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WORLD TRADE AND CANCUN SUMMIT

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***Abstract:** The world trade summit held in Cancun collapsed. The Failure in Mexico means blow to the multilateral trade system that has been contributing to global wealth. The future of WTO after defeats in Seattle and Cancun is seriously in danger. The only positive development in the meeting might be the birth of the G-21 initiative led by Brazil, China, and India. Now, G-21 has a chance of challenging the US, EU, and Japan as one voice. They must overcome the lack of expertise in future meetings with a good cooperation.*
In world trade, if multilateral cooperation ceases to existent, everybody would lose but the ones who would lose the most would be poor countries. Cancun's failure did not make this scenario inevitable but possible. The problem lies there.

Keywords: World Trade, WTO, G-21 Initiative

DÜNYA TİCARETİ VE CANCUN ZİRVESİ

***Özet:** Cancun'da gerçekleştirilen dünya ticaret zirvesi başarısızlıkla sonuçlandı. Meksika'daki bu tıkanma küresel refaha katkıda bulunan çok taraflı ticaret sistemine bir darbe anlamına geliyor. DTÖ'nün geleceği de Seattle ve Cancun yenilgilerinden sonra tehlikede görünüyor. Bu toplantının tek olumlu kazanımı Brezilya, Çin ve Hindistan'ın öncülük ettiği G-21 inisiyatifinin doğuşu kabul edilebilir. Şimdi G-21 ABD, AB ve Japonya'ya tek bir ses olarak karşı durma olanağına sahiptir. Önümüzdeki toplantılarda uzmanlık eksikliğinin üstesinden iyi bir işbirliği ile gelmeleri gerekmektedir.*
Dünya ticaretinde çok taraflı işbirliği sürdürülemezse bu durumdan herkes kaybedeler. Ama en fazla zarar gören yoksul ülkeler olur. Cancun başarısızlığı bu senaryoyu kaçınılmaz kılmadıysa da olasılık dahiline soktu. Sorun da burada yatıyor.

Anahtar Kelimeler: Dünya Ticareti, Dünya Ticaret Örgütü, G-21 İnisiyatifi

I. INTRODUCTION

The World trade summit held in the city of Cancun in Mexico ended with failure. This means that trade negotiations, which would provide the largest economic benefit to poor countries are in a gridlock [1].

This new trade round which started in November 2001 in Doha city in Qatar was dedicated to solving the problems of poor countries. The fundamental objective was to lift commercial restrictions in areas free trade would help poor countries especially in agriculture. Failure of Doha Round means that the hopes for the rich countries, abolishing huge agricultural subsidies, and poor countries selling their textile products without hitting prohibitive customs taxes are postponed another time. The chances of finalizing the round according to its original schedule, that is, at the end of 2004, are nil. It even seems difficult to complete the negotiations in five years [2].

The fiasco in Mexico also struck a killing blow to the multilateral trade system that has been contributing to global wealth for more than half a century. The GATT (General Agreement for trade and tariffs) agreement signed in 1947 worked on the basic principle of no discrimination against any country, since then trade was guided by multilateral rules [3]. The WTO founded in 1995 as the follower of GATT is the core of the system. The WTO has 148 members, including Cambodia and Nepal who joined just before the summit; it is the only international economic forum where developing countries carry some weight [1]. Decisions are reached by compromise, every country has a right to veto, regardless of how small or poor they are. In no other place has the poor such an influential voice.

In 1999, in Seattle in the US, the WTO received a similar blow with the actions the anti-globalization activists. The future of WTO after these two defeats is seriously in danger. The Doha Round included lifting of agricultural subsidies, lowering customs taxes for industrial products, ending quotas especially in textile, as well as the issues of, "competition, investment, transparency in government procurement and trade facilitation" also called "Singapore Issues".

From the beginning, countries did not adopt the important legs of the Doha agenda. Many poor countries, with India leading, denied accepting new rules. Some other poor countries preferred voicing their complaints instead of proposing alternatives. Most of the rich countries were not willing for compromise. Joseph Stiglitz states that the strategy that US, and to a lesser extent Europe, seems to be following war the usual hard bargaining, extreme positions, arm-twisting, last minute concessions, peer pressure and tacit threats of cutting off development assistance and other benefits [4]. For example, Japan only stated that they are against lowering of custom taxes for rice. This shows that the 22 months since the Doha Summit have been wasted.

II. RISE of G-21

The only gain from the meeting might be the birth of the G-21 alliance lead by Brazil, China and India. Turkey did not attend this forum because of Customs Union agreement with the EU. The number of G-21 members increased to 22 (Table.1) with the participation of South Africa during the Summit. Showing significant differences amongst themselves, they represent half of the world population and two third of the peasants. They seem to be well organized, technically capable and sufficiently equipped. In previous trade negotiations, the US and EU dominated the meetings with teams of hundreds of well educated people with perfect coordination among them, the countries with small teams were insufficient even to follow the discussions adequately, let alone affect the negotiations. Now G-21 has a chance of [1] challenging the US, EU and Japan as one voice.

