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Jacob Kol\* and L. Alan Winters\*\*

## Recovering from Cancún: the EU Responsibility

*Against the background of the failure of the World Trade Organisation's September ministerial conference, this article considers the main issues that emerged at Cancún – the Singapore issues, agricultural reform, and the credibility of the multilateral trading system. The authors present a plan of action meant to enable the Doha Development Round to be continued constructively and the credibility of the international trading system to be preserved. Special regard is paid to the role of the EU in repairing the damage.*

Cancún failed and the Doha Development Round is languishing. The EU blamed the developing countries for being unwilling to discuss the so-called "Singapore issues", which include better access for foreign investment. The developing countries felt however that in pressing for these rather novel issues, the EU was creating a smokescreen, so that talks about agricultural reform, a more traditional issue of long standing and of great interest to developing countries, could be avoided.<sup>1</sup>

The Singapore issues reflect foremost industrial countries' interests rather than those of developing countries and it was the EU that pressed for them to be on the agenda. However, the EU did not really negotiate; at the last moment it suddenly withdrew two of the four Singapore issues, a move that was unacceptable to South Korea, as the EU probably knew. It is not very constructive of the EU, as the largest trading bloc, to wreck the negotiations and then hide behind a middle-rank economy and put the blame for the failure on the developing countries. It has poisoned the atmosphere. This outcome is the more disappointing as the EU in particular has championed this Round and its special attention to development issues.

Developing countries were naturally very disappointed with this result of what should have been a Development Round, and questioned openly the usefulness of their WTO membership.<sup>2</sup> The EU and the USA announced they would continue now with

bilateral trade agreements, but of course also said that they still preferred the multilateral route.<sup>3</sup>

This article considers the main issues that emerged at Cancún – the Singapore issues, agricultural reform, and the credibility of the multilateral trading system – and the role of the EU in repairing the damage. This is not to say that other OECD countries should not play a constructive role or are above criticism, but that the EU is central given its size, enthusiasm for the Round, sympathy for development and scope for trade liberalisation.

### The Singapore Issues

The Directorate-General for Agriculture of the European Communities concludes that a certain amount of progress had been made on agricultural issues in Cancún and that the final stumbling block was the so-called "Singapore issues".<sup>4</sup> These issues, part of the WTO work programme since the first Ministerial in Singapore in 1996, cover: trade and investment, trade and competition policy, transparency in government procurement, and trade facilitation. Our contention is that this view confuses the immediate cause for the fundamental one. The real problem in Cancún was – as it always was – agriculture.

The Singapore issues were on the Doha agenda at EU insistence in the face of indifference or hostility

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<sup>1</sup> The Wall Street Journal Europe, 15 September 2003.

<sup>2</sup> "The pretence of the development objective has finally been rejected and discarded", said the Commerce Minister of India, Mr. A. Jaitley (The Wall Street Journal Europe, 15 September 2003).

<sup>3</sup> The Wall Street Journal Europe, 23 September 2003.

<sup>4</sup> EU Commission: Collapse of trade talks in Cancun, Directorate-General for Agriculture, Newsletter, No. 57, September 2003.

from nearly every other party. Views on the four issues vary, but in most governments' and most commentators' eyes the issues were not bad *per se*, but merely a minor cog in the process of development and a costly diversion from the main business of a Development Round. The topics to be negotiated under each issue were not generally the key ones for developing countries and the clauses proposed by the EU not geared to development objectives. And yet the proposal was that the Round should devote large amounts of time and effort to them. Developing countries were faced with having to negotiate issues on which they had little experience, little beneficial interest and little information about the other side's intentions or objectives. Given their shortages of negotiating capacity and domestic political capital to spend on these issues, it was hardly surprising that they declined to proceed.

Worse, the Singapore issues poisoned the atmosphere at the talks. The EU had never articulated why it was so anxious to see them as part of the WTO, nor had it convinced other countries that they were fundamentally important to their own welfare. The result was suspicion among developing countries that the issues were either a Trojan Horse for some as yet undeclared EU objective or that, as we noted above, they were there to fail. The fact that, reportedly, they were being negotiated before agriculture at EU insistence only served to increase that suspicion and the manner of their withdrawal tends to confirm it. Despite years of advice from partners and independent experts, including ourselves, that the Singapore issues could disrupt the Round, the EU agreed not to press for them all only in the last twenty-four hours. And then it failed to advise or convince its few allies of the change so that they crashed the Round by continuing to insist in the face of direct rejection by a large group of developing countries. At best, this showed a huge EU misjudgement; at worst, it is difficult to avoid the Machiavellian interpretation that the Singapore issues were a smokescreen to take the pressure off agriculture.

