



## September 2003 Cancun Special

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### What Happened at Cancun?

The Convenor of the Roundtable, Jane Drake-Brockman reports on Cancun

Our objective for Cancun, an objective shared with other coalitions of services industries around the world, in the United States, Canada, Europe, Japan and Hong Kong was to accelerate the timeframe for submission of improved services offers and to work across the board, especially with other business interests, to encourage convergence of thinking on other issues, such as Investment and Competition Policy, as well as Agriculture, which risked, if they went badly, holding progress in services hostage.

The outcome, in essence is that those other issues did go badly, and as a result, the Doha Round is temporarily stalled. We can now expect some months of global reflection –there is no clear roadmap yet in site.

What went wrong? Two fundamental things.

First, Agriculture. All week, this was the focal point. Prior to Cancun, the US and the EU had been asked to get together to work out a deal. The compromise they struck was heavily criticised. The Cairns Group, led by Australia, felt the US had not pushed the envelope far enough.

And in the days that followed, the developing country agricultural interests started to regroup. At Cancun itself, a new group announced itself. The Group of 21- which by the end of the week had not dissipated as expected but instead had grown in stature, influence and numbers – to 24. A group led by Brazil, India, China and South Africa. All big guys! And two of the ringleaders, to Australia's shock and concern, were Cairns Group members. Joined, in their ranks by

many other Cairns Group members, including Argentina, Chile, Philippines and Indonesia - all of whom were departing from previously agreed Cairns Group positions - to call instead for minimal or no reforms on the part of developing countries and for more radical reforms, especially to domestic support in the US and the EU.

Initially this seemed to threaten the Cairns Group's own leadership role on Agriculture and with it Australia's own more explicit focus not so much on domestic support but on export subsidies and market access (including of course in Japan and Korea) .

Indeed it was a sensitive and difficult new dynamic for Australia all week. But when the EU's Agriculture Commissioner responded to the effect that these new demands were "off the planet", the Cairns Group positions, previously described as "overly ambitious", suddenly seemed more pragmatic. At one point, the EU seemed to have decided that the new Group of 20 plus must have been a Cairns Group plot!



The truth of course was far from it. While Australia fully expects over the coming months to attract back into the Cairns Group fold its various dissident members, the reality is that the agricultural negotiating landscape and dynamic is very different post Cancun.

In addition, four very poor African countries came to Cancun, with huge emotional support, with a special request for a deal on cotton. A request which cut straight to the heart of EU and especially US domestic support for its own rich farmers, and a no-winner in a US Presidential election year.

Despite all this background tension, there was the whiff of a deal in the air. Although everyone had problems with the revised Chairman's draft, everyone equally thought it was better on Agriculture than its previous version. So the Green Room discussions were set for potential success. They never, however, took place. The Agriculture text was simply not tested. Why?

Because debate over the so-called "Singapore issues" intervened. These were the

issues, all of them closely associated with domestic economic governance and themselves very relevant to the services trade agenda, of whether negotiations should also take place on Investment, Competition Policy, Trade Facilitation (Customs Procedures) and Transparency in Government Procurement. The decision had been fudged at Doha and after two years of exploratory work in the WTO, the Cancun Ministerial was supposed to sort the matter out. The solution was generally thought to lie in first "unbundling" the four issues, and then dealing with each one on its merits.

The EU, Japan and Korea came to Cancun opposed to "unbundling" and determined to commence negotiations on all four issues. Their position on "unbundling" was partly based on ensuring maximum leverage over Agriculture. Most of the developing countries were determined to fight all four, but were most vehemently opposed to Investment. The US supported Government Procurement and Trade Facilitation but could only support Investment if the aim was to achieve an "effective" as distinct from "lowest

common denominator" Agreement. The Australian Government could live, if necessary to achieve a deal on Agriculture, with all four.

The NGOs gave loud support to the developing countries, which were led by India who was determinedly against Investment liberalisation.

The Mexican Chairman decided to start his intensive Green room consultation process on the negotiating text, not with Agriculture, but with the "Singapore" issues.

In the face of solid resistance from India and others, the EU made an enormous (and costly both in terms of domestic business interests and in terms of alliance with Japan and Korea) last ditch gesture of compromise, seeking negotiations only on Government Procurement and Trade Facilitation.

