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Executive summary

The Fifth Ministerial Conference of the World Trade Organisation (WTO), held from 10 to 14 September 2003 in Cancún, Mexico, opened a new phase in international trade relations. In an unprecedented show of strength, developing countries banded together successfully to defend their trading interests at the WTO, while repeated attempts by the world's richest countries to force through their own agenda – aided by a series of procedural abuses – ultimately led to the Ministerial's collapse.

This report outlines the new balance of forces which presented itself at Cancún, and exposes the threats and pressures which developing countries faced at the Ministerial, as well as the strategies which have been used against them since. The evidence presented is based on ActionAid's first-hand experience at Cancún, supplemented by new interviews conducted in May 2004 with developing country delegates to the WTO. The report calls for a radical reform of the way in which the WTO operates, to ensure that the procedural abuses which took place around the Cancún Ministerial cannot be repeated in future.

By the eve of the Cancún Ministerial, the WTO's legitimacy as an international institution hung in the balance. Basic procedures for ensuring the participation of all WTO members had repeatedly been flouted: private 'mini-ministerial' meetings between an exclusive group of WTO members had set the agenda for the talks, while the key documents on which negotiations were to be based had bypassed any process of approval by the WTO's membership. As a result, the draft Ministerial Text sent to Cancún was condemned by developing countries for failing to reflect their proposals alongside those of developed countries, leaving Ministers with little substance on which to base the negotiations themselves.

The Cancún Ministerial itself saw the emergence of several strong groupings of developing countries, both in response to the negotiating positions of developed countries and in furtherance of their own specific aims. The G20 grouping brought together several of the largest developing countries, centred around Brazil, India, China and South Africa, in direct opposition to the joint proposal on agriculture submitted to the WTO by the EU and USA. For its part, the G33 Alliance for Special Products and a Special Safeguard Mechanism

aimed to defend food security and rural livelihoods in developing countries from the threat of import regime liberalisation under the WTO's Agreement on Agriculture.

The G90 alliance of the African Union, least developed countries and countries of the African, Caribbean and Pacific bloc presented joint positions across a range of negotiating issues. Single issue alliances were also formed to resist the EU's attempts to launch negotiations on the four 'Singapore issues' of investment, competition policy, government procurement and trade facilitation, and also to campaign for an end to cotton subsidies in the EU and USA, responsible for undermining the livelihoods of millions of cotton farmers in West and Central Africa.

Developed country WTO members were not prepared for these new developing country alliances, and their first reaction was overwhelmingly negative. As described in this report, a series of public and private attacks were launched on the developing country groupings in order to undermine their cohesion, with the most concentrated assaults reserved for the G20. Developing countries hoping to negotiate free trade agreements with the USA were told directly that they would only be able to do so if they dissociated themselves from the G20. Many other countries were warned against joining the grouping, on pain of forfeiting trade preferences and other crucial economic benefits.

The eventual collapse of the Cancún Ministerial was widely blamed on the EU and USA, both for their intransigence on the issue of agricultural trade and also for the EU's increasingly isolated attempts to force through the Singapore issues in the face of overwhelming opposition from other WTO members. The USA was condemned for its refusal to engage with

West African proposals to eliminate its devastating cotton subsidies, while the WTO Secretariat itself came in for severe criticism over its role in producing a revised Ministerial Text which was even more blatantly one-sided than the original.

Rather than learning from these mistakes, however, the post-Cancún period saw a renewed set of attacks against developing countries, and the G20 in particular. Once again individual countries were threatened with loss of trade preferences – most notably, the possibility of negotiating free trade agreements with the USA – if they continued as members of the G20. This approach succeeded in breaking a handful of Latin American countries away from the grouping, while other countries joined the G20 in their place.

Recently, however, these attempts to break countries away from the G20 have been replaced with a more sophisticated variant of the ‘divide and rule’ strategy, as individual country groupings have been offered preferential access to developed country markets in return for their cooperation at the WTO. The EU’s overtures to the Mercosur bloc of South American countries have been regarded by some as a possible example of this ploy. However, since June 2004, others have suggested that the EU is using hard-line tactics in their negotiations with Mercosur, and has withdrawn its previous offers. Meanwhile, the EU’s May 2004 proposal to the G90 is an even more dramatic attempt to turn developing countries against each other at the WTO – even as the proposal itself turns out to be an empty offer.

These attempts to divide and rule developing country members of the WTO undermine hopes that the international trading system could actually address the needs of the poorest and most vulnerable communities in those countries. Instead, the policies and practices of the EU and USA continue to be dictated by the corporate interests of their own business communities. These interests determined the positions of developed countries at the Cancún Ministerial, just as the privileged access granted by rich country governments to their business representatives stands in direct contrast to the lack of transparency offered to civil society. This report examines the undue role played by corporate interests, both at Cancún and in WTO negotiations since.

The EU, USA and other rich country governments will be able to ignore the needs of the poorest countries and their vulnerable populations just as long as the absence of basic democratic procedures at the WTO allows them to do so. The process followed at and before Cancún was responsible in large part for the Ministerial’s collapse – yet proposals for increasing the democracy and transparency of such conferences have repeatedly been rejected by developed country members of the WTO.

ActionAid calls on all WTO members to address the negotiating procedures of the WTO as a matter of urgency, including the preparation and conduct of ministerials. In particular, ActionAid calls for an independent inquiry into the role of the WTO Secretariat during the Cancún Ministerial, with special reference to its part in the production of the second revision of the Ministerial Text. Finally, WTO members must undertake to refrain from using political, economic or personal threats against other members in order to manufacture consensus in international trade negotiations. Only if the WTO functions as an open and democratic organisation can there be any hope of its addressing the needs of the world’s poor.



Mahmud/map/ActionAid Bangladesh

1. Introduction

The Fifth Ministerial Conference of the World Trade Organisation (WTO), held from 10 to 14 September 2003 in Cancún, Mexico, opened a new phase in international trade relations. In an unprecedented show of strength, developing countries banded together successfully to defend their trading interests at the WTO, while repeated attempts by the world's richest countries to force through their own agenda ultimately led to the Ministerial's collapse. This report outlines the new balance of forces at Cancún, and exposes the threats and pressures which developing countries faced at and after the Ministerial. It also calls for a radical reform of the way in which the WTO operates, to ensure that the procedural abuses which took place around the Cancún Ministerial are not repeated in future.

The WTO has been plagued by charges of unfair practices and arm-twisting throughout its ten-year history. Nowhere have these practices been more apparent than at the ministerial conferences which are scheduled to take place at least once every two years. Early ministerials were characterised by exclusive 'green room' meetings which ensured that the most powerful countries set the global trade agenda according to their own preferences. Failure to launch a new round of trade

negotiations at the 1999 Seattle Ministerial was a direct result of this exclusion of developing country representatives, who eventually walked out in disgust at the undemocratic nature of the proceedings.

The next attempt to launch the new round took place at the Doha Ministerial in November 2001, held in the highly-charged context of the US-led invasion of Afghanistan just four weeks before. This time, under threat of being seen to be on the 'wrong side' in the international war on terrorism, developing countries did agree to a new round of trade negotiations. Yet many countries had voiced their strong opposition to EU and US demands for a comprehensive round, and signalled their intention to maintain this opposition even in the face of external coercion. Full details of the threats and pressures which eventually forced developing countries to drop their opposition at Doha came to light through research co-funded by ActionAid and published just prior to the Cancún Ministerial in the acclaimed book *Behind the Scenes at the WTO* (Jawara and Kwa 2003).

The WTO is often held up as a model of democracy among international institutions on the grounds that it ultimately relies on the democratic principle of 'one member, one vote'. Yet the WTO does not hold votes. Instead, the WTO relies on a system of decision-making by 'passive consensus', whereby any member country which is not actively opposing a proposal is taken to be in favour of it – even if that country's representatives are not present. This system makes it easier for powerful countries to overcome opposition through threats and pressures, since critical delegates need only remain silent for the 'consensus' decision to go through.

There will always be an element of imbalance in an international forum such as the WTO – not least when many of its poorest members do not have a single representative to defend their interests in its ongoing Geneva meetings. By contrast, richer countries not only have substantial permanent missions to the WTO, but also fly in large teams of special advisers from their capitals whenever they are needed for negotiations on specific issues. As former WTO Director-General Mike Moore acknowledged, despite formal equality between WTO members, "there is also no denying that some members are more equal than others" (Moore 2000).



Michael Amendolara/Network/ActionAid UK

Note on sources

The evidence collected in this report comes from ActionAid's first-hand experience at the Cancún Ministerial, where it was represented on several national delegations in addition to sending its own team of representatives. This has been supplemented by a series of new interviews conducted in May 2004 with developing country delegates in Geneva and with civil society representatives in several countries. The names of those interviewed have been protected in the report, given the sensitive nature of the material and the fact that several developing country representatives have already lost their jobs as a result of standing up to the EU and USA at the WTO. However, the status of interviewees and their region of origin have been indicated wherever this will not compromise their position.

Yet this inherent advantage is of a different order to the underhanded practices employed by the WTO's richest member countries in their attempts to overcome resistance to their agenda. The EU's chief negotiator Pascal Lamy acknowledged to European non-governmental organisations (NGOs) prior to the Cancún Ministerial that "arm-twisting and blackmailing practices" take place at the WTO. This confirmed the testimony of many developing country representatives who are on the receiving end of such practices. These representatives have revealed that they are typically threatened with the following if they do not agree to drop their opposition to rich country demands:

- **cuts to aid budgets, or the blocking of essential loans and debt relief which are crucial for many of the world's weakest economies; according to developing country representatives, Tanzania and Kenya were among countries threatened in this way in the run-up to the Cancún Ministerial**
- **loss of trade preferences, especially the cancellation of market access preferences for key exports – again, as shown in this report, a powerful weapon against countries which rely on the EU or USA as their principal export markets**
- **personal attacks against delegates who persist in defending their own country's interests against the demands of richer countries; these threats have been followed up in the past with pressure**

on developing countries to dismiss 'troublesome' ambassadors from their positions – the US Department of Commerce actually boasted on its website that the Dominican Republic's WTO ambassador Dr Federico Cuello had been "dismissed at the request of US trade negotiators" following the Doha Ministerial.