Table.1. G-21 Countries

Argentina	India	Pakistan
Bolivia	Colombia	Paraguay
Brazil	Costa Rica	Peru
China	Cuba	Chile
Equator	Mexico	Thailand
Indonesia	Egypt	Venezuela
Guatemala	Nigeria	
Philippines	South Africa	

They can also overcome the lack of expertise in future meeting with a good cooperation. They must first reach a compromise among themselves. For example, it is known that India, one of the leading G-21 countries, is resisting the liberalization of agriculture. On the other hand Brazil is a proponent of trade liberalization as a big exporter sure of her competitive strength.

III. IS TRADE OPENING SOLUTION?

As it will be noticed from Table-2, rich countries accounts 70 percent of World export. If intra-union trade considered, share of EU-15 countries in world trade is 40 percent. ABD is the largest exporter in the world and with approximately $ 500 billion trade deficit has the largest deficit. If we consider their respective share in world output, US's trade openness quite low compared with EU.

It has been proved that liberalization of foreign trade was sophisticated issue which is presented by globalist ideologues as "natural order".

Trade Liberalization in manufacturing goods which has been prime priority of developed countries has been realized through the Uruguay Round. On the other hand, formidable improvement in liberalization of agriculture and textile could not been achieved which are top priority for developing nations [5].

Free trade leg of globalization is based on the assumption that foreign trade world mutually benefit all parties, which has origins in David Ricardo. But because of uneven development in the world economy, factor equalization among the countries has not been observed. In fact, capital flows from capital abundant regions to labor abundant regions are not being recorded.

New technologies are creating monopoly rent, capital and skilled labor are being concentrated there, trade opening of pour countries which has abundant cheap labor can not achieve leap in welfare. Recent researches have shown that there was not linear correlation between foreign trade and growth.

Rising trade and rising GDP are indeed linked but it is not clear how they are linked-nor what policy regime for import liberalization is likely bring success many of the countries that have integrated most successfully into the global market have liberalized in a carefully sequenced fashion. Countries in East Asia have taken advantage of globalization to expand their exports and have grown faster as a result. But they lowered protective barriers slowly, restricted foreign investment to create opportunities for local enterprise, and kept industrial development strategies. China and Vietnam, Like South Korea and Taiwan before them, may be world's highest growth economies, but they are hardly advertisements for the Washington Consensus. They all retain high tariffs and have high levels of state intervention. Even India which has adopted a more orthodox reform path retains high level of tariff protection [6].

As Dani Rodrik, a Turkey born Harvard economist, has shown, the only thing that can be said with certainty is that countries tend to become more open as they become richer-not they become richer because they are more open. What matter is the quality of a country's institutions, and how trade policy is integrated to into economic development and poverty reduction [7].

In Rodrik's view, by focusing on international integration, governments in poor nations divert human resources, administrative capabilities, and political capital away from more urgent development priorities such as education, public health, industrial capacity and social cohesion. This emphasis also undermines nascent democratic institutions by removing the choice of development strategy from public debate [7].

Table.2. Merchandise Trade in Regions 1990-2002 (Billion dollar and percentage change)

	EXPORT				IMPORT			
	Value	Annual Percentage Change	Value	Annual Percentage Change	Value	Annual Percentage Change	Value	Annual Percentage Change
	2002	1990-2000	2001	2002	2002	1990-2000	2001	2002
World	6240	6	-4	4	6501	6	-4	3
North America	946	7	-7	4	1431	9	-6	2
USA	694	7	-7	-5	1202	9	-6	2
Latin America	351	0	-3	1	355	12	-2	-7
Mexico	161	15	-5	1	176	15	-4	0
MERCOSUR	88	6	-4	1	62	12	-6	-26
Other	102	6	-7	0	116	7	3	-3
West Europe	2648	4	0	5	2644	4	-2	4
EU-15	2441	4	0	5	2438	4	-2	3
Outside the reg.	939	5	1	6	931	5	-4	1
Intra region	1502	4	-1	5	1507	4	-1	5
Transition Economies	309	10	5	8	297	8	11	10
Middle/East Europe	145	10	12	12	176	12	9	10
Russia Federation	107	-	-2	4	60	-	20	12
Africa	139	3	-6	1	133	3	2	1
Middle East	236	6	-7	-2	183	5	4	2
Asia	1610	8	-9	8	1457	8	-7	6
Japan	416	5	-16	3	336	5	-8	-4
Developing Asia	1114	11	-7	10	1033	9	-7	9
China	326	15	7	22	295	16	8	21
Electronic Exporters*	618	10	-13	7	561	9	-13	6
Develop.Count.Total	1841	9	-7	6	1704	9	-4	4
LDC's Total.	38	7	1	4	45	5	4	3

**Taiwan, South Korea, Malaysia, Philippines, Singapore, Thailand*

IV. EXPORT STRATEGY of LDC'S

Interest to development problems of LDC's has increased after the WTO's Seattle summit which has ended in fiasco. UN affiliated UNCTAD's, "2002 Development Report" focused on developing countries performance in world trade.

