

**"Result of the WTO Ministerial Conference in Cancun", Plenary Session on the Ministerial Conference of the WTO in Cancun - Strasbourg, 24 September 2003**

President,

Honourable Members,

We like to say that trade negotiations are a "win-win" game to the extent that what is gained by the participants, in the event of a success, is greater than the costs that they also take on. What is true in the event of a success is reversed in the event of failure.

Just as the members of the WTO would have all won in Cancun in the event of success, the failure of this Ministerial conference means we have all lost.

That is, in so many words, the judgement of the European Commission in its role as negotiator for the Union.

Because we are neither deaf nor blind, we know that this is not an assessment that everybody at Cancun shares: apparently, this failure has also satisfied some and even made others happy.

Since, as negotiators, we are responsible to you and to the Council of Ministers, this afternoon I wish to explain to you the Commission's analysis, the positions we took in the discussions and the conclusions we draw from this situation, at least as we see them at this stage in our thinking.

What was Cancun all about? Before we left I said to you that it was to take forward the negotiation agenda adopted at the end of 2001 in Doha to its mid-way point. If we have not got there, it is simply because the ground that separated the negotiation positions has not been sufficiently reduced. We should have got half down the road; but we have only just made it down a third of it.

### **Why?**

Not because, as had been the case in Seattle, that we had not prepared sufficiently. But because the dynamism of the negotiation had not been set in train, either before or at Cancun. It is this dynamism that can reduce differences by progressively building the prospect of a positive solution; it is what can make failure less and less desirable, and success more and more attractive. It is what pushes a growing number of delegations to want success rather than failure. And we around the WTO table know that each one of us owns an extremely precise set of scales. So precise that a single weight can tip things out of balance.

Honourable Members, it is this game of scales and weights that is at heart of the failure in Cancun.

### **Who is to blame?**

So as not to back up the proverb that says that successes have many parents and failures many orphans, my response to this difficult question is that it is the fault of all of us. Or, more precisely, it is fault of the judgement of all the negotiators present that had a bearing on the best way to fulfil their mandate.

To illustrate this abstract suggestion, let us go through the positions of the four most visible participants at Cancun: Europe, the United States, the G-21 and the group made up by Africa and the least developed countries.

The European Union was strongly looking for success in the Doha agenda and therefore for success at Cancun. An uncomfortable tactical position, as we all know, from the moment that it means exchanging concessions or agreeing rules that we must adopt. We have, in fact, paid out a great deal:

- Vis-à-vis the LDCs, with the “Everything But Arms” initiative, which already show positive results in their exports to the European Union.
- At Doha, in accepting, reluctantly, not to negotiate the link between basic social norms and trade rules, and in restraining our environmental ambitions.
- Between Doha and Cancun in softening our positions on investment, competition, trade facilitation and government procurement.
- After the reform of the Common Agricultural Policy in accepting additional constraints on our agricultural subsidies to the benefit of developing countries, and in accepting further opening of our agricultural market, which has allowed us to engage the United States on the same track.
- Not to mention the access to medicines, where we had to persuade our pharmaceutical industry of the urgency of introducing derogations to patent rights. Fortunately, this agreement on access to medicines remains valid since it concerns a separate negotiation.

But there are limits to the concessions. In Cancun we have reduced our level of ambition on the questions of investment and competition, with the approval on site of the Council of the Member States and your Members.

In the absence of significant movement by the other participants, the President of the Conference settled on failure without the negotiations really having started on the long list of issues that remained on the table.

The United States, for their part, also know how to keep an eye on their set of scales. My feeling is that by moving away from additional access to agricultural and industrial markets, in line with their initial ambitions, which were large, the delicate balance was tipped. What caused it to tip the wrong way was the prospect of a separate deal on a very sensitive issue politically, cotton.

They would have been ready, I believe, to satisfy the four African countries who clearly feel wronged by the system of American subsidies, if the commitments to reduce these subsidies had been integrated into the negotiations on agriculture. The negotiating process, unfortunately, was overturned before we got to that item on the agenda.

The group of 21, which brought together Brazil, India, China, South Africa and 13 Latin American countries was conceived by two parents: a political father and an agricultural mother. The political father was the desire of developing countries to assert themselves in front of a supposed Euro-American ‘duopoly’. A strange marriage when one considers the differences between the United States and Europe on issues such as access to medicines, on the so-called Singapore Issues, on geographical indications, on the consequences for the WTO of the convention on biodiversity, on the reform of the dispute settlement mechanism or on access to the agricultural market. The political father of the G-21 therefore probably had plans way beyond the scope of the WTO: there was in this coalition, in my opinion, the expression of a desire of the large developing countries to assert themselves in the international arena. They were unable to do it in the UN over Iraq, so they did it in Cancun over trade.