The Cancún Ministerial was a test of whether it would be business as usual for the WTO, or whether the voices of developing countries would finally be respected in international trade negotiations. The bruising experience of Doha had led a coalition of 15 developing country members to put forward a detailed set of proposals for reform of the WTO in April 2002, including specific recommendations for the running of ministerial conferences (Cuba et al. 2002). Yet their call for an open and democratic preparatory process was disregarded as the most powerful WTO members continued to meet in exclusive 'mini-ministerials' in the months leading up to September 2003.⁷ Despite the demands of poorer countries that these private meetings should not be considered part of the formal preparatory process, it was announced that the mini-ministerials would be crucial in establishing the agenda and direction of Cancún.

As a result of this blatant disregard for democratic principles, African trade ministers meeting in June 2003 to coordinate their positions for the Cancún Ministerial reiterated their concern at "the lack of transparency and

⁷ Mini-ministerials of 20-30 countries were held in Sydney (November 2002), Tokyo (February 2003), Sharm El-Sheikh (June 2003) and Montreal (July 2003).



Mark Phillips/ActionAid UK

inclusiveness in the WTO negotiations and decision-making processes". This frustration was echoed in the statement of trade ministers from African, Caribbean and Pacific (ACP) states at their joint conference in August 2003, and followed by a formal communication to the WTO a month before the Cancún Ministerial calling for basic rules to enable all WTO members to participate in the negotiations (Benin et al. 2003). Civil society organisations added their voice in a 'Cancún Democracy Challenge' submitted to WTO member countries a month before the Ministerial, supporting the call for an open, democratic process to allow all countries to participate on equal terms.

By the eve of the Cancún Ministerial, the WTO's legitimacy as an international institution hung in the balance once again. In addition to the use of private mini-ministerials to set the agenda for the talks, the key documents on which negotiations were to be based had bypassed any process of approval by the WTO's membership. Instead, the draft Ministerial Text was submitted to the Cancún Ministerial 'on the personal responsibility' of Uruguay's Carlos Pérez del Castillo, Chair of the General Council, with close support from WTO Director-General Dr Supachai Panitchpakdi. This refusal to transmit key negotiating texts through the proper channels had been repeatedly criticised in the

preceding months for undermining the democratic basis of the WTO, turning it from a member-driven into a Chair-driven organisation (Kwa 2003; Sharma 2003).

In addition to the procedural irregularities in its formulation, the draft Ministerial Text was condemned by developing country members of the WTO for failing to reflect their positions alongside those of richer members. The text conspicuously favoured the positions of the EU and USA, faithfully reproducing their proposals in key areas such as agriculture, non-agricultural market access and the Singapore issues, yet omitting the alternative proposals which developing countries had submitted. In the end, Pérez del Castillo and Supachai were forced to acknowledge this failing in their 31 August letter to the Chair of the Cancún Ministerial, Mexico's Minister of Foreign Affairs Luis Ernesto Derbez. The letter recognised that proposals other than those included in the draft Ministerial Text would also need to be considered as part of the negotiations at Cancún.

Only through a complete turn-around would the WTO be able to overcome the crisis of legitimacy it faced on the eve of Cancún. Yet events during the Ministerial itself confirmed that the WTO now relies on these anti-democratic procedures as its standard mode of operating. Moreover, reports began to emerge from the very start of the Ministerial that developing countries were once again being subjected to the same threats and inducements which they had suffered at Doha. The evidence presented in this report reveals a WTO which has failed to address any of the criticisms levelled at it in the past, and where absence of fair procedures has allowed the worst abuses of power politics to become endemic.

2. What really happened at Cancún

The Cancún Ministerial has been widely heralded for introducing a new dynamic into international trade negotiations, as a range of developing country negotiating blocs emerged within the WTO to challenge the dominance of rich country members. While there had been isolated examples of such collaboration at previous ministerials, the emergence of several developing country groupings at Cancún represented a genuine power shift with far-reaching consequences for the future of the WTO. This chapter outlines the main developing country groupings, and the impact they had on the Cancún Ministerial.

2.1 The developing country groupings at Cancún

G20

First in terms of its political impact was the G20 group of developing countries. Formed in the final stages of preparation for Cancún,² the grouping centred around the four developing country heavyweights of Brazil, China, India and South Africa. While its broader membership has varied since Cancún, this core has remained constant and represents an alternative power structure to set against the traditional Quad of rich WTO members: the USA, EU, Canada and Japan.

The G20 explicitly restricted its focus to the negotiations on agriculture, which it identified as the centrepiece of the Doha Round. From its first communiqué of 9 September onwards, the G20 made clear that the draft Ministerial Text submitted to Cancún failed to reflect the Doha mandate, and called for a far greater contribution from the major developed countries, given that they “are fundamentally accountable for existing distortions in agricultural production and trade”. The group had already submitted its own alternative framework for the Ministerial Text’s agriculture section to other WTO members, which demanded the elimination of export subsidies, reductions in domestic support, tighter rules on export credits and food aid, and increased access to the markets of developed countries.

G33

The G20’s proposals were largely based on their interests as agricultural exporters. Yet the overriding concern of most developing countries has been to protect their own farming communities from the threat of import regime liberalisation under the WTO’s Agreement on Agriculture. For this reason, a further alliance was formed in the run-up to the Cancún Ministerial to defend food security and rural livelihoods in developing countries, given that these elements were not being addressed sufficiently by the G20.

This grouping, in which Indonesia and the Philippines took a leading role, was officially known as the Alliance for Special Products and a Special Safeguard Mechanism, in reference to the WTO measures which its members had been promoting since early 2003 in order to protect their farming communities. As the alliance grew in number during the Ministerial, it eventually became known more informally as the G33. A small number of countries such as Pakistan and the Philippines have been members of both the G20 and G33 from the start, while some G20 members such as India expressed strong solidarity at Cancún with the G33’s concerns.

AU/LDC/ACP Alliance

In addition to these two single-issue groupings, Cancún also saw the formation of a ‘grand alliance’ between the African Union (AU), least developed countries (LDCs) and African, Caribbean and Pacific (ACP) states. These are formal blocs with defined memberships, but they share many of the same vulnerabilities in the face of globalisation, and several countries are members of all three groups. Increased coordination of their positions since the 2001 Doha Ministerial led to the formation of an alliance at Cancún which was prepared to take joint positions across the full range of WTO issue areas, not just agriculture. The alliance has also continued into the post-Cancún period, where it has increasingly been referred to as the G90 – although the exact reference of the group has recently been called into question, as described below.

² According to some officials, the name G20 actually stands in reference to the group’s date of establishment (20 August 2003) rather than the number of its original members.

Country membership of the main developing country groupings

G20

While the membership of the G20 has altered since its original foundation, as described in this report, its current membership (as of June 2004) comprises 19 countries: Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Philippines, South Africa, Tanzania, Thailand, Venezuela and Zimbabwe.

G33

The membership of the G33 comprises: Antigua and Barbuda, Barbados, Belize, Botswana, Cuba, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Honduras, Indonesia, Jamaica, Kenya, Mauritius, Mongolia, Montserrat, Nicaragua, Nigeria, Pakistan, Panama, Philippines, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and Grenadines, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia and Zimbabwe.

G90

The exact membership of the G90 is currently under debate. In its original form, the G90 was understood to represent the alliance between African Union, LDC and ACP members of the WTO (its total membership numbering less than 90 as a result of overlap between the different blocs). On this understanding, the G90 comprises the following 60 WTO member countries: Angola, Antigua and Barbuda, Bangladesh, Barbados, Belize, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo, Côte d'Ivoire, Cuba, Djibouti, Dominica, Dominican Republic, Egypt, Fiji, Gabon, Gambia, Ghana, Grenada, Guinea, Guinea Bissau, Guyana, Haiti, Jamaica, Kenya, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mauritius, Mozambique, Myanmar, Namibia, Nepal*, Niger, Nigeria, Papua New Guinea, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and Grenadines, Senegal, Sierra Leone, Solomon Islands, South Africa, Suriname, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia and Zimbabwe.

* since 23 April 2004, when Nepal became the WTO's 147th member; as an LDC, Cambodia will also become a member of this group when it ratifies its accession agreement to the WTO.

Ad hoc groupings

Many members of the above groupings also banded together at Cancún in ad hoc coalitions, most notably on the 'Singapore issues' of investment, competition policy, government procurement and trade facilitation. Persistent attempts by the EU and other developed countries to launch new negotiations on these four issues had been repeatedly rejected by the majority of WTO members, but developing countries were forced to continue fighting off this agenda throughout the Cancún Ministerial. Following a press conference chaired by Malaysia on 11 September, a coalition of 60 developing countries from across all the above groupings sent a formal letter to the facilitator of the working group on Singapore issues, Minister Pierre Pettigrew of Canada, demanding that there should be no mention of new negotiations in the Ministerial Text to come out of Cancún. In addition to a joint LDC position, this initiative also saw the Caribbean Community (CARICOM) acting en bloc within the broader developing country coalition (Hilary 2003).