- *Trade and investment.* Investment issues were included in the Doha Ministerial Declaration because of an increased interest in investment at the multilateral level. The Working Group on the Relationship between Trade and Investment had been mandated to focus primarily on pre-establishment issues – the rights of investors to have unrestrained access to sectors of recipient countries. However, the crucial factors behind FDI are more of a post-establishment character such as political stability, protection of property rights and sound macroeconomic, financial and trade policies. These issues are substantially

domestic issues for developing countries and are, anyway, addressed at least partly by development institutions such as the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for the Settlement of Investment Disputes (ICSID).

- *Trade and competition policy.* Private anti-competitive practices can erode the benefits from trade liberalisation.<sup>5</sup> This has long been recognised, and these concerns were represented in the proposed competition policy sections of the Havana Charter of 1948. Competition policy can indeed be seen as a governance mechanism that can help to ensure that the intended benefits of trade liberalisation are not circumvented by cartels, monopolies, and other anti-competitive conduct.

International private cartels cause overcharges that run into billions of dollars annually. Overcharges by a single international cartel on vitamins only have been estimated at \$2.7 billion in ten years time.<sup>6</sup> Evidence from 12 private international cartels suggests that between 1995 and 2002, developing countries imported between \$8 and \$12 billion of goods that were subject to higher prices.<sup>7</sup> However, the returns to developing countries in terms of controlling hardcore cartels reside substantially in whether a competition agreement would enable developing countries to prompt action by industrial countries against *the latter's own firms*. The EU proposal for the WTO quite clearly did not envisage this.<sup>8</sup> Nor did it propose any disciplines on the subsidy races that governments create in bidding for multinationals, another area where international agreement would have benefited developing countries.

- *Transparency in government procurement.* In the context of the WTO work programme, WTO members are discussing whether to strengthen rules on transparency in government procurement practices. The agenda focuses on procedural aspects and not on preferences granted to specific suppliers. Some of the hesitation among a number of developing countries in embracing more transparency arises from concern that the possibility of using procurement preferentially will eventually be undermined.<sup>9</sup>

<sup>5</sup> WTO: World Trade Report 2003, Geneva 2003.

<sup>6</sup> J. Clark, S. Evenett: The Deterrent Effects of National Anti-Cartel Laws: Evidence from an International Vitamins Cartel, University of Berne 2003 (mimeo).

<sup>7</sup> S.J. Evenett, B. Ferrarini: Developing Country Interests in International Cartel Enforcements in the 1990's, Background paper to Global Economic Prospects 2002, World Bank, Washington DC 2002.

<sup>8</sup> L. Alan Winters: Doha and the World Poverty Targets, paper presented at the Annual World Bank Conference on Development Economics 2002/2003.

- *Trade facilitation.* The benefits from trade facilitation are conceptually similar to the benefits of trade liberalisation and are estimated to range from 4 to 10 per cent of the value of trade.<sup>10</sup> Developing countries are concerned, however, about the potential costs of complying with any new obligations,<sup>11</sup> and development scholars about whether the procedural issues proposed address the real problems such as corruption and poor infrastructure.

The Singapore issues were not misguided *per se*, but they offered little to the developing countries and threatened to take skilled labour and political attention away from activities that are more important for economic development such as traditional trade liberalisation and even domestic non-trade agendas.<sup>12</sup> Hence to insist on them was not to promote development, but to confuse and complicate an already overcrowded agenda, and ultimately to divert effort away from the traditional issues that developing countries saw as genuinely in their own interests – specifically, agriculture.

### Agriculture and Economic Development

Agriculture is the key sector to start for poverty alleviation. Three-quarters of all poor people in the world live and work in rural areas where agriculture is the major source of income.<sup>13</sup> Agriculture accounts for 27 per cent of GDP in developing countries and for 50 per cent of employment.<sup>14</sup>

Development of the agricultural sector offers most LDCs the best prospects for increasing economic growth as well as for export diversification. And yet, these prospects fail to materialise because of two sets of policies:

- agricultural protection in the OECD
- economic policies in developing countries.

