Organization (WTO) Fifth Ministerial negotiations in Cancun, Mexico, which began on Sept. 10, may lay the ground for the evolution of the global trading system. But, if the developed countries continue to resist pressures from the developing countries—now led by India, China, and Brazil, which seem more determined than ever to balance asymmetries in the development agenda—the meeting will fail. At the time of writing, the developing and the developed nations are both in a fighting mood.

The ministerial conference in Cancun is taking place almost two years after the Doha meeting in November 2001, and is dealing with three unresolved issues:

- The four-point Singapore issues—trade facilitation, transparency in government procurement, competition policy, and investment. These issues are called "Singapore issues" because they were set up at the 1996 WTO Ministerial Conference held in Singapore.
- Patents.
- Compulsory licensing by countries without domestic manufacturing capacity and agriculture.

Some Differences Within

At this point in time, the developing nations from South Asia and Africa have made clear they are not ready for negotiations because they have not reached consensus on these issues. The East Asian and Ibero-American developing nations have not rejected the negotiation process outright, but have indicated that they might if they don't get satisfaction on other issues.

By far the most contentious issue is the subsidies that the developed nations' farmers get from their governments. The developing nations charge that the large export subsidy given by the developed nations to their farmers prevent developing countries' farmers from entering the international market and exporting their products. The developing nations have identified five specific agricultural trade policy objectives:

1. Ending export dumping: WTO rules already call for a total ban on dumping—the selling of goods into the global market at prices below the cost of production. While these rules are strictly enforced for most industrial goods, they are generally ignored for agricultural commodities.

2. Supporting fair trade: There is broad support for the general concepts of certified fair trade—the independent (non-governmental) system of agreements between produc-

ers and buyers that ensure the prices paid to farmers and charged to consumers are fair and reflect the full costs of production, including environmental protection and social justice. Some recent proposals for changes in WTO rules, such as those on limiting the flexibility of government procurement, threaten the fair trade system and must therefore be rejected.

3. Promoting commodity agreements: There is a newly energized debate over how to adjust WTO rules to enable the effective operation of global agreements for the major agricultural crops. Record-low prices in coffee, cotton, and other commodities have sparked a renewed debate over the best way to structure the balancing of supply and demand at the global level. Developing and developed nations need international agreements designed to ensure food security for consumers and fair prices for producers.

4. Prevent monopoly control: Current agricultural trade rules have resulted in a handful of corporations taking near-complete control over critical sections of food supply. There has been near-universal rejection of new proposals that would further increase this monopoly control over seeds, animals, germ plasm, water and water infrastructure, and other vital inputs needed by farmers, including strong opposition to "patenting of life" proposals being made by the U.S. government and the European Union (EU).

5. No privatization of water: There is strong support for keeping water rights under public control. There are growing efforts to oppose WTO proposals that would encourage the privatization of water systems. Because many farmers rely on water for their livelihoods, there is a great concern about moves to create private water monopolies.

Joining Hands Against EU-U.S.A.

A few weeks ago, the EU and United States had submitted a joint proposal covering the so-called three pillars of agriculture that have been the hardest to resolve: market access, domestic support, and export subsidies. Just one week later, Brazil, India, and China led a group of developing countries in Geneva, unveiling new, joint proposals on how to reform global farm trade. The Brazilian Ambassador introduced the paper in a presentation to a WTO heads-of-delegation informal meeting on Aug. 20. The developing nations' paper was attacked by the EU representative, who accused the co-sponsors of seeking confrontation, promoting South-North conflict, and aiming at the stars in order to get the Moon. The Brazil Ambassador said his aim was not the Moon, but to get access to markets in Europe and elsewhere on earth.

There are now two major proposals on the table—the EU-U.S. paper, and one submitted by Argentina, Brazil, China, Chile, Colombia, Costa Rica, Ecuador, Guatemala, India, Mexico, Paraguay, Peru, Philippines, South Africa, Thailand, and Venezuela. The aim of the discussions is to prepare a paper on agriculture modalities, or "framework," to be placed in the Cancun Ministerial Declaration. In essence, however, the 16 countries call for a substantial reduction of all subsidies to farmers, in what amounts to more far-reaching demands than those contained in the EU-U.S. proposal.