This should have been understood all round as a deal making gesture. But it was not to be. The African Ministers walked away from the deal, without even asking first to see the EU's hand on Agriculture.



Where does the WTO go from here?

There is no clear roadmap. There will be some months of global reflection. By December, decisions will need to be made in Geneva on how to get things moving again. On services, work will continue, but perhaps at a more leisurely pace, on improving the offers and on developing new rule making proposals.

In his closing press conference in Cancun, the United States Trade Representative made it clear that the US would press ahead meanwhile with its regional and bilateral trade agenda. Given the realities of the US presidential election time frame, this will no doubt be a key priority for the US in the short term. Similarly, Japan looks set to focus on competing its bilateral Free Trade Agreement with Mexico, and then move to commence negotiations with Korea. Australia will have to put significant energy into its negotiations with the US if they are to be completed by the end of the year. But in order to feel completely comfortable with this, Australia will also need to

make visible efforts to get the WTO process back, and quickly, on track.

**Full business debriefs for Roundtable participants will take place over the next months in Canberra, Sydney, Melbourne and Perth.**

## Services at Cancun

Jane Drake-Brockman reports on services – related business activity at Cancun, in which the Roundtable participated

The United States Coalition of Services Industries convened a Global Services Network meeting, with business participants from the European Services Forum, International Financial Services London, Keidanren, The Hong Kong Coalition of Services Industries and the Australian Services Roundtable. The meeting was addressed by the senior services negotiators from Canada, the EU, the US and India.

The Global Services Network held a subsequent press Conference, outlining global services priorities for the Cancun Ministerial.

The Global Services Network also met with the WTO Secretariat and separately with the Hong Kong Minister for Trade. Hong Kong has offered to host the next WTO Ministerial meeting which takes place outside Geneva, and Hong Kong has a special interest in ensuring services issues are high on the agenda for that meeting.

The Hong Kong Chamber of Commerce held a business briefing on CEPA, the new, largely services – oriented Free Trade Agreement between China and Hong Kong.

The Roundtable Convenor participated in frequent and extensive bilateral discussions with the European Services Forum and several of its corporate members present in Cancun. Sectoral issues specifically covered included audiovisual services, computer related services, courier and postal services, retail and distribution services and environmental goods and services.

Bilateral discussions with Keidanren and its corporate members focussed on energy services.



Discussion with the US Coalition of Services Industries and with the US Motion Picture Association and corporate members of both groups focused on audiovisual services, telecommunications, e-commerce and logistics. Discussion covered not only on the GATS but also on the bilateral Free Trade Agreement negotiations.

The Roundtable has agreed to intensify its interaction with the US Coalition of Services Industries during this final phase of bilateral intergovernmental negotiations.

The Roundtable Convenor participated in activities including the press conference of the International Chamber of Commerce.

The Convenor also met on several occasions with representatives of the other business signatories to the Joint Business Charter, including from Brazil, Mexico and Chile. The Australian Chamber of Commerce and Industry joined the Roundtable as a formal signatory to the Joint Business Charter and participated in the joint press

conference. Both the Australian Industry Group and the Minerals Council of Australia expressed interest in joining future activities of this new global business network.

A number of business, academic and NGO seminars and meetings were held on Financial Services and on GATS Mode 4 (people movement) and its interrelationship with Mode 1 (cross border trade). These latter meetings focussed closely on the issue of International IT Outsourcing and attracted attendance also from the ACTU and the Australian Fair Trade and Investment Network.

The Roundtable agreed to participate in a meeting of the Global Services Network in Geneva in March/April 2004. All Roundtable participants will be welcome.

It is expected that the 2004 World Services Congress will take place in China. South African industry is interested in forming a Coalition of Services Industries and is looking at our recent Australian example for inspiration!

Business networking events in Cancun included large receptions hosted by Daimler Chrysler and by the National Foreign Trade Council.

**Reports on the above sectoral discussions are available to Roundtable members on request.**

## About the Roundtable

The Australian Services Roundtable represents the interests of the services industries in Australia.

We aim to identify domestic regulatory obstacles to international competitiveness and highlight the need for domestic policy reform.

We aim also to contribute to strategies for negotiating services trade and investment issues internationally.

## Find out More

Contact the Convenor  
**Jane Drake-Brockman**  
Ph; 02-62484227  
Mobile; 0404 831159