Regarding agricultural protection in the OECD, the Common Agricultural Policy (CAP) of the EU will be evaluated in particular in this article; it is hoped that a

<sup>9</sup> WTO, *op. cit.*

<sup>10</sup> Including benefits from technological improvements in transportation (WTO, *op. cit.*)

<sup>11</sup> S. Woolcock: The Singapore Issues in Cancún: A Failed Negotiation Play or a Litmus Test for Global Governance?, in: INTERECONOMICS, Vol. 38, No. 5, 2003, pp. 249-255.

<sup>12</sup> L. Alan Winters, *op. cit.*

<sup>13</sup> IFAD (International Fund for Agricultural Development): IFAD Rural Poverty Report, Oxford 2001, Oxford University Press.

<sup>14</sup> These figures in themselves testify to a low labour productivity in agriculture relative to the other sectors (on average). H.P. Lankes: Market Access for Developing Countries, in: Finance & Development, Vol. 39, No. 3, September 2002, pp. 8-13, 2002.

**Table 1**  
**Support for Agriculture, OECD, 1999-2001**  
(annual averages)

	Total transfers		Producer support			
	Per capita	Share of GDP	Per farmer	Per hectare	Price support	Income support
	€	%	€	€	%	%
EU-15	312	1.5	17,000	750	61	39
Japan	534	1.5	26,000	11,153	90	10
Norway	579	1.5	36,000	2,277	39	61
Switzerland	732	2.0	30,000	2,954	58	42
USA	363	1.0	22,000	128	36	64
OECD	307	1.3	12,000	200	64	36

Source: OECD: Agricultural Policies in OECD Countries: Monitoring and Evaluation 2002, Paris 2002.

rational analysis will be the basis for reform in the interest of the EU itself as well as for developing countries.

### Principles and Effects of the CAP

The main instrument of the CAP was – and still is – a system of price support.<sup>15</sup> The EU fixes prices that are higher, sometimes much higher, than would be the case under free market conditions.

The high prices for agricultural commodities impose high costs on consumers in the EU. These high prices have led to increased production, and in many cases to overproduction, which is stored within the EU or is disposed of outside the EU with export subsidies to cover the price difference with world market prices. The costs of storage and export subsidies are borne by taxpayers in the EU.

The OECD has developed a method to measure total transfers from consumers and taxpayers to agriculture.<sup>16</sup> Table 1 gives the figures.

*Effects on the environment.* Price support does not lead *per se* to higher incomes for the work of farmers but is absorbed in the price of land.<sup>17</sup> The rising price of land leads to its being used more intensively, so that a higher yield per hectare can be attained. This implies

<sup>15</sup> It is outside the scope of the present article to discuss in detail the development of the CAP. Such an overview can be found in, for example, European Commission: EC Agricultural Policy for the 21st Century, European Economy, No. 4, 1994.

<sup>16</sup> The methodology for calculating the indicators of agricultural support can be found in OECD: Methodology for the Measurement of Support and Use in Policy Evaluation, Paris 2002. Total transfers are an indicator of the annual monetary value of all gross transfers from consumers and taxpayers arising from policy measures that support agriculture. Total transfers include producer support as well as general services support. The former measures the gross transfers from consumers and taxpayers received by farmers; the latter are transfers provided collectively to agriculture (e.g. for improving off-farm infrastructure).

<sup>17</sup> T. Gylfason: The Macroeconomics of European Agriculture, Princeton University, Studies in International Finance, No. 78, Princeton NJ 1995.

a more efficient layout of agricultural land, intensified use of chemical fertilisers and pesticides, and more animals per square metre. This results in damage to landscape and biodiversity, pollution of land, water – including drinking water – and air, arid land and the maltreatment of animals.<sup>18</sup>

*Effects on other sectors.* Protection of one sector is detrimental to other sectors in the economy as factors of production are bottled up in the protected sector.