Cotton Club

One further single-issue alliance had a major impact on the course of the Cancún Ministerial: the joint initiative undertaken by Benin, Mali, Chad and Burkina Faso to eliminate cotton subsidies worldwide. These countries had already submitted this proposal to the WTO in May 2003, and served notice that they expected it to be addressed as a priority, given the disastrous impact of rich country cotton subsidies on their economies and on the livelihoods of millions of small farmers in West and Central Africa. The issue quickly assumed significance as a symbol of whether the richest WTO members had any interest in pursuing the much-vaunted 'development round', and the USA's refusal to accept the proposal ultimately cast an atmosphere of betrayal across the entire Cancún Ministerial.

2.2 The developed country response

Developed country WTO members were not prepared for these new developing country alliances, and their first reaction was overwhelmingly negative. The world's richest countries have enjoyed such supremacy in international trade talks over the years that they were unwilling to face a new era which required them to respect the negotiating positions of other parties. Instead, they launched a series of public and private attacks on the developing country groupings – and in particular the G20 – to undermine their cohesion. These are detailed more fully in the next chapter.

From the EU side, Trade Commissioner Pascal Lamy admitted to the European Parliament just ten days after the Ministerial that the EU had not been properly prepared for the new geopolitical reality which manifested itself at Cancún (EP 2003). The EU had played the hardest pressure game at Doha, successfully forcing through its agenda in the face of developing country resistance. At Cancún, by contrast, the EU found itself on the back foot from the outset, widely condemned for refusing to give ground on agriculture but still persisting aggressively with its own demands. As regards the EU's continuing refusal to accept developing country opposition to the Singapore issues, a spokesperson for the US Trade Representative summed up the feeling of most observers with the comment that the EU had "isolated itself from the entire planet" (Bridges 2003a).

The USA was also unwilling to make concessions during the Ministerial. In addition to its intransigence on cotton, the USA repeatedly argued that the joint agriculture paper it had submitted with the EU in August 2003 represented the most it could contribute to the negotiations, and that it was incumbent upon others to make concessions. This joint strategy with the EU ensured that no movement would be made to address the profound injustices in developed countries' agricultural systems, while both US and EU representatives went on the offensive instead and criticised the alternative proposal which had been submitted in August by the G20. The most outspoken attack was made on the eve of Cancún, when EU Agriculture Commissioner Franz Fischler suggested that the G20's proposal was "intellectually dishonest", but both EU and US representatives continued with

unproductive criticism of developing country positions throughout the Ministerial itself.

As a result of this negative approach from the most powerful WTO members, remarkably little time was spent on negotiations. An increasing number of delegations began to voice concern that nothing had been achieved in the opening three days of the Ministerial, with formal Heads of Delegation meetings being used only to restate official positions. Once again it seemed that the tactics of brinkmanship would be employed to force less powerful delegations into 'make or break' decisions which they could not refuse.

2.3 Betrayal: the draft Ministerial Text

On 13 September, just one day before the Ministerial's scheduled ending, the focus turned to the new draft of the Ministerial Text. While Cancún was billed as a stock-taking exercise in the ongoing Doha Round, it was acknowledged that the Ministerial needed to restore a sense of purpose and urgency to the WTO negotiations, which had remained deadlocked for many months. To this end, the Ministerial Text would need to establish at least the basic framework for continuation of negotiations in Geneva, and discussion of what the text would contain assumed increasing importance as the Ministerial progressed towards its final stages.

There were already significant problems in the draft Ministerial Text which had been transmitted to Cancún from Geneva on the personal responsibility of Carlos Pérez del Castillo, Chair of the General Council, and WTO Director-General Dr Supachai. As pointed out by numerous delegations, that text was substantially based on the proposals made by the USA, EU and other developed countries – even where alternative proposals had been submitted by developing country members. In particular, the crucial annexes dealing with agriculture, non-agricultural market access and the Singapore issues were almost entirely based on documents submitted by developed countries. The conspicuous bias of this draft made the whole process of negotiation particularly difficult, as Ministers were not presented with options on which to negotiate, and this spurred developing countries into making several strong statements at Cancún to ensure that their views would be acknowledged in the final Ministerial Text.

In their own words

“Doha was slightly different from Cancún. When developing countries from the ACP and LDC groups went to Doha, we told our Ministers that the Ministerial Text had problems, but there were two issues – (the ACP waiver plus TRIPS and health) – that allowed the EU to get what they wanted. In Cancún, there wasn't any fanfare that 'we are not going to accept this until we get that'. The entire text was rejected. There wasn't anything for developing countries in the entire text.”

African delegate to the WTO, interviewed May 2004

“In Cancún, they couldn't force anyone to accept anything, because there was nothing there.”

Latin American delegate, interviewed May 2004

When the redrafted Ministerial Text appeared shortly after noon on 13 September, therefore, the shock was palpable. Instead of acknowledging the views of developing country delegations, the new text ignored them conclusively, simply repeating the positions of rich country members of the WTO. Most blatantly, despite consistent and vocal rejection by a majority of WTO members of new negotiations on the four Singapore issues, the new text announced that negotiations would indeed be launched on three of the four (investment, government procurement and trade facilitation) at the same time as it opened the door to possible negotiations on the fourth (competition policy).

Similarly, on cotton, the new text went out of its way to disregard the developing country position. Despite the widespread support which the four West African countries had gained from other WTO members for their attempt to see an end to all cotton subsidies, the new Ministerial Text simply reproduced the isolated position of the USA. Rather than addressing the market distortions caused by US provision of subsidies to its cotton producers, the text instead followed the US suggestion that those countries in which cotton accounts for the major share of economic output should be helped to diversify away from it. The reaction of one representative from the African cotton industry was: “We are used to hardship, disease and famine. Now the WTO is against us as well.” (Bridges 2003b)

On agriculture, too, the new text failed to represent the level of ambition called for by developing countries in their demand for the elimination of export subsidies, while their concerted efforts throughout the conference secured only the most minor gains in bringing under control the domestic support provided by rich countries to their agricultural producers. Worse, the new text stated that there would be an extension to the peace clause under which WTO members undertook not to challenge other countries' subsidy programmes at the

WTO – despite the fact that developing countries had categorically dismissed this as a possibility. At the same time, the text rejected the central call of the G33 and AU/LDC/ACP Alliance that developing countries should be exempted from making tariff cuts in special products essential for food security and rural development.

Finally, on non-agricultural market access the new text reflected the full ambition of the EU, USA and Canada as set out in their joint submission of August 2003. Key developing country proposals on the formula for calculating reductions in industrial tariffs were not even included as alternatives, just as the new text also disregarded their call for an exemption from the ‘sectoral approach’, which would require highly dangerous tariff reductions in key industrial sectors of developing economies. The proposal from African countries to exempt LDCs and other developing countries from having to increase their binding of industrial tariffs was likewise rejected. Indeed, the same story was repeated across the other development concerns grouped together in the new Ministerial Text.

The outraged reaction of developing countries to the new text indicated that there had been a serious breach of impartiality in its production. In addition to many informal expressions of anger, there was spontaneous applause from developing country members at the Heads of Delegation meeting on the evening of 13 September when Barbados and India voiced their frustration at the process which had led to such a one-sided draft. Many other countries spoke out against specific sections of the new text, with Mali expressing the profound disappointment of West and Central African countries at the rejection of their proposal on elimination of cotton subsidies.

The Kenyan delegation submitted an official statement of their frustration to Minister Derbez, the Mexican Chair of the Ministerial, detailing specific grievances across

agriculture, non-agricultural market access, Singapore issues, Trade Related Aspects of Intellectual Property Rights (TRIPS) and cotton (Kenya 2003). India also published its statement to Minister Derbez expressing disappointment “that the draft text ignores several concerns expressed by us and many developing countries”. The strong language of India’s submission reflects the general mood of developing country members:

“Mr Chairman, we have to express our disappointment that the revised text brought out by you has arbitrarily disregarded views and concerns expressed by us. We have so far constructively engaged in the entire post-Doha process in the hope that this is a development round. We wonder now whether development here refers to only further development of the developed countries.”

Inevitably, attention soon focused on the process under which such an imbalanced text had been produced. Overall responsibility belonged to the Chair of the Ministerial (hence the draft has been known as the ‘Derbez text’), but the facilitators of the six working groups established at the beginning of the Ministerial were officially tasked with providing recommendations on their particular part of the negotiations. Concern had already been expressed at the choice of these facilitators – particularly in the case of the working group on Singapore issues, where Minister Pettigrew of Canada was again named as facilitator, as he had been at Doha, despite the strongly partisan position which his country had taken on these issues at the WTO. Indeed, many developing country members have long protested against the refusal to hold an open process for choosing facilitators at Ministerials, which has in turn fuelled accusations of deliberate manipulation in their appointment.

The WTO Secretariat also has considerable influence in determining the final text to be submitted to member countries, and came under intense criticism for its role in preparing the new draft at Cancún. The process for producing Ministerial Texts is shrouded in secrecy, but the WTO Secretariat controls coordination and physical production of the drafts and is thus in a powerful position to influence their content. Several reports

emerged of facilitators being sidelined by senior Secretariat officials in the production of their texts. Kenya’s Minister of Trade and Industry Mukhisa Kituyi openly expressed his frustration at the lack of development concerns reflected – even though he had been facilitator of the working group on development issues (Bridges 2003b).

There was also concern at the role of WTO Director-General Dr Supachai in the production of the text relating to cotton, as he had personally overseen these negotiations as facilitator of that working group. It is unknown what pressure was exerted on him and others involved with the cotton issue to ignore the West African proposals and side instead with the USA. According to one developing country delegate interviewed after Cancún, Dr Supachai may himself have been sidelined in the preparation of the cotton section of the new text. Yet this and the other egregious instances of bias discredited the WTO Secretariat and generated further calls for reform of the process at WTO Ministerials – including transparency in the production of key texts.