The Report emphasizes that the basic policy challenge facing the most developing countries remains how best to channel the elemental forces of trade and industry to wealth creation and satisfaction of human wants. Shifting away from their dependence on the exports of primary commodities towards greater production and exports of industrial products has often been viewed as a means of participating more effectively in the international division of labor. Manufactures are expected to offer better prospects for export earnings not only because they allow for a more rapid productivity growth and expansion of production, but also because they hold out the promise of greater price stability even as volumes expand, there by avoiding the declining terms of trade that have frustrated the long term growth performance of many commodity-dependent economies [8].

Since the early 1980s, moves to rapidly liberalize the trade and FDI have strongly influenced policy makers in many developing countries in their thinking about this challenge. Openness to international market forces and competition was expected to allow those countries to alter both the pace and the pattern of their participation in international trade, there by overcoming balance-of-payments problems and accelerating growth, to catch up with industrial countries.

During this period, the exports of developing countries have, indeed, grown faster than the world average and now account for one third of world merchandise trade. Much of that growth has been in manufactures, which today account for 70 percent of developing country exports. More importantly, many developing countries appear to have succeeded in moving into technology intensive manufactured exports, which have been among the most rapidly growing products in world trade over the past two decades, notably electronic and electrical goods [8].

However, on closer examination, the picture is much more nuanced. With exception of a few East Asian first-tier NIEs with a significant industrial base, developing country exports are still concentrated on products derived essentially from the exploitation of natural resources and the use of unskilled labour, which have limited prospects for productivity growth and lack dynamism in world markets. Statistics showing a considerable expansion of technology intensive, supply dynamic, high value added exports from developing countries are misleading. Such products indeed appear to be exported by developing countries, but in reality those countries are often involved in the low skill assembly stages of international production chains organized by transnational corporations. Most of the technology and skills are embodied in more advanced countries where these parts and components are produced, and to the TNCs which organize such production networks.

Over the past two decades the value of World merchandise exports has grown at an average rate of around 8 percent per annum, compared to less than 6 percent growth in global output and income. While manufactures generally constitute the fastest growing products in world trade, there are also some agricultural products in this group, such as non-alcoholic beverages and cereals. Many of the fastest-growing manufactures in world trade, such as electronic and electrical goods, which now account for around one sixth of world exports, tend to be technology-intensive, often with a high research and development content. A common feature of these market dynamic manufactures is that the sectors in which they are produced exhibit strong productivity growth. This is less so for other dynamic products, such as textiles and clothing, and transport equipment, which have low or medium skill contents [8].

Differences in income elasticities, product innovation and changing consumption, patterns and shift in competitiveness of industries across countries, can explain why some products are more dynamic in world markets than others. However, differences in the speed of liberalization of markets have also played a significant role. Trade liberalization has been limited and slow in textiles and clothing along with other labour-intensive manufacturers, compared to the pace of liberalization in other sectors. High tariffs and tariff escalation have been compounded by other overt form of protection such as tariff rate quotas, as well as by the adverse impact of anti-dumping actions and product standards. The growing number of non-tariff barriers has also reinforced the prevailing patterns of market access [8].

Perhaps a more decisive influence on product dynamism has been the strategy of TNCs. The three product group with the fastest growth rates over the past two decades, namely components and parts for electrical and electronic goods, labour intensive products such as clothing and goods with a high research and development contents of production processes through international production-sharing arrangements. The increased mobility of capital, together with continued restrictions over labor movements, has extended the reach of international production networks. Trade based on specialization within such networks is estimated to account for up to 30 percent of world exports [8].

While developing countries as a whole appear to have become more active and dynamic participants in world trade over the past two decades, closer examination shows a great deal of diversity in the modalities of their participation in the international division of labour according to the UNCTAD report:

- First, many countries have not been able to move away from primary commodities, the markets for which are relatively stagnant or declining.

- Second, most developing countries that have been able to shift from primary commodities to manufactures have done so by focusing on resource based, labour-intensive products, which generally lack dynamism in world markets.

- Third, a number of developing countries have seen their exports rise rapidly in skill and technology intensive products which have enjoyed a rapid expansion in world trade in the past two decades However, with some notable exceptions, the involvement of developing countries in such products is confined to labour-intensive, assembly-type processes with little value added. Consequently the share of these countries in world manufacturing income actually fell.