### The CAP and Development

*Import protection.* High internal EU prices can only be maintained if cheaper competitive imports are kept out of the EU market. Since the Uruguay Round (1986–1993) this is done by tariff walls.<sup>19</sup> On average, tariffs on agricultural products have been declining since the Uruguay Round but are still four times as high as tariffs on manufactures. Table 2 shows huge tariffs to exist for individual products.

Obviously, the EU imports agricultural products; non-competitive imports such as coffee and tea meet only low tariffs. Part of such imports are preferential, mainly from ACP countries.<sup>20</sup> This preferential trade keeps other more efficient producers out, as the case of bananas shows.<sup>21</sup>

It has been calculated that the EU import barriers deprive developing countries of export earnings annually of three times total development aid.<sup>22</sup>

*Tariff escalation.* Tariff escalation is designed to protect processing industries in importing countries. Low tariffs apply to raw material imports, but increase with the stage of processing. The WTO provides evidence on tariff escalation applied by OECD countries.

<sup>18</sup> P.F. Donald, G. Pisano, M.D. Rayment, D.J. Pain: The Common Agricultural Policy, EU enlargement and the conservation of Europe's farmland birds, in: *Agriculture, Ecosystems & Environment*, Vol. 89, No. 3, 2002, pp. 167–182.

<sup>19</sup> According to the Agreement on Agriculture of the Uruguay Round the variable levies on imports and other protective devices had to be tariffed. By manipulating the figures the process has been labelled "dirty tariffification". But of course in a longer run perspective the great advantage is that no other protection than tariffs is allowed. Cf. D.E. Hathaway, M.D. Ingco: *Agricultural liberalisation and the Uruguay Round*, in: W. Martin, L. A. Winters (eds.): *The Uruguay Round and the developing countries*, Cambridge/New York 1996, Cambridge University Press.

<sup>20</sup> IMF: *How Do Industrial Countries Agricultural Policies Affect Developing Countries*, in: *World Economic Outlook*, September 2002, pp. 81–91.

<sup>21</sup> H. Badinger, F. Breuss, B. Mahlberg: *Welfare Effects of the EU's Common Organization of the Market in Bananas for EU Member States*, in: *Journal of Common Market Studies*, Vol. 40, No. 3, 2002, pp. 515–526.

<sup>22</sup> WTO: *The WTO and LDCs: delivering a better future through trade*, Speech by Mr. M. Moore, UN Conference on the Least Developed Countries, Brussels 2001.

**Table 2**  
**Applied MFN Tariffs on Agricultural Imports,**  
**EU, 2000**  
(in %)

	Simple average <sup>1</sup>	Maximum <sup>2</sup>
Beef and veal	104	148
Milk	81	128
Wheat	70	93
Sugar	104	158
Coffee	6	9
Tea	1	3

<sup>1</sup> Calculated at the 2-digit level of the Combined Nomenclature (CN) commodity classification.

<sup>2</sup> Maximum tariff at the 6-digit level of the CN commodity classification.

Sources: Own calculations based on European Commission: Commission Regulation 2204/1999, Official Journal of the European Communities, Vol. 42, No. L 278, 28 October 1999; UN: COMTRADE database, New York 2002.

Tariff escalation obviously makes it more difficult for developing countries to expand their processing industries and henceforth to diversify their exports into manufactures. It leaves them more dependent than necessary on exporting raw materials, which have a relatively high price volatility and a long-term decline in their terms of trade in relation to manufactured goods.

*Export subsidies.* Price support has led to growing overproduction in the EU. As storing costs proved to be high, the surpluses have gradually been disposed of, in the form of food aid, or with subsidies to cover the difference between EU and world prices. This export dumping has disrupted local production in developing countries and even destroyed it.

Examples abound of the adverse effects of export subsidies on developing country producers: subsidies in dairy products have damaged production in a large range of countries, including Brazil, Jamaica and Tanzania; subsidies on tomato concentrate have especially affected West African countries such as Burkina Faso, Mali and Senegal; support for beef has undermined efforts to increase livestock production in some of the same countries; and EU beef has come to dominate the markets of Benin and Ivory Coast, for which Burkina Faso and Mali were once important suppliers.<sup>23</sup>

*The world market.* By curtailing its net demand the EU reduces world trade, depresses world prices and makes both more volatile.<sup>24</sup> Stability of the EU market is purchased at the cost of more instability outside.<sup>25</sup>

<sup>23</sup> C. Michalopoulos: *Developing Countries in the WTO*, Basingstoke 2001, Palgrave.