2.4 Collapse and culpability

The one-sided nature of the new draft Ministerial Text created such an atmosphere of distrust and betrayal that it effectively removed the possibility of a successful outcome from Cancún. The formal Heads of Delegation meeting to debate the text ran from 7pm on 13 September until after 1am, at which point a small ‘green room’ of nine delegations (Brazil, China, the EU, India, Kenya, Malaysia, Mexico, South Africa and the USA) met in private until 4am. The discussions focused on the EU’s persistent demand – repeated by Commissioner Lamy at the Heads of Delegation meeting – that the WTO’s mandate must be expanded to include negotiations on the Singapore issues. This demand was seen to be blocking progress on all other fronts, and was therefore treated as a priority.

A larger ‘green room’ was then convened shortly after 8am, with around 30 countries participating, in order to see whether any agreement was possible to overcome the obstacle posed by the Singapore issues. A despairing last-minute offer from the EU to drop some of the four issues came far too late to save the situation. Korea and Japan, suddenly abandoned by their chief ally, declared

that they would not accept the removal of any of the Singapore issues. The AU/LDC/ACP Alliance, on the other hand, repeated their opposition to all four. With no way through this impasse, Minister Derbez called the 'green room' to a close and convened the full membership to announce the end of the Ministerial later that afternoon.

In keeping with the negative approach they had maintained throughout the Ministerial, the EU and USA swiftly went on the offensive and blamed everyone else for the collapse of Cancún. US Trade Representative Robert Zoellick criticised the "won't do" countries, both developed and developing alike, which had prevented the progress desired by "can do" countries such as the USA. Several EU representatives tried to deflect blame from themselves by questioning the decision by Minister Derbez to end the conference when he did, rather than extending it by a further day. Stung by the realisation that they had themselves been responsible for wrecking the talks, EU officials and Ministers also tried to blame non-governmental organisations (NGOs) for causing the upset.



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The international media, by contrast, were in no doubt as to who was responsible for the collapse, with BBC reports blaming the EU for "brinkmanship which tipped the WTO over the brink". The *Financial Times* of 15 September laid the blame squarely at the feet of the EU for persisting with the Singapore issues, which the paper noted were an "anathema to the developing world". The *Economist* of 20 September echoed this analysis:

"The instant post-mortems blamed rich countries most. NGOs accused them of wrecking the talks by pushing poor countries too far on the Singapore issues and giving too little on agriculture. There is much truth to both claims."

The *International Herald Tribune* editorial of 17 September castigated the "disgraceful manner in which the American negotiators rebuffed the rightful demands of West African nations that the United States commit itself to a clear phasing out of its harmful cotton subsidies", and also blamed the EU and Japan for demanding the "unwieldy and unnecessary expansion of the WTO's mandate" in order to deflect attempts to reduce their own agricultural subsidies. In all, the paper characterised the failure of Cancún as "a crushing message from the developed world – one of callous indifference".

This verdict is now established as the common understanding of what happened at Cancún. Indeed, an internal UK government report leaked in October 2003 blamed Pascal Lamy for a "tactical misjudgement" in his refusal to concede on Singapore issues until the last minute, and concluded: "At the heart of the collapse was a clash between the approach of the EU and US and others, expecting a traditional brinkmanship style negotiation, and the approach of many developing countries who were not willing to play this game." The same analysis is echoed by the UK Parliament's International Development Committee in its report on the Ministerial: "The European Commission's strategy of brinkmanship was destined to derail Cancún." (IDC 2003)

3. Divide and rule: the EU/US response to developing country resurgence

The new dynamic introduced by the developing country alliances at Cancún caught the USA and EU by surprise. Rather than engaging in bona fide negotiations, their response was to attack the new groupings – and particularly the G20 – in order to undermine their unity, break individual members away from the group, and prevent other countries from joining. This became a major focus of US and EU activities during the Ministerial, and represents the most tangible sign of power politics at work in Cancún. This chapter reveals the extent of the pressure brought to bear on developing countries both at the Cancún Ministerial and in the months thereafter, and examines the new tactics employed more recently by the EU and USA to turn developing country groupings against each other.

3.1 Power politics at Cancún

Early indications of the importance which the USA attached to the strategy of breaking down the G20 came with reports that US President George Bush had personally telephoned the heads of state of Brazil, India, Pakistan, South Africa and Thailand on the eve of the Ministerial, putting pressure on them to abandon the G20's strong stance on agriculture. The USA maintained this pressure throughout the Ministerial with more such phone calls from President Bush and in bilateral meetings with individual delegations at Cancún.

The USA directed particular pressure at Latin American members of the G20, given the importance of US markets to their economies. In particular, many Latin American countries were presented with the direct choice of staying within the G20 or having the possibility of negotiating a free trade agreement (FTA) with the USA. The connection between each country's conduct during the Ministerial and its likelihood of securing an FTA with the USA was made explicit in a press statement issued by the Office of the US Trade Representative on 11 September and widely reported throughout the Ministerial. In this statement, Senator Chuck Grassley, Chair of the US Senate's Finance Committee, openly questioned the interests of Colombia, El Salvador, Costa Rica, Morocco, Thailand, Egypt, Guatemala and South Africa in pursuing FTAs with the USA. The thinly-veiled threat was made even more explicit at the end of the Ministerial, when Grassley issued a further statement saying:

“Let me be clear. I'll use my position as chairman of the Senate Finance Committee, which has jurisdiction over international trade policy in the US Senate, to carefully scrutinize the positions taken by many WTO members during this ministerial. 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 Cancún, and those nations that didn't.”
(Grassley 2003)

In addition to these threats, the USA was also prepared to offer incentives to entice countries away from the G20. ActionAid learned early in the Ministerial that Costa Rica, El Salvador and Guatemala had all been offered expanded export quotas by the USA if they would agree to abandon the G20. El Salvador announced on 13 September that the G20 “no longer represented its national interests” and that it would therefore not continue as a member, but the others remained within the group throughout the Ministerial.

Of particular concern to the USA and EU was the news that a large number of other countries had expressed solidarity with the position adopted by the G20, and that several were intending to join the group. Much effort was spent in trying to prevent membership of the G20 from expanding in this way, with US representatives holding a series of bilateral meetings with Arab countries early in the Ministerial in a concerted effort to prevent them from doing so. For its part, the EU engaged in persuading ACP countries not to join the G20, given the influence which the EU has over ACP economies through its trade preferences and economic ties.

Great pressure was exerted on Kenya, in particular, because of the strong role it has traditionally played in the Like-Minded Group of developing country WTO members and because of its close links to the G20's original demands on agriculture. According to Kenyan NGOs, the change of government at the beginning of 2003 drew a steady stream of US, EU and Japanese delegations to Nairobi in the months preceding the Cancún Ministerial. In addition, the government was

In their own words

“Hostility against us was very much in the air at Cancún and people did not move. That hostility turned into a really destructive energy that tried to take out of the G20 all the Latin American countries negotiating FTAs with the US.”

G20 Ambassador, interviewed May 2004

“From the US perspective, participation in the G20 was problematic not only because of the positions which the G20 were taking at the time, but also because of the number of countries and the components in the G20. I perceived that Cuba, Venezuela and Brazil were part of these political concerns, as well as India and China. Some countries started to have recollections of the cold war: they had concerns that being linked to the G20 would make them be seen in political terms to be against the United States. Congress delegates who were part of the US delegation put pressure not only on El Salvador but on others as well.”

Andean country delegate, interviewed May 2004

pressed by US negotiators to disclose what role Kenya was going to play at Cancún – even though the joint African Union position had not yet been announced at that time. According to Kenyan representatives, these overtures were accompanied by suggestions that a more friendly stance at the WTO might be rewarded with help in normalising the new government’s relations with the IMF and World Bank.

The strategy employed by the USA and EU to contain the G20 met with limited success at Cancún. El Salvador was the only country to leave the group during the Ministerial; but, by way of compensation, the original 20 members were joined by Egypt, Nigeria and Indonesia. However, the pressure exerted by the EU and USA was successful in preventing more countries from joining the G20 at Cancún, even if it failed to break the solidarity of the group’s core membership.

Nor was EU and US pressure concentrated only on the G20; members of the G33 were also subjected to similar treatment. The Philippines – as one of the countries which belonged to both groupings – came under intense pressure to distance itself from both the G20 and G33. In addition, an important part of the overall EU/US strategy was to prevent the two groups from joining forces against the developed countries on agriculture, with the EU reportedly pressing individual African states to keep clear blue water between the G20 and G33.

Indeed, EU representatives spent a great deal of time at the Cancún Ministerial talking up the differences between the G20 and other developing countries, and suggesting that the G20 should not be seen as representing a more general developing country

position. This attempt to divide developing countries against each other has continued as a key strategy in the post-Cancún period, as described below. Further, the EU attempted to undermine the G20 by drawing repeated attention to supposed differences between its individual members, and suggesting that the alliance was a ‘marriage of convenience’ which was not destined to last.

3.2 Undermining developing country unity

The EU was also accused of trying to undermine developing country unity during the Ministerial by spreading rumours that West African countries might be open to WTO negotiations on the Singapore issues in return for a deal on cotton at Cancún. Furious at the suggestion that they had split from other African countries, Ministers of the eight member states of the West African Economic and Monetary Union (Benin, Burkina Faso, Côte d’Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo) met on 12 September to adopt a formal statement reaffirming their opposition to the launch of negotiations on the Singapore issues. This statement was transmitted to WTO Director-General Dr Supachai and published as a formal document of the Ministerial Conference (Togo 2003).

