

The Failure of Cancun *

For the vast majority of the world's countries and inhabitants, the collapse on Sunday, 14 September, of the negotiations conducted under the Fifth WTO Ministerial Conference in Cancun, is a serious self-inflicted wound – and a calamity. Assigning blame for this dismal failure of collective competence and will is a pointless exercise, unless it encourages the overdue learning of some tough lessons – there is enough blame to go around to provide every participant with material for years of meditation.

There is the failure of the EU, Switzerland, Japan and the US to end the destructive protection and subsidisation of their domestic agricultural sectors, and also of sundry 'sensitive' manufacturing sectors including processed agricultural products, textiles (cotton), footwear and steel. It is an extraordinary sight, year after year, to see small, tightly knit and well-financed producer lobbies riding roughshod over disorganised domestic consumer and environmental interests and global producer and environmental interests.

There is the unfortunate decision by the European Union and Japan to widen the trade negotiation agenda to include a range of peripheral issues. No doubt, global rules for foreign investment, to ensure transparency in government procurement, to enhance competition or to combat trade-damaging red tape are 'good things'. There was, however, no logic to bundling them in a take-it-or-leave-it single package with conventional trade issues. Their only effect was, and should have been foreseen to be, a further reduction of the odds that an agreement would be reached on any substantial set of issues.

Then there is the misguided insistence of many developing countries, that the weakness of their social safety nets (which is, unfortunately, a fact) is a reason to maintain often very high tariffs and non-tariff barriers to trade. As a rule, most of those in developing countries who benefit from the existing trade restrictions are richer (or less poor) than those who would gain from the removal of these barriers. It must also be remembered that, although the leaders of the developing nations rule countries that are, on average, poor or very poor, it does not follow that these leaders necessarily speak on behalf of the poor and poorest in their countries. Some do, but others do not and instead represent corrupt and repressive elites that feed off the rents created by the imposition of barriers to trade and of other distortions, at the expense of their poorest and most defenceless citizens.

There is a real risk that the global economic recovery that, at last, appears to be taking shape, will be aborted by the fall-out from this failure to follow through on the Doha Development Agenda. The 146 members of the WTO must act fast to salvage something from this disaster. A drastic narrowing of the agenda for the next round of WTO negotiations, to include just trade in agricultural and industrial goods and non-financial services would be a good first step. The achievement of the Millennium Development Goals by 2015 was always going to be a tall order. Unless world leaders grasp the nettle and make up for their failure in Cancun, the dislocation of global trading relations that

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could be the result of last Sunday's failure, could relegate the MDGs to a place on a growing list of recent failures of global leadership.

Remember: unilateral trade liberalisation is not a 'concession' or a 'sacrifice' that one should be compensated for. It is instead an act of enlightened self-interest: you stop beating yourself. Reciprocal trade liberalisation further enhances the gains, but is not necessary for gains to be present. The economics is all in Ricardo. It's the politics that's difficult.

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