Lower world prices are to the advantage of course of genuine net food importers – those who would import even in the absence of their own and others' policy distortions. But there are few of these among developing countries, and their losses would be small and could easily be compensated for by other transfers from high-income countries.

The CAP hurts developing countries in three ways:

- keeping their exports out
- dumping EU exports on their markets
- reducing the incentives provided by the world market.

### The Reform Needed

From the above it follows that the CAP has become a liability. The obvious and constructive way out is to open EU borders for agriculture. It would enhance the economy both in the EU and worldwide. And it would give the EU a great improvement in its diplomatic position.<sup>26</sup>

For many years now the EU has tried to reform the CAP; lower internal prices have been considered as has curbing output. These reforms have not been very successful, however, and an international division of labour in agriculture is still far away.<sup>27</sup>

We advocate that the EU should completely open its borders over a fixed period, say, 20 years. The restructuring should be phased in gradually, to allow farmers time to adjust, for, after all, they have been responding to EU policy and, in many cases, have invested in land at the grossly inflated prices induced by the CAP. The final outcome should not be in doubt, however: the 20 years are for adjustment, not debate.<sup>28</sup>

<sup>24</sup> See L. Alan Winters: *The Economic Consequences of Agricultural Support: A Survey*, in: OECD Economic Studies, No. 9, 1987, pp. 7-53 and the references there.

<sup>25</sup> IMF, *op. cit.*

<sup>26</sup> See above and B. Borrell, L. Hubbard: *Global Economic Effects of the EU Common Agricultural Policy*, in: *Economic Affairs*, Vol. 20, No. 2, 2000, pp. 18-26.

<sup>27</sup> An overview of these reforms can be found in European Commission: *EC Agricultural Policy for the 21st Century*, *op. cit.*; and L. Hubbard, C. Ritson: *Reform of the CAP: from Mansholt to Mac Sharry*, in: C. Ritson, D.R. Harvey (eds.): *The Common Agricultural Policy*, 2nd edition, Wallingford/New York 1997, CAB International.

<sup>28</sup> The agricultural lobby in general opposes liberalisation and uses the arguments of food safety, food dependency, "ecological" agriculture, multifunctionality, and "Everything but Arms". CEE accession provides an opportunity for CAP reform. These claims are unfounded and should be seen as a disguise to justify agricultural protection. (Cf. e.g. J. Kol, L. Alan Winters: *Collapse At Cancun, What is to be done?*, Working Paper, 2003, mimeo).

The question can be asked whether with open EU borders and a smaller EU agricultural sector, world capacity to produce would still be enough for the world population. The evidence is that hunger is not so much a consequence of lack of food but of lack of income<sup>29</sup> and that agricultural output will continue to outpace population growth.<sup>30</sup>

The EU is not the only place that needs to reform agriculture – see Table 1 and any account of the developing countries' distortionary policies – but it is the key player. The EU is the major trading force in agriculture and has been the loudest advocate of a new round to stimulate development. Moreover, the EU has to absorb new agricultural producers over the next few years and what President Bush unkindly called "old Europe" needs to stimulate structural change for the sake of its future growth.

After Cancún the European Commission came up with a proposal to reform sugar production in the EU.<sup>31</sup> Three formats of reform are considered: 1) no reform; keeping in tact the current common market organisation based on flexible quotas and price intervention; 2) a reduction in the EU internal price with continued support for EU farmers and special arrangements for the presently preferred and least competitive sugar producing countries; 3) complete liberalisation, abolishing price support and production quotas; attention would still be given to support for EU farmers and presently exporting countries in the EU.

Obviously, the last reform is to be preferred and would certainly be a step in the right direction. The proposal also shows that in terms of agricultural liberalisation the EU Commission is relatively forthcoming. It is, rather, the agricultural lobby and its main advocate, France, that obstruct progress. Hopefully, the EU Commission can withstand the pressure. The above arguments may help.