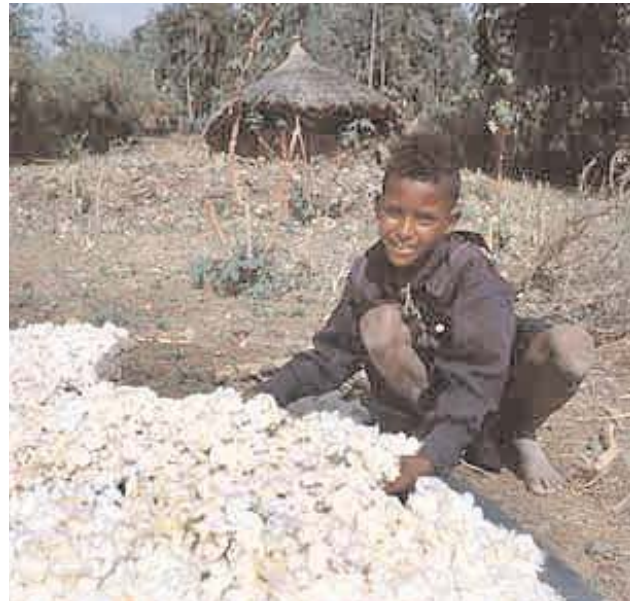
The USA was more direct in its attempts to destabilise the new developing country groupings, launching strong attacks against Brazil, in particular, as coordinator of the G20. This dual approach of a more subtle EU and more outspoken USA is a ‘good cop, bad cop’ ploy which the two have used before at the WTO (Jawara and Kwa 2003). In the words of one Asian delegate interviewed for this report: “The EU might be digging your grave but will be smiling at you. The US will dig the grave, but with a grave face.”

However, the USA was also prepared to use more devious methods to undermine the position of developing countries. Rosa Whitaker, formerly US Assistant Trade Representative for Africa, was working as adviser to Uganda's President Yoweri Museveni (as well as other African leaders) in the period prior to the Cancún Ministerial, with particular reference to Uganda's attempts to benefit from the US African Growth and Opportunity Act (AGOA). When Whitaker heard of the positions which the Ugandan delegation would be supporting along with other African countries at Cancún, she warned Museveni that this would be considered hostile to US interests.

Museveni duly told the Ugandan delegation not to ally itself with the African position at Cancún. His instructions made it difficult for the Ugandan delegation to take a leading position in the ranks of developing countries, as it had done at Doha. Whitaker spent her own time at Cancún holding informal workshops to remind African delegates of the benefits which friendly countries might be able to expect from a possible extension of AGOA preferences in 2004.

The EU/US campaign to undermine developing countries met with angry reaction. On 12 September, a coalition of US NGOs issued a public statement condemning the US government for its "shameful and deplorable" attacks on members of the G20. Reflecting its own frustration at the continuing assaults, Brazil also issued a press release on 12 September noting that the final days of the Ministerial were approaching, and that: "It is even more important, at this stage, that we concentrate our efforts in trying to negotiate and not direct our energies at attacking countries or groups of countries."

Yet behind the scenes much energy was still being spent on unproductive activities designed to destabilise and undermine developing countries' positions. One such example came to light with the leak of a letter written by a senior UK government official to the New Zealand High Commission in London just before Cancún. In the letter, the UK official promised that she would commit some of her time at Cancún to monitoring the activities of Roman Grynberg, the Commonwealth Secretariat's Deputy Director for Trade, whom she accused of being a bad influence on developing



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countries. Don McKinnon, Secretary-General of the Commonwealth, responded by accusing the UK government of a "neo-colonial mentality" in its approach (Pallister and Denny 2003).

3.3 Post-Cancún strategy: sticks and carrots

As noted earlier, both the EU and USA went on the offensive in the immediate post-Cancún period, blaming the G20 for the blockage in WTO negotiations. The USA became particularly unpleasant during this time, according to the WTO Ambassador of one G20 country interviewed for this report:

"The US was aggressive in Cancún, but the US is always aggressive in negotiations. They always negotiate from a position of strength, and that's normal, but what happened after Cancún was that they attacked the group in a vicious way, making allegations and accusations about the group."

Among the G20 membership, Brazil and India were singled out for particularly vicious treatment. In an early sign that these two countries would become the prime targets of EU/US aggression, the European Commission's Director-General for Trade, Peter Carl, circulated a paper in late September 2003 criticising "the main leaders" of the G20 for their proposals on agriculture, and suggesting that Brazil and India in particular did not have a genuine interest in seeing the WTO negotiations move forward (Carl 2003). This focus on Brazil and India has formed part of the ongoing attempt to turn other developing countries against the G20, particularly in Africa. In the words of one G20 Ambassador: "There has been a lot of effort with African countries to create a well-orchestrated programme marginalising India and Brazil."

One example of this strategy came in the wake of the informal meeting of African trade ministers in Mombasa in February 2004, at which US Trade Representative Zoellick and EU Commissioner Lamy were both present. The US Ambassador to Kenya William Bellamy launched an attack on Brazil and India in the pages of the local press, suggesting that “the rhetoric of ‘Third World solidarity’” was concealing the fact that “struggling economies like Kenya are in fact far more hurt by the trade-distorting policies of other developing economies” than by those of rich countries such as the USA (Bellamy 2004). His pointed comment that “both American and Kenyan producers would be much better off if Brazil and India opened their markets in accord with WTO principles” provoked a swift response from the Brazilian Ambassador and the Indian High Commissioner to Kenya, who noted that Bellamy’s allegations were “especially devoid of meaning” in view of the massive distortions caused by the USA’s domestic subsidies and tariff structures for products of special interest to developing countries (Whittaker-Salles and Kumar 2004).

Attempts to break down the membership of the G20 itself continued in the period immediately after Cancún, with the most extreme pressure being exerted on those countries aiming to negotiate FTAs with the USA. According to Latin American delegates, the threat to these countries was direct and explicit. In the words of one Ambassador: “The US said: ‘You still want to negotiate with us? Then get out of the G20.’” Guatemala, Peru, Ecuador, Colombia and Costa Rica all left the G20 in the weeks following Cancún in response to threats that their trading arrangements with the USA would be jeopardised if they continued as members. Thailand, which began negotiation of an FTA with the USA a month after the Cancún Ministerial, also came under intense pressure to leave the G20, and felt able to send only a junior representative to the G20’s ministerial-level meeting in Brasilia in December 2003.

Once again, however, attempts to contain the G20 were limited in their success. While the five Latin American countries listed above left the G20 following the Cancún Ministerial, Tanzania and Zimbabwe joined the group as new members at its December meeting in Brasilia. Indonesia rejected the ‘deal’ of greater concessions towards special products in agriculture if it agreed to

abandon the G20, while Thailand and the Philippines have also resisted the pressure on them to leave. Increasingly, as the G20 has proved its importance as a lasting political force in the negotiations, its members have seen that it is not in their interests to be bought off with short-term favours. As noted by one Asian G20 representative interviewed for this report:

“The G20 has, to my mind, provided a forum for its members to fight collectively for their interests. All major members realise the importance of this – there is strength in unity. The major members, if not all, have realised that any short-sighted step taken to succumb to the divisive techniques used by the majors will go against their interests in the long run. If we leave the group for little crumbs here and there, we will look like fools.”

Perhaps in recognition that the G20 was not just a short-term alliance destined to collapse along with the Ministerial, Pascal Lamy was also present (at his request) in Brasilia, thereby beginning to show the first signs of acknowledging that developed countries must respond to the challenge posed by the G20 in a more intelligent way than at Cancún. Lamy himself had come under intense personal attack within the EU for his role in causing the collapse of the Ministerial, and was widely urged to work out his remaining months as Trade Commissioner in a more constructive manner.

Robert Zoellick, now approaching the end of his own term as US Trade Representative, also opened 2004 with the determination to engage with other members of the WTO. First signs of this came with Zoellick’s January letter to all other WTO members, which announced that the USA wished to return to the WTO as a negotiating forum, reversing its initial post-Cancún suggestion that it was going to pursue US interests on a bilateral and regional basis only. Zoellick has since travelled the world as widely as his EU counterpart, criticising the G20 during his February tour of Asia but courting key members of the group at an informal dinner of nine WTO member countries hosted by him in London on 30 April, prior to the mini-ministerial held on the margins of the OECD’s 2004 annual meeting in Paris in mid-May.

In their own words

“In terms of pressure, the message was absolutely clear when the US asked us not to participate in the G20, because at the same time they announced to our Ministers the process of starting free trade bilateral agreements. Ecuador pulled out before the first G20 meeting [after Cancún] in Geneva, and Colombia and Peru did so for the same reasons. Costa Rica tried to stay in the G20 a little longer, but in the end it was impossible. It’s difficult for governments and officials to say something that could be taken in the US to be a different way of thinking, because of the economic link that the US has with Latin America. It’s amazing the number of US companies in Central America, and in the Andean countries their presence is quite big too. On the other side too, the natural market for products from Latin America is the United States – sometimes 60-80% of export products. It’s difficult to play with that kind of thing.”

Latin American delegate, interviewed May 2004

“When a country is in a position to lose a lot, we have to move. It’s a reality – hard to understand, but it’s a reality, it’s a fact. Our main market is the US so we cannot lose our preferences; they are unilateral.”

Latin American delegate (former G20 member), interviewed May 2004

“The US sees the G20 as a threat not just in agriculture but also as a threat to negotiations elsewhere, so they worked very hard to break the G20 immediately after Cancún. They put a lot of pressure on Thailand because it was doing an FTA with the US, and there was even one time when the Ambassador of Thailand was not attending meetings of the G20; that was the kind of pressure Thailand was under. But they made a wise choice in not leaving the G20.”