But the agricultural mother of the G-21 was still very much there, since it is true that, relative to the size of the WTO, it is the United States and Europe who are the main suppliers of agricultural subsidies. Nevertheless the breakdown in discussions meant the key issue for the common agricultural policy of the future could not be

discussed: namely, the difference between those agricultural subsidies which harm trade and those which do not.

In the interest of completeness and to cover all the characters surrounding the birth of the G-21, we undoubtedly have to mention the presence of the “industrial uncle” of high tariff levels, very upsetting for our exporters and not rushing to reduce them. For the G-21, the combined weight of the political success of asserting its existence and of defensive mercantilist concerns, although legitimate in the WTO, has therefore, it seems to me, weighed heavier than the prospects of success, however attractive, in agriculture.

To conclude this *tour de table* with our friends from the least developed countries of Africa, our analysis is that they concluded that the costs brought by the erosion of their trade preferences in our markets, indisputable in the case of the lowering of what is left of our multilateral protections, had greater impact than the benefits they would obtain in other areas. Hence their refusal of the compromise proposed by the President of the Conference who suggested keeping those Singapore Issues relating to transparency in commercial transactions and government procurement. A refusal which was in direct contrast, let us not forget, to Korea, who wanted to keep investment and competition on the table, probably to compensate the agricultural concessions that were even more difficult for them, and for Japan, than for others.

With this very quick outline of the main positions at the conference, I think I have shown, without overemphasising, that those explanations that put the failure in Cancun down to a sudden schism between the North and the South in the WTO as exaggerated, and actually inaccurate.

In Cancun, the North and the South were not in confrontation, rather the “Norths” and the “Souths” crossed paths without actually meeting.

Before coming to the conclusions that we might draw at this stage from this failure for all of us, I want to repeat that the European Union negotiated in Cancun in good faith and added new concessions to those which we had already been put on the table.

You can blame us for this good faith, a question of the reputation of the European Union on which neither Franz Fischler nor I are willing to compromise. You can also blame us – and I have read and heard it – for having moved too slowly. But in relation to whom and over what? In relation to the complete standstill of all the other main participants who did not budge an inch? I would voluntarily accept this criticism if the negotiating process had picked up speed. I believe we have enough witnesses to confirm this was not the case.

### **And now?**

What are we going to do, having invested our political capital in this negotiating agenda, about which I said at Cancun that, if it was not dead, it was at least in intensive care? We will evaluate, discuss and propose. We will do it amongst ourselves in the spirit of European dialogue and unity, which has driven us since the beginning of this journey. Calmly, rationally, without rushing, hoping that others will do likewise and that our collective wisdom will be able, once again, to prevail.

The shock is important, let us not deny it. And, as with all political shocks, and Cancun is a political shock, we must go back to basics. And ask ourselves some questions about the Union’s international trade policy in order to confirm whether the foundations on which we have built over several decades remain, or do not remain, unchanged. It is on those questions that I will conclude this statement, because we wish to know your response, starting this week but, of course, also in the months to come.

The first question: do we maintain as our point of reference this dynamic balance between market opening and the establishment of rules without which the opening is neither real nor in line with our own values? This question must be asked since the appetite for market opening around the WTO table is becoming dangerously selective. And the modernisation of the existing rules or the adoption of new ones is hurtling towards a multiplicity of political choices, which are a reflex of the growing participation of countries in international exchange.

The second question: do we remain attached to the priority for multilateralism, which is the defining characteristic of the external policies of the Union? Is this preference shared by our partners? Were this not the case, are we powerful enough to change their minds? Are bilateral or regional agreements still a complement to multilateral disciplines or must they come to substitute them in the event of a standstill which leaves the WTO's dispute settlement mechanism a question of interpreting incomplete rules and so, in the end, a replacement for the international legislator that is the Ministerial Conference which today brings together 148 Member States?

The third question: how do we deal with the future of our systems of trade preferences? Those that the European Union has largely put into place to the benefit of developing countries, differentiated to ensure that the gains fall to those who need them most.

The fourth question: is the WTO, its principles and organisation still adapted to today's demands? With regard to its principle of the equality of members' rights and obligations, flanked by special and differential treatment and by asymmetries in remaining protection? With regard to its organisation, taking account of the growing number of difficulties in building a consensus between the ever growing number of members on technical questions which also have major political implications, since they will go on to affect the lives of billions of men and women?

These are, Honourable Members, the few questions that we have to consider together before coming back to more tactical or operational considerations. The experience of Cancun has shown that it is not enough to agree amongst ourselves, even if this is good practice.

We must check to see if our principles are well-aligned with our current interests and values; this must come before we imagine new compromises, compromises which are indispensable if our priority remains to master globalisation in order to make it more just and more equitable.

The European Commission counts on us and on the Council of Ministers to help it find the right answers to these questions. We count on you all, and of course on those of you who were in the delegation to Cancun and with whom we worked hand in hand.