### The Multilateral Trading System

In the World Trade Report 2003 the WTO raises the issue why there should be a multilateral trade system and why countries and governments should participate in it.<sup>32</sup>

<sup>29</sup> A. Sen: *Poverty and Famines*, Oxford 1981, Clarendon Press; and N. Alexandratos: *World food and agriculture: Outlook for the medium and longer term*, Proceedings of National Academy of Sciences, Vol. 96, 1999, pp. 5908-5914.

<sup>30</sup> M.W. Rosegrant, M.S. Paisner, S. Meijer, J. Witcover: *Global Food Projections: Emerging Trends and Alternative Futures*, International Food Policy Research Institute, Washington DC 2001.

<sup>31</sup> European Commission: *Commission opens discussion to reform the EU sugar regime*, Brussels, IP/03/1286, 23 September 2003; and European Commission: *Reforming the European Union's sugar policy*, Commission Staff Working Paper, Brussels 2003.

Awareness of the grim results of undisciplined protection in the 1930s has inspired the Bretton Woods architects to opt for the design of a liberal international order.

With respect to the international trade order, more specifically, the effort was made to take trade policy out of the weaponry of the nation state. Tinbergen<sup>33</sup> had already observed that lack of international co-operation had played an important part in causing the controversies from which the Second World War arose. More recently, the WTO<sup>34</sup> analysed further the reasons why increased economic interdependency among nations is favourable to stability and peace.

In this perspective, the fundamental principle of the international trade order under GATT was that of *non-discrimination*. By virtue of non-discrimination

- trade policy has the least chance of being misused for diplomacy – friendly or hostile;
- a system of collective security is created in contrast to what otherwise would depend on the power of individual states;
- relatedly, benefits become available also for those with little negotiating power.

Governments are under constant pressure from domestic interest groups. Such groups can be powerful and probably will push for policies and results that will serve their limited interests and increase their welfare at the cost of general welfare and society at large. In such circumstances governments find it hard to pursue policies that they know are in the common interest but may counter the narrow interests of pressure groups. Obligations that are internationally binding will strengthen the hand of a government in such cases, as it will be hard and probably costly to unlock the policy commitments made. Therefore, the WTO<sup>35</sup> concludes that, provided the obligations reflect the national interest, *international* cooperation will increase *national* well-being.

The EU and its member nations have been signatories to the GATT and are so of the WTO. The EU frequently underlines its support for the multilateral trade system. The EU therefore is in agreement also with the principle of non-discrimination; however, the practice of EU trade policy shows a different picture.

In its trade policy the EU is engaged in discrimination in two ways:<sup>36</sup>

- the use of protective instruments targeted at specific suppliers of specific products
- granting preferential access to its markets.

The EU's trade policy therefore may often be negotiated in the GATT and the WTO but has little to do with their fundamental principle and norms. Basic motivations are:<sup>37</sup>

- the fear of being uncompetitive
- the resistance to restructuring.

While the EU seems to be addicted to discrimination in its trade policies, developing countries also embrace the idea of discrimination in the form of "special and differential treatment". The sources are comparable, if not identical. Developing countries also believe that equal treatment of countries with different competitive strengths is unjust. Relaxation of GATT/WTO discipline is therefore justified, as is preferential treatment in their favour.

Special and differential treatment of developing countries could be given a useful role, however.<sup>38</sup> This would imply the recognition of differences between developed and developing countries that are genuine.

The Uruguay Round Agreement is full of promises of technical assistance to developing countries to help them to undertake the agreed reforms; but most of these promises were not binding and many have not been delivered.

Developing countries should not sign any agreement until their requirements for implementing the agreement are made explicit and – if assistance is needed – until these needs are recognised and resources to meet them have been identified and guaranteed by developed country members.

On discrimination against developing countries in textiles and clothing trade, the Uruguay Round has agreed to phase out the MFA quantitative restrictions by the end of 2004. The liberalisation was already

<sup>32</sup> WTO: World Trade Report, op. cit.

<sup>33</sup> J. Tinbergen: International Economic Co-operation, Amsterdam 1945, Elsevier.

<sup>34</sup> WTO: Annual Report 1998, Geneva 1998.

<sup>35</sup> WTO: World Trade Report, op. cit.

<sup>36</sup> See e.g. WTO: Trade Policy Review of the EU, Geneva, various issues; and J. Peikmans: European Integration: Methods and Economic Analysis, 2nd edition, Harlow 2001, Financial Times/Prentice Hall.