Asian delegate (G20 member), interviewed May 2004

While the EU and USA may have realised that their sullen reaction to the collapse of negotiations at Cancún was counterproductive, they have not abandoned their attempts to contain the G20. Rather than direct attacks or attempts to break down the membership of the G20, the new strategy aims to woo the other developing country groupings within the WTO, and in particular to encourage the suggestion that the interests of the poorest developing countries are best served not by the powerful members of the G20, but by the USA and EU.

3.4 Wooing the G90

Nowhere has this policy of ‘divide and rule’ been seen more clearly than in the EU’s recent overtures to the G90. Following his appearance at the African trade ministers’ meeting in Mombasa, mentioned above, Lamy was also present at the meeting of LDC trade ministers held in Dakar from 4 to 5 May 2004. Immediately after this meeting, on 9 May, the EU sent a letter to all other WTO members setting out its proposals across a range of issue areas, but focusing in particular on the suggestion that for agriculture and non-agricultural market access:

“least developed countries and other weak or vulnerable developing countries in a similar situation – essentially the G90 – should not have to open their markets beyond their existing commitments, and should be able to benefit from increased market access offered by both developed and advanced developing countries.”

The letter continued with the suggestion that these countries would in return have to increase their tariff bindings “to a reasonable level”, and to sign up to negotiations on the two Singapore issues of trade facilitation and “perhaps” transparency in government procurement. Once again, pressure is being exerted on the capitals of key developing countries to accept the new deal, with Kenya and Uganda reportedly in the firing line as before.

The EU proposal attracted swift criticism on several counts. A range of countries including Argentina, Chile, Egypt and New Zealand expressed their concern at such an obvious attempt to divide the WTO membership at a time when it most needs to be united in a search for a framework solution to the Doha Round.

In their own words

“Very few countries understand that this [the EU proposal to the G90] is a bad deal. For countries whose capacity to analyse such a proposal is limited, it just looks as if they are being exempted from tariff reductions. Unless we spend a lot of time sensitising these countries about the implications, they won't understand. But if we do this, we are then looked on as the bad guy.”

African delegate, interviewed May 2004

“The EU is wooing the G90 with sweet talk. For small countries, deals with the EU and US are a powerful incentive. The difference with the G20 is that we bring together big countries – and one of them, China, is the most dynamic trade partner in the WTO. Yet they will continue to try and isolate us from LDCs, Central America, the G90.”

G20 Ambassador, interviewed May 2004

“To the G90, they say: ‘Look what we are doing for you; look what Brazil and India are not doing for you.’ It's the same thing as management saying to the workers: don't unite; the other workers aren't doing much for you.”

Asian Ambassador (G20 member), interviewed May 2004

Yet this has clearly been a central part of the EU's strategy to woo the G90 – as confirmed by Lamy at the Mombasa meeting of African trade ministers, where he undertook to address Africa's problems on the condition that African countries and other G90 members do not make common cause with the countries of the G20. Much criticism has also focused on the EU's proposal to create a new sub-category of developing countries at the WTO, an innovation for which it has no authority and which would certainly be opposed by a large number of other members. In the words of one African delegate interviewed for this report: “The WTO is not a bilateral organisation; it's not Pascal Lamy running the show.”

Furthermore, it is far from clear what the G90 refers to under this new proposal. Following the Cancún Ministerial, the G90 has been understood to refer to the AU/LDC/ACP Alliance – even while it was acknowledged that the number 90 was an inaccurate guide to its strength, given the overlap in membership between the three blocs. In its more detailed explanation of the ‘Possible G90 Platform’, however, the EU suggests that the best definition of the G90 “would include, in addition to LDCs, any small economy, landlocked developing country (DC) or commodity dependent country provided they are ‘particularly weak or vulnerable’” (EU 2004). Exactly which countries might be included in this deliberately loose definition is important, as the EU proposal that G90 countries would not have to open agricultural or industrial markets in the current round is to some degree a restatement of existing WTO positions. Indeed, there is increasing recognition that

the EU ‘offer’ to the G90 is largely an empty promise designed to defuse their opposition at the WTO (Rice 2004; Kwa 2004).

In addition to expanding on the EU recommendation on market opening, the more detailed paper also suggests that any proposals from G90 countries on special and differential treatment should receive priority over proposals from other developing countries – a clear attempt to create a two-tier system at the WTO. In return, the paper calls on the G90 to publish a declaration saying that WTO members “should not stop WTO negotiations/work” on the other two Singapore issues of investment and competition policy on a plurilateral basis. The paper continues: “Even if the discussions on these two issues are plurilateral and there is no requirement for Members to join them, we do still hope that G90 members would participate as members or observers to these negotiations, so as to bring to them a stronger development dimension.”

The EU's attempt to buy off the poorest WTO members while moving towards a deal with the more powerful forces of the G20 is beginning to look like the ‘Tokyo Round solution’ which was mooted in some quarters after Cancún, whereby the real negotiations are conducted between the major players of the developed and developing worlds, and the other countries sit on the sidelines to await the result. The continuing practice of holding private, informal meetings between a handful of key countries means that the negotiations have effectively gone underground, excluding all those WTO members not blessed with access to this inner circle.

As acknowledged by one G20 Ambassador interviewed for this report, “Transparency has declined; it’s smaller groups that are meeting and discussing.”

Yet, as the poorest and most vulnerable countries increasingly point out, the lack of transparency caused by such exclusive discussions means that their needs are simply not being addressed in the negotiations. Instead, they are being consoled with vague promises that their issues will be looked at in due course. In the words of one African delegate to the WTO, “It’s something to be done later, and in this house when you leave something for later, you know what the results will be...”

At the same time as they are being excluded from the decision-making process at the WTO, many of the world’s poorest countries are being actively engaged in the negotiation of bilateral trade agreements which threaten to expose their economies to precisely the dangers which they have tried to defend themselves against at the WTO. Chief among these, for members of the ACP bloc, are the Economic Partnership Agreements (EPAs) currently being negotiated with the EU. These have the potential to cause even greater divides between developing countries, as they are negotiated not with the entire ACP bloc or even on a continent-wide basis, but between the EU and regional groupings such as Eastern and Southern Africa, which began its EPA negotiations with the EU in February 2003. Despite the threats which the EPAs pose to their economies, offers of preferential treatment are being used in order to cajole ACP countries into abandoning a critical tone at the WTO.

In addition, both the EU and USA have stepped up the negotiation of FTAs with individual countries or regional blocs. The USA gave notice at the end of the Cancún Ministerial that it intended to follow this path, and has duly signed FTAs with several countries since Cancún – including the Central American Free Trade Agreement (CAFTA) with Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua – and embarked on new negotiations with several more. As noted above, the USA has explicitly linked its willingness to advance these FTAs with the ongoing WTO negotiations, requiring a more pro-US stance from FTA partners in fulfilment of the now infamous dictum of Robert Zoellick that an FTA with the USA is a privilege, not a right.

Some claim that the EU has followed suit by offering preferential market access to agricultural exports from the Mercosur bloc of South American countries. However, since June 2004, others believe that the EU has started to use hard-line tactics, and has withdrawn its previous offers, in order to force Mercosur’s hand in WTO negotiations. As reported in the *Financial Times* of 14 April 2004:

“The European Union has long been renowned for skilful use of ‘divide and rule’ tactics in global trade talks to play opponents off against each other. But even veteran observers are surprised by its latest move.”

The EU and Mercosur exchanged their first liberalisation offers in May 2004, with a view to finalising an FTA by October. Some believe that the schedule is carefully designed to fit with the WTO’s own timetable, and in particular the attempt to formulate a framework agreement for continuation of the Doha Round negotiations in July 2004. As if to emphasise this point, the EU is making part of its offer conditional upon satisfactory progress at the WTO – a clear warning to the four Mercosur countries that they should distance themselves from criticism of the EU in Geneva.

The appearance of well-organised and determined new groupings of developing countries at the WTO has challenged the supremacy of developed country members such as the EU and USA. Sadly, their response to this challenge both at Cancún and afterwards has been a negative one, based on attempts to divide and rule their opponents rather than a willingness to engage in genuine negotiations at the WTO. This is particularly disappointing given the growing calls from civil society and parliamentarians around the world for justice in international trade relations. However, as the next chapter reveals, these more positive calls have been disregarded in favour of a corporate agenda driven by the interests of the international business community.

4. Who's pulling the strings? The power behind the politics

While trade officials from developed countries are responsible for the tactics employed in WTO negotiations, it has become increasingly clear that their strategies are determined by the wishes of the business groups which stand behind them. These corporate lobby groups enjoy immense influence over the trade policies of WTO members such as the USA, EU and Japan – indeed, they are not so much lobby groups as senior partners of the developed country governments, relied upon to direct policy choices and negotiating positions alike. As a result, their interests have become paramount within the WTO, subverting the organisation and preventing it from addressing the needs of those communities whose rights are increasingly threatened by trade policy decisions.

