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THE G-20: PASSING PHENOMENON OR HERE TO STAY?

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History of the G-20

Since its establishment on August 20, 2003 the G-20 has awakened a lot of interest and raised all sorts of expectations in many quarters, some positive, others less so. Although the Group is very recent, perhaps a little history, concentrating on the circumstances that surrounded its creation, will contribute to clarifying its nature and purpose and help to understand its future role.

The G-20 was established in the final phases of the preparation of the WTO Cancun Ministerial. Its agenda is focused on the central issue of the round: agriculture. The Group was integrated by developing countries from the three Continents and China. Its objective was to defend an outcome in the agricultural negotiations which would reflect the level of ambition of the Doha mandate and the interests of the developing countries. For this purpose, the Group adopted a common position that was circulated as an official document of the WTO, prior to and during Cancun (WT/MIN(03)/W/6). This position remains the central platform of the Group.

In its initial composition, the Group had a majority of Latin American countries, but this started to change in Cancun, and some other countries left right after the Conference. Others, however, especially from Africa, joined the Group which has now 19 member countries: 3 from Africa, 8 from Asia and 8 from Latin America.

Brazil has been coordinating the Group since its creation. The Group met frequently at the level of Heads of

Delegation in Geneva prior to Cancun and continues to hold most of its meetings there. These meetings are plenary sessions. But there is also an informal group of five countries (Argentina, Brazil, China, India and South Africa) that meets at technical level to discuss specific proposals in the context of the WTO agriculture negotiations and to prepare technical papers in support of the common platform adopted by the Group. The frequent contacts and meetings at Ministerial level in Cancun consolidated the Group and made it possible for the G-20 to resist the strong pressures against its unity. As indicated above, there were some casualties, but the G-20 withstood the pressure and passed the test.

The negotiations in Cancun

The only area where there was active negotiation in Cancun was agriculture, and these negotiations took the form of Ministerial level meetings, chaired by the facilitator for Agriculture, Minister George Yeo, from Singapore. These meetings discussed the three pillars of the agriculture negotiations (domestic support, market access and export competition), taking as reference not only the text prepared by the Chairman of the General Council, Ambassador Pérez del Castillo, but individual proposals on the table, especially the one presented by the G-20. The significance of this procedure will become apparent later in this discussion. The negotiations on agriculture in Cancun took the form of rounds of consultations between the G-20, first with the EU and the US individually, and then a final round with the three. Of course, the facilitator also held consultations

with other groups, especially the Group of Cairns, but the actual discussion of positions confronting the views of the EU and the US, which had prepared a joint proposal largely reflected in the Chairman's text, and the dissenting views, was conducted with the G-20.

Before highlighting some of the main substantive preoccupations of the G-20 in agriculture, perhaps it would be useful to review the tactical battles in Cancun. Even before the Ministerial, some developed countries tried to dismiss the Group, by refusing to take seriously its proposals and by accusing the Group of trying to introduce an ideological dimension to the negotiation by importing into the WTO positions and tactics that had their origin in the North-South dialogue. This reflected a sort of annoyance with an attempt by a group of developing countries to try to interfere with the agreement between the EU and the US which should represent the basis for the results on agriculture at Cancun. This understanding, left for very late in the game, was, in reality, an attempt at steamrolling the results in Cancun. The main elements of the agreement were taken up in the text prepared by the Chairman of the Council giving to the understanding between the EU and the US the aura of impartiality. The attempts by many countries from the G-20 and from other groups to change the bilateral deal to better reflect their interests were met with a negative reply. The G-20 was born to try, as it did, to avoid a predetermined result at Cancun and to open up a space for negotiations on agriculture.

At Cancun the Group had to face an initial attempt to disqualify its proposals by an insistence that the only document on the table was the draft prepared by the Chairman of the Council, a draft which the Group, together with a large number of other delegations, had already criticized in Geneva and did not consider an adequate basis for negotiations in Cancun. The G-20 insisted that its own proposals should be placed on the table. The Group asserted that no procedural dispute was necessary as the discussion on agriculture should be structured pillar by pillar, taking into consideration all proposals on the table. This was finally accepted by the Chairman of the Conference, and the consultations on agriculture had a format allowing the G-20 the opportunity to clearly present its proposals.