<sup>37</sup> M. Wolf: An Unholy Alliance: The European Community and the Developing Countries in the International Trading System, Ch. 2, in: L.B.M. Mennes, J. Kol (eds.): European Trade Policies and the Developing World, London 1988, Croom Helm.

<sup>38</sup> Zhen Kun Wang, L. Alan Winters: Including Developing Countries in a Consensus for the WTO, School of Social Sciences, University of Sussex, 2003.

hugely end-loaded, and it seems that there are plans for massive anti-dumping and safeguard actions in 2005, to neutralise effective liberalisation and prevent a return to GATT/WTO discipline for these products.<sup>39</sup>

This of course would be an unacceptable breach of faith. The developed countries should make it absolutely clear that the Uruguay Round commitments will be observed, and no countermeasures will be designed or used; developing countries should make it plain that there will be no settlement in the Doha Round if the existing agreement in textiles and clothing is not implemented in good faith.

Realising how anti-dumping has been misused, the fear is well-founded that labour and environmental clauses in the WTO might be misused as well to foster protectionism. Developing countries are right to resist these additions to WTO competence. These issues should be taken up and dealt with by the appropriate UN organisations. This is the ILO for labour standards and the Kyoto process protecting the environment. This division of labour leaves the WTO with setting rules for trade, which does not preclude of course widening this competence to areas that derive directly from its main principle of non-discrimination, such as competition policy.

#### Plan of Action

The European Round Table of Industrialists (ERT) has urged that the EU should not delay restarting the trade talks by spending time pondering its next strategic step or institutional reform of the WTO's decision-making process.<sup>40</sup> Before the Cancún conference forty multinational firms had already warned that the agenda was overloaded and that the focus should be on agricultural reform providing developing countries with access to rich countries' markets. The ERT also urged the EU Commissioner for Trade, Mr. P. Lamy, not to be tempted to engage more in bilateral deals from now on, but to stick to concluding multilateral agreements.

The following plan of action is meant to present the main activities by which the Doha Development Round can have a constructive continuation and the credibility of the multilateral trade system be preserved.

1. The *EU* should not hide behind the Singapore issues or any other excuse, but come clean on the Common Agricultural Policy. It should announce ir-

revocably that:

- EU borders will be open to agricultural products in 20 years time; the EU period allows for a humane process of restructuring in the EU;
- export subsidies will be abandoned in 3 years time, across the board with no small print; inconsistencies between this and the previous action point can be managed by set-aside programmes;
- the process will start with sugar and cotton, which will be liberalised in 3 years time as well.

2. The *EU* should take the lead in recognising that liberalisation of agriculture is in its own interest as well as that of developing countries. It would mean a major positive change in its diplomatic position. The *EU* should simplify the Doha agenda and announce its willingness to postpone the Singapore issues until after agricultural trade has been liberalised.

3. *Developing countries* should enjoy and use their increased weight in the WTO negotiations, but correspondingly should take more responsibility for maintaining the multilateral trade system by insisting on types of special and differential treatment that are least harmful to the WTO trade system and its main pillar: non-discrimination.

4. *Developing countries* could also focus on lowering their own protection and enhancing the benefits involved by complementary sound domestic economic policies.

5. The *WTO* should provide insight into the foundations and merits of the multilateral trade system in contrast to bilateral approaches. It should underline the essential principle of non-discrimination and refute the mercantilist view that trade liberalisation is a concession to trade partners rather than a benefit first of all to the own economy.

6. The *WTO* should seek to design a programme on special and differential treatment of developing countries that does not undermine the principle of non-discrimination, but recognises the needs for technical assistance and capacity building on trade policy design and negotiations.

As we said above, the focus on the role of the *EU* in this plan of action does not exclude the requirement that the *USA*, *Japan* and other countries should also act constructively in restarting the Doha Development Round, but it does reflect the fact that without significant advance from the *EU*, the process is doomed.

<sup>39</sup> Ibid.

<sup>40</sup> Wall Street Journal Europe, 30 October 2003. The ERT was the main driving force to urge the European Commission to create the Single Market, and saw to it that it did not result in a Fortress Europe.