The WTO has made no secret of the influence which international business has had on its agenda over the years. During the Uruguay Round of trade negotiations, held from 1986 to 1994, corporate lobbyists succeeded in expanding the agenda into the completely new areas of services, intellectual property rights and trade-related investment measures. The General Agreement on Trade in Services (GATS), for example, relied heavily on corporate pressure to see it through its difficult birth process. In the words of David Hartridge, former director of the WTO's services division:

“Without the enormous pressure generated by the American financial services sector, particularly companies like American Express and Citicorp, there would have been no services agreement.” (Hartridge 1997)

Similarly, the TRIPS Agreement only came into being as a result of relentless pressure from corporate lobbyists. Under the leadership of the chief executives of Pfizer and IBM, and in conjunction with their counterparts in the EU and Japan, patent and copyright lobbyists from the USA ensured that the hitherto obscure issue of intellectual property rights made it onto the agenda of the Uruguay Round. Moreover, they also ensured that their own proposals for a business-friendly intellectual property code were clearly reflected in the final TRIPS Agreement – despite consistent opposition from developing countries (Matthews 2002). The negative impact of the TRIPS Agreement on poor communities in those countries has been felt ever since.

4.1 Corporate expansion of the WTO agenda

The months leading up to the Cancún Ministerial saw a new campaign from corporate lobbyists to expand the WTO's agenda still further, this time into the controversial areas of investment, competition policy, government procurement and trade facilitation. Business groups had ensured that these four issues were included within the study programme of the WTO at its 1996 Ministerial in Singapore (hence their collective title of the 'Singapore issues'), but developing countries had successfully resisted the pressure to launch new negotiations on them. Following the Doha Ministerial in 2001, which raised the possibility of negotiations on the Singapore issues if an explicit consensus agreement could be reached by all WTO members at Cancún, the international business lobby launched a concerted campaign to expand the global trade agenda once again.

At the forefront of this campaign stood major international business lobbies such as the International Chamber of Commerce (ICC). The ICC represents the interests of its member corporations at the highest political levels, and unashamedly states in its own promotional literature that: “Through membership of ICC, companies shape



Gideon Mendel/Corbis/ActionAid UK

rules and policies that stimulate international trade and investment." As a mark of the exclusive access it has to the world's most powerful leaders, the ICC has the special privilege of meeting with the host of the G8's annual summit in order to deliver their wishlist for the coming year. The ICC met accordingly with France's President Chirac in May 2003, prior to the G8's Evian summit, and handed over a statement calling for the WTO's negotiating agenda to be expanded into the new areas of investment, government procurement and trade facilitation.

The ICC's position was echoed by other major international business groupings. The Business and Industry Advisory Committee to the OECD, which brings together key players such as the Japanese business federation Nippon Keidanren, the Canadian Council for International Business, the Confederation of British Industry and the Federation of Korean Industries, also called for negotiations on three of the four Singapore issues. The Transatlantic Business Dialogue – a standing body of leading corporations convened by the US government and the European Commission in order to foster government-business efforts towards greater trade liberalisation – also supported negotiations on the three issues of investment, government procurement and trade facilitation. Business suspicion at the possible ramifications of a WTO agreement on competition policy (the fourth Singapore issue) ensured that there was less pressure for negotiations on that front.

In the USA, the US Council for International Business supported the position taken by the above groupings, as did the Business Round Table and the Coalition of Service Industries. The Business Round Table announced that it would be launching a multi-million dollar promotional campaign in June 2003 to win support for the successful conclusion of the Doha Round of WTO negotiations, in conjunction with similar actions by its counterparts in Mexico, Canada, the EU and Japan. Interestingly, while continuing to support the launch of negotiations on government procurement and trade facilitation, US business groups toned down their support for WTO negotiations on investment when it became clear that the WTO would not be able to offer US companies the high level of freedom which they already enjoy as a result of the

bilateral investment treaties negotiated on their behalf by the US government. US negotiators accordingly muted their support for an investment agreement at the WTO.

Within the EU, however, there was strong business support for new negotiations on investment – and this was dutifully reflected in the hardline position which EU negotiators took on the Singapore issues at Cancún. The European employers' federation UNICE (the self-styled 'Voice of Business in Europe') pressed hard for the launch of negotiations across all four Singapore issues, with support from Eurocommerce and the Brussels-based Foreign Trade Association. The European Services Forum – a business grouping called into existence by former EU Trade Commissioner Leon Brittan in order to direct EU policy on services trade – also supported the call for negotiations on the Singapore issues, as well as continued pressure for services liberalisation under GATS.

Member organisations of all the above groups continued to press the business case at the national level and in the many international trade seminars leading up to Cancún. National business organisations in countries such as Germany, Canada and the UK were particularly active in this regard – even when individual companies began to doubt the wisdom of their inflexible insistence on expansion of the WTO agenda at all costs. The Japanese business federation Nippon Keidanren pressed its government to ensure the launch of negotiations on investment with its own Model WTO Investment Agreement containing the "provisions which Japanese business wishes to see contained in a WTO Investment Framework".

As a consequence of this strong business support, the EU, Japan and Korea were prepared to disregard the overwhelming opposition to negotiations on the Singapore issues expressed by developing countries, civil society and parliamentarians the world over. This opposition was repeated time and again in the months leading up to Cancún, so that none of the WTO members involved had any doubt as to the risks they were taking in pursuing the corporate agenda. Ultimately, this insistence on promoting the demands of the business community led – as had been widely predicted – to the collapse of the Cancún Ministerial.



Yet even at the eleventh hour, when it was clear that the Ministerial was in crisis, Commissioner Lamy was still reminding individual EU member states that they were committed to the corporate agenda. When UK Trade Secretary Patricia Hewitt suggested to Lamy on the evening of 13 September that the time had come to show flexibility in the EU position by dropping calls for a WTO investment agreement, she was reminded by him that both UNICE and the Confederation of British Industry had demanded the launch of new negotiations on investment, and that this therefore remained the EU position.

4.2 Special access of the business lobby

If the EU's commitment to its business community on the Singapore issues was the immediate cause of the Cancún collapse, the entrenched interests of EU and US agribusiness remained an even more fundamental stumbling block to the negotiations. These interests had informed the joint EU-US proposal on agriculture submitted to the WTO in August 2003, protecting the vast subsidies which guarantee profits to agribusiness in the developed world at the same time as they condemn millions in the developing world to poverty.

The agribusiness lobby enjoyed unprecedented access, as usual, to the US delegation to Cancún, which boasted around 70 corporate advisers. Moreover, US agribusiness was also represented at the highest levels within the USA's official negotiating team. Commentators sensitive to 'revolving door' syndrome, whereby key corporate lobbyists are appointed to senior positions within government, have noted that Ann Veneman, US Secretary of Agriculture and second only to Zoellick in the US delegation to Cancún, previously worked as a lawyer lobbyist for the US food industry, with clients including

agribusiness giants such as Dole Foods (Mulkern 2004). The agribusiness background of Allen Johnson, chief agricultural trade negotiator for the USA, is celebrated in the US Trade Representative's own promotional literature: formerly president of the National Oilseed Processors Association and chief executive of two soybean associations, Johnson "meets regularly with domestic agricultural industry groups to assure their interests are represented in trade" (USTR 2003).

The strong influence of the agribusiness lobby ensured that US delegates "were not prepared to negotiate" on agriculture at Cancún, according to the WTO Ambassador of one G20 country. Similarly, the USA's rejection of the West African call for the elimination of cotton subsidies stemmed directly from its concern not to antagonise the powerful cotton lobby, especially on the eve of an election year. Cotton remains one of the most important agricultural commodities produced in the USA, and the industry lobby – collectively known as King Cotton – ensured that the annual subsidy of US\$3.3 billion shared out between just 25,000 US cotton producers would continue to take precedence over the livelihoods of 10 million African farmers (UEMOA 2003).

EU delegations to Cancún were also heavily populated with representatives of agribusiness, including two from the Committee of Agriculture Organisations (COPA) on the delegation of the European Commission itself. Also on the Commission's delegation were representatives of industry groupings UNICE, the Foreign Trade Association, Eurocommerce and the European Services Forum, while business was further represented on the individual delegations of Germany, Finland, Denmark, Ireland, Italy, the Netherlands, Sweden and the UK. Many other agricultural and other lobby groups had their own delegations at Cancún and were in constant contact with government representatives. The close relationship between them was nicely exemplified in an EU briefing session during the Ministerial, where the representative of one European business federation openly asked EU trade negotiators what action they were taking to break up the G20, and what the business community could do to help.

The close working relationship between developed country governments and their business representatives has been further strengthened in the period since Cancún, as industry lobby groups have been invited to present their case for trade liberalisation direct to developing country delegates at the WTO. The European Commission booked rooms at the WTO during May 2004 for its lobby group, the European Services Forum, so that it might be able to persuade developing countries to engage with the GATS negotiations. This followed similar meetings between international service industry associations and developing country members at the WTO in March 2004, during which the corporate lobby groups also pressed developing countries to make liberalisation commitments through the GATS process. Chile's Ambassador Alejandro Jara, Chair of the WTO Council for Trade in Services, reportedly encouraged the service industry associations to send a letter to all WTO members which had not already

made GATS offers in the current round of negotiations, asking them to do so (HKCSI 2004). This letter was duly sent on 1 April 2004.

As long as corporate interests dictate the WTO's negotiating agenda, the needs of the most vulnerable communities in developing countries will continue to be marginalised. Representatives of developed country governments have confided that all mention of the so-called 'Development Agenda' fell away in the run-up to Cancún, as rich country delegations reverted to type with exclusive concentration on their own mercantilist interests. ActionAid's concern is that the Doha Round now threatens to exclude the poorest countries and most vulnerable communities altogether. Without basic principles of democracy and transparency in the WTO negotiating process, yet another round of global trade talks will be decided behind closed doors on the basis of corporate interests.

Privileged access

The privileged access to negotiating documents and proposals which corporations have traditionally enjoyed in the US context has been revealed in legal challenges by US NGOs. Groups such as the Center for International Environmental Law (CIEL) have mounted challenges under the USA's Freedom of Information Act to gain open access to documents which are routinely shared with 'cleared advisers' from industry but denied to other groups. NGOs have also challenged the US system of trade advisory committees, the majority of which are filled exclusively by industry representatives. When NGOs won the right to have a seat on one of the trade advisory committees, however, the committee did not meet for two years thereafter.