The second battle at Cancun faced by the G-20 was the attempt to divide the Group and to create difficulties in its relations with other groups in the WTO, especially the Cairns Group and the African Group. In spite of strong pressures put on members of the Group, the G-20 remained united during the whole of the Conference, and only one delegation withdrew from the Group. Another delegation, Nigeria, joined the Group at the final stages of the meeting. After Cancun a small number of countries also left the Group, but others became members (Tanzania and Zimbabwe). As a result, the Group today has 19 members, 18 of which were represented at the Ministerial Meeting on December 11 and 12, 2003 in Brasilia. At this meeting 12 countries were represented by Ministers.

The relationship between the G20 and other Groups within the WTO

Since its inception the G-20 has established close relationships with other groups in the WTO with a special interest in the agricultural negotiations. The G-20 is not a closed group. To the contrary, it is open to the participation of other interested countries that share its objectives and positions. It is thus only natural for the Group to have close contacts with other groups. A majority of G-20 countries are members of the Cairns Group, and there is a large degree of conformity between the positions of both groups, which naturally support each other and seek to cooperate for their common purpose, the faithful implementation of the Doha mandate. It is not a question of competition between the two: each has its own personality. The G-20 is seeking to strike a balance between the interests of trade liberalization and the development objectives of its members. Cairns is more focused on trade liberalization. Their respective agendas and interests coincide as regards the need for the end of trade distorting policies in agriculture and for the opening of developed countries' markets. The difference lies in the definition of special and differential treatment for developing countries, especially in the area of market access. The G-20 clearly accepts the need for a dual approach to market access that fully takes into account the needs of rural development and the situation of countries, such as India, with a large rural population. The Cairns Group acknowledges in its platform the need for special and differential

treatment for developing countries but defends, as is only natural due to its composition, with major exporters of agricultural products playing a central role and developed and developing countries are represented, a policy more committed to open markets in agriculture, in both developed and developing countries.

As the G-20 is composed only of developing countries, it has strong ties to other developing country groups. As noted above, the G-20 seeks to combine the broader interests of economic and social development, especially in rural areas, with trade liberalization. The African Group recognized the existence of a common ground with the G20 in the Cairo Communiqué, and some African countries have joined the Group since Cancun. Others have indicated their interest in the Group's work and may join in the future. At Cancun, the G-20 maintained frequent dialogues with the Cairns Group and the African Group and the G-20's reaction to the Derbez text incorporates elements of the position of both groups. In the case of the African Group the issue of cotton was taken up by the G-20 as part of its platform.

As a Group focused on the agricultural negotiations of the WTO and established to respond to the challenge posed by the common position reached by the US and the EU - which created the risk of marginalizing the interest of the developing countries in agriculture in Cancun - and with a view to reducing the level of ambition set in Doha with consequences for the whole of the Round in the light of the central role played by agriculture in the DDA, the G-20 was compelled from the very beginning, to develop a sound substantive position dealing with the complex issues involved in the agricultural negotiations.

The policy of the G-20

The establishment of the Group and its composition involved a political decision and sent a message to all participants in the round, especially the developed countries, that there was a new factor to be taken into account in the negotiations. No one could lightly dismiss a group that represented almost 60% of the world population, 70% of world's farmers and 26 % of world trade in agriculture. The creation of the Group was a political statement. The Group's position, however, was and is based on concrete

interests and expressed in concrete proposals that seek to fully implement the mandate agreed to in Doha. Commissioner Pascal Lamy defined the G-20 as having a geopolitical father and agriculture as its mother. If by that he meant that the creation and composition of the group was a political gesture, of course he was right. But if the perception was that the Group would simply try to block agreements and not put forward positions that tried to generate progress in the negotiations, then it was a wrong perception.

At Cancun, the Group not only presented its views and influenced the elaboration of Minister Derbez's text, but also, after the presentation of this text, it met for several hours and prepared a number of concrete amendments to the text for the final round of negotiations, which unfortunately never took place. As we know, the Conference closed on the lack of agreement on the Singapore issues. If, however, we had had a final negotiating session on agriculture, the G-20 Ministers present at that discussion