- Finally a few countries have seen sharp increases in their shares in world manufacturing value added which matched or exceeded increases in their shares in world manufacturing trade. This group includes some East Asian NIES which had already achieved considerable progress in industrialization before the recent shift to export drive in the developing world. None of the countries which have rapidly liberalized trade and investment in the past two decades is in this group [8].

V. PROBABLE RESULTS of CANCUN

If we return to probable results of the Cancun meeting, according to Kevin Watkins from Oxfam, what the Iraqi War meant for the U.N. the fiasco in Cancun will mean the same thing for the global trading system; the WTO will be marginalized. The situation will bring to the forefront bilateral trade agreements favored by the US and regional organizations such as the Latin American Free Trade Zone (FTAA) [6].

WTO's field of authority not only covers trade of merchandise but also protection of intellectual property rights, trade of services, foreign investment and taxation. When a country becomes a member of WTO, she accepts the whole package [1].

Developing nations were demanding progress in primarily agricultural and textile trade. Rich countries allocate $311 billion annually the customs tariffs exceeding 100% for nuts in the U.S., animal and milk products in the E.U., and excess production emerges. When the excess production is transferred to international markets through dumping, peasants of poor countries are devastated [6].

For example the only source of income for 10-11 million people in West Africa is cotton. Last year U.S.World's largest cotton produced spent over $3 billion in subsidies for her 25000 cotton produces. This means hunger for countries such as Benin, Burkina Faso, Chad and Mali [9].

By the same token, sugar production is costliest in Europe because land and labor are expensive and lack of sufficient sunlight. Rich sugar producers of England and France are receiving subsidies in the amount of billions of dollars, while sugar producers in Mozambique and Malawi are suffering and continually losing money because of dropping sugar prices in global markets.

Another important subject is textiles and clothing. The Uruguay Round imposed lifting of all quotas by the end of 2004. Europe and U.S. have abused this regulation; they applied it on items whose quotas were not filled anyway. And in Cancun they gave signals that they would implement barriers other than quotas. But application of the multi-fiber agreement would have meant 27 million additional employment for India and Bangladesh alone [naturally it is Turkey's favor as well] [6].

Another important point of negotiation is intellectual property rights. Leaving patents and copyrights for music, books, computer programs, etc. aside and examining only drug patents will show what kind of tragedy we are facing. Poor countries are subject to 80% of sicknesses while they make only 10% of healthcare expenses. Additionally, 90% of this expense is borne by individuals since public health services are not common. Uncompromising attitude of multinational drug companies for even the most dangerous diseases such as AIDS are causing the death of millions of people from "curable" diseases. Countries such as Brazil and India, whose technologies relatively developed, can produce their own "generic" drugs bypassing these rules. But they cannot sell these drugs to countries like, say Botswana where 45 percent of adults carry the HIV virus, one of the most serious tragedies are experienced for the sake of profit [10].

According to WB if the round starting in the capital of Qatar, Doha in 2001 were to reach success, there would have been a revenue increase of $500 billion by 2015, and 60 percent of this would 90 to poor countries and 144 million people would be saved from poverty [1].

Previously, these protections have not been realized and the losers have always been the poor; leaving aside, it was observed that the rich were unwilling to fulfill existing obligations, too. The E.U. instead to the issues of "competition, investment, transparency in government purchases and trade facilitation in foreign trade" also called "Singapore Issues". This was on the agenda of the national companies of the union. On the other hand, it denied its promises to abolish export subsidies altogether. Ultimately, it has not contributed to ensuring progress at all [11].

With respect to USA it can be easily said that she has no complaints about the Cancun fiasco. The strategy of the U.S.A to ignore all institutions of international community, starting with the U.N. is observed in the foreign trade arena as well. Because the U.S.A. is the most powerful nation, she can form bilateral, regional "coalitions" in trade, too, and she can obtain additional concessions in her favor in every agreement. Bush and his team are thinking, "Why should be U.S.A. be subject to the same rules as "secondary" powers such as the E.U. and Japan?" So for, bilateral trade agreements were signed with Chile and Singapore. Negotiations are underway with Morocco and Australia, as well as all Central America and five South African countries. Many countries are waiting in line. This attitude is condemned by the most solid advocates of the free trade system like Jagdish Bhagwati; U.S.A. is called a "selfish hegemon" and is being blamed for destroying the system of world trade [12].

U.S.A. Trade representative Bob Zoellick stated that some countries requested bilateral agreements from them even during the meeting that ended in a fiasco. However, the chance of poor countries to benefit from such agreements are zero.

If the axis of world trade negotiations shift from WTO, everybody would lose, but the ones who would lose most would be poor countries. Cancun's failure did not make this scenario unavoidable but possible. The problem lies there.

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