The access granted to the business community contrasts sharply with EU and US attempts to keep negotiations secret from NGOs and other civil society representatives. According to Ugandan delegates at Cancún, President Museveni was asked by Zoellick to remove NGO representatives from Uganda's delegation in an attempt to close down transparency of the negotiations yet further. The desire to keep NGOs out of the picture has created tensions even between different member states of the EU, as the traditionally secretive UK government registered a complaint that other EU members had shared too much information with civil society representatives at Cancún. Similarly, Lamy persuaded Kenya's Trade and Industry Minister Kituyi not to allow NGOs to attend the opening session of the African trade ministers' meeting in Mombasa in February 2004. According to the Kenyan NGOs ejected from the meeting, this was despite the fact that their attendance had originally been sanctioned by Kituyi himself.

5. Conclusion and recommendations

The Cancún Ministerial collapsed as a result of the negative attitude adopted by developed country governments. However, it is generally recognised that the lack of transparency and democracy in WTO procedures played a major role in the debacle. The failure of Cancún was widely seen as a loss for the most vulnerable, in that WTO members should have used the Ministerial to address the most pressing trade problems facing the world's poorest countries. The absence of democracy and proper procedures at the WTO is thus undermining the fight against poverty.

The only positive aspect of the Cancún Ministerial was the way in which developing countries dealt with the WTO's anti-democratic procedures. Less powerful countries overcame some of the problems posed by secretive 'green room' discussions by demanding that their representatives break out of the meetings to consult with their wider constituency before agreeing to developed country demands, thus preventing the isolation which had made it so difficult for individual countries to defend their interests in previous ministerials. This had been agreed as a fixed strategy between ACP countries prior to Cancún, and the unity which it engendered was identified as a major factor in sustaining their resistance to the aggressive agenda of the EU and USA.

To many observers, the most positive outcome of the Cancún Ministerial was that the EU and USA were made to recognise that their traditional methods of brushing aside opposition would no longer be tolerated. Developed countries denied this reality at Cancún itself and afterwards, but have eventually been forced to return to the negotiating table. According to one G20 Ambassador, "We reflect and come to the consensus that Cancún was a necessary crisis that led to the realisation that they can no longer deal with multilateral negotiations in the same way, imposing rather than negotiating."

However, since Cancún, the EU and USA have developed more sophisticated strategies for overcoming developing country opposition and imposing their will on the WTO. The central strand to this strategy is to turn developing countries against each other, breaking off individual countries from broader coalitions and offering preferential treatment to favoured groupings if they distance themselves from more critical voices at the WTO. This divide and rule strategy is particularly dangerous at a time when WTO negotiations have again become increasingly secretive. Lack of transparency breeds suspicion and marginalises all but the most powerful players, who in turn risk being bought off with empty promises from the EU and USA.

Following the collapse of the Cancún Ministerial, there was a flurry of suggestions for reform of the WTO.

EU Trade Commissioner Lamy attacked the "medieval" procedures of the WTO as he had also done following the collapse of the Seattle Ministerial (though not after Doha, where he was successful in using those same procedures to his own advantage). The EU has proposed a number of changes to the WTO process since Cancún, including suggestions that more power should be given to the Director-General and the WTO Secretariat – despite the serious charges of partiality which have been brought against them – and that decision making at ministerials, in particular, should be made "more efficient" (Carl 2003; EU 2003; Lamy 2004).

Such proposals would serve to make the WTO even less transparent, in sharp contrast to the detailed calls for democracy and transparency made by developing countries in April 2002 – and dismissed by OECD countries as "inappropriate" (Australia et al. 2002). Yet there are fears that such suggestions to make the WTO less transparent will be taken forward in the Consultative Group on WTO Reform established under the leadership of Peter Sutherland, former Director-General of the WTO – a group which is itself shrouded in secrecy.

ActionAid calls on WTO member countries:

- to address the anti-democratic negotiating procedures of the WTO as a matter of urgency, including the preparation and conduct of ministerial conferences
- to ensure that all meetings pertaining to WTO affairs are open to the entire membership, and announced publicly and minuted; and that all meetings of exclusive groups in 'green rooms' or mini-ministerials be discontinued
- to ensure that all negotiating texts are produced openly and democratically, and not drafted on the responsibility of individual Chairs; and that the views of all members are represented as options within those texts
- to agree automatic de-restriction of all WTO documents, unless classified under established confidentiality guidelines, so as to open up the WTO to parliamentarians and civil society
- to set up an independent inquiry into the role of the WTO Secretariat during the Cancún Ministerial, with particular reference to its part in the production of the second revision of the Ministerial Text
- to disclose all written advice governments receive from industrial groupings and others in relation to WTO negotiations, as well as all agreements and payments from private sector bodies, trade unions, NGOs and other groups
- to refrain from using political, economic or personal threats against other members and their delegates in order to manufacture 'consensus' at the WTO.

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This ActionAid International report was written by John Hilary, who attended the Cancún Ministerial as part of ActionAid's delegation. Shefali Sharma conducted the interviews and contributed to the report.

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ActionAid International Americas and Brazil

Rua santa Luzia, 651/17
Centro
Rio de Janeiro,
Brazil

T: 55 21 25242586

F: 55 21 25242586 ext112

actionaid@actionaid.org.br

ActionAid International Ghana

PO Box 19083
Accra North
Ghana

T: +233 21 764931/2

F: +233 21 764930

aaghana@actionaid-ghana.org

ActionAid International Senegal

Sacre Couer III
Villa No. 9742,
Dakar

BP 45780 - CP P12524

T: +221 867 2340/2339

F: +221 867 2340 (ask for fax)

aasenegal@arc.sn

ActionAid International Guatemala

ActionAid Guatemala
20 calle
15-29 zona 13

T: (502) 360-3402

F: (502) 360-3392

guatemala@actionaid.org.gt

ActionAid International Nepal

GPO Box: 6257
Lazimpat,
Kathmandu,
Nepal

T: +977 1 4436477

F: +977 1 4419718

mail@actionaidnepal.org

ActionAid International Pakistan

House
No 10,
St. 17, F-8/3,
Islamabad,
Pakistan

T: +925 1 228 2954

F: +925 1 226 0678

mail@actionaidpakistan.org

ActionAid International Uganda

PO Box 676
Kampala,
Uganda

T: +256 41 510258

F: +256 41 510258/363

admin@actionaidkenya.org

ActionAid International Kenya

PO Box 42814,
Waiyaki Way
Nairobi,
Kenya

T: +254 20 4 440 440/9

F: +254 20 4445 843

admin@actionaidkenya.org

ActionAid International Belgium

Rue de la Science 10
1000 Brussels
Belgium

T: +322 502 8006

F: +322 502 6203

luism@actionaid.org

ActionAid International Malawi

PO Box 30735
Capital City,
Lilongwe 3,
Malawi

T: +265 1 757 500/4/8

F: +265 1 757 330

admin@actionaidmalawi.org

ActionAid International Bangladesh

House CWN (A) 32
Road 43, Gulshan (North) 2
Dhaka 1212,
Bangladesh

T: +880 2 881 5991/2

F: +880 2 881 5087

mail@actionaid-bd.org

ActionAid International The Gambia

PMB 450
Kanifing
The Gambia

T: +220 392 029

F: +220 392 425

foodrights@actionaid-gambia.org

ActionAid International Mozambique

Rua Comandante Augusto
Cardoso 327/329
PO Box 2608
Mozambique

T: +258 1 314 342/45

F: +258 1 314 346

aamozmp@virconn.com

ActionAid International India

Patna Regional Office
A3, Vivekanand Park
Patliputra Colony
Patna - 800013
(Bihar) INDIA

T: +91 61 2 226 20 27

F: +91 61 2227 29 28

aaindia@actionaidindia.org

ActionAid International USA

1112 16th Street NW
Suite 540
Washington DC
20036-4023
USA

T: +1 202 835 1240

F: +1 202 835 1244

office@actionaidusa.org

ActionAid International UK

Hamlyn House
MacDonald Road
London
N19 5PG

T: 020 7561 7561

F: 020 7561 7676

mail@actionaid.org.uk

ActionAid International Vietnam

521 Kim Ma Road
Ba Dinh
Ha Noi
Vietnam

T: +84 4 771 7692

F: +84 4 771 7693

mail@actionaidvietnam.org

ActionAid International Italy

Via Broggi 19/A
20129 Milano,
Italy

T: +39 02 74200249

F: +39 02 29533683

info@actionaidinternational.it

ActionAid International Italy

Via A. Volta 39/B
00153 Rome,
Italy

T: +39 06 5725 0150/5713 9579

F: +39 06 5780 485

info@actionaidinternational.it

ActionAid International China

No 8, Room No 30A
Julong Garden
No 68 Xin Zhong Jie
Dongcheng District
Beijing

100027 P.R. China

T: +86 10 6552 1869/8329

F: +86 10 6552 8327

public@actionaidchina.org

ActionAid Tanzania

334 Urambo Street
P.O Box 21496
Dar es Salaam
Tanzania

T: +225 215 0711

F: +225 215 1003

admin@actionaidtz.org

ActionAid International

Post Net Suite #248
Private Bag X31
Saxonworld 2132
Johannesburgh
South Africa

Telephone

+27(0)11 880 0008

Facsimile

+27(0)11 880 8082

Website

www.actionaid.org

International Secretariat

South Africa

Asia Region Office

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Africa Region Office

Nairobi

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