On tariff cuts, the 16 propose major differences in approach between developing and developed countries in formulating commitments. It also calls for the elimination of all export subsidies. The U.S. view is that many developing countries have tariffs that are nine times that of the United States, and hence argues for adoption of the Swiss harmonization formula for tariff reduction in the U.S.-EU paper. Indian Ambassador to Geneva K.M. Chandrasekhar said the whole issue is about market access and protection for farmers. The United States and the EU provide protection for their farmers through subsidies, tax policies, tariff protection, and price supports. And this is 20-30 times the level of domestic support in developing countries, which could not afford such budget support. The only protection they can provide to their farmers is through tariffs.

It is evident that having formed a powerful trio, Brazil, India, and China are not going to be easily intimidated. Delivering the inaugural address at the Second India-Association of Southeast Asian Nations (ASEAN) Business Summit, Indian Prime Minister Atal Behari Vajpayee said: "We try to highlight the asymmetries and imbalances in the multilateral trade agreements, but keep getting sidetracked into non-trade-related issues. We are finding that the Doha agenda negotiations are a two-tracked process with our concerns always on the slower track." Calling on the ASEAN member nations to join hands with India, Brazil, China, and other developing nations to arrest this trend, he added: "We have to insist that the multilateral trading regime takes into account the genuine concerns of the not-so-rich countries for the welfare and livelihood of billions of their citizens."

Smarting From WTO Decisions

Similar news is also coming out of Cancun. The feisty Indian Commerce Minister, a former student union leader from Delhi University, Arun Jaitley, has led a 60-member delegation to Cancun, and he has already told reporters that he would oppose any move to bring in investment and competition rules into the WTO work program. He also made clear that any effort by the EU and United States to bulldoze their way through the tough agricultural negotiations will be met by a brick wall.

The process which led to the collaboration between India and China began in May, when a cooperation memorandum was signed in Shanghai between the Shanghai Consultation Center for the WTO, and the Federation of Indian Chambers of Commerce and Industry. According to the memorandum, both sides will mainly exchange views on world trade policies within the WTO framework and discuss cooperation to explore issues relevant to the guarantee of developing countries' interests in the world economy.

India is particularly smarting from a ruling by a WTO dispute settlement panel in early April. The panel created a watershed when it summarily ruled that the controversial U.S. rules of origin for textile and apparel products—instituted in 1996 to restrict burgeoning textile imports from Asia—do not violate the core principles of the WTO rules-of-origin agreement. That agreement allows most customs administrations to decide the origin of goods, according to where the product underwent the last substantial transformation. The most widely applied criterion attributes origin to a country if the product was sufficiently changed there to move its customs classification from one heading to another.

In a dispute raised by India against the United States' rules of origin for textile and apparel products, a three-member panel said in an interim "confidential" ruling that New Delhi had failed to show how the purported measures by Washington undermined Indian textile exports.

In textile trade, the rules of origin play a major role because of the existing quotas perpetrated by the industrialized countries on textile imports from developing countries. New Delhi said that, faced with a major trade dispute with India and the European Union, Washington struck a bilateral deal with Brussels.

Generic Life-Saving Drugs

The 146 WTO member-states agreed on Aug. 30, that developing countries can import generic versions of patented medications to tackle serious and epidemic diseases, such as HIV-AIDS, tuberculosis, and malaria. The decision was not unanimously accepted by the developing nations, particularly Argentina and the Philippines. These countries point out that the negotiations were rushed to allay fears of broad failure of the trade liberalization talks in Cancun. The original intent of the talks, they say, was to facilitate the supply of affordable generic drugs for developing countries. However, this agreement has thrown up new legal, economic, and political obstacles to ensuring production and export of generic medicines in the future. The statement that the United States insisted on, adds another layer of uncertainty that leaves developing countries vulnerable to pressure not to use the system. But in India, Abhay Shukla, coordinator of the Mumbai-based People's Health Movement, said, "The change in WTO rules to respond to public health emergencies . . . will certainly help India's pharmaceutical industry, which is strong on generic drugs and is a major player in the export trade."

Brazil's Foreign Minister Celso Amorim applauded the accord because it reduces the cost of medicines that are often purchased by the government to distribute to those in need through health programs, free of charge. As a gesture of success, Brazil's President, Luiz Inácio Lula da Silva, issued a decree on Aug. 30 that authorizes import of generic medications—drugs identified by their main active ingredient, and usually much cheaper than their trademarked equivalents—without the consent of the holders of the corresponding patents. These drugs will be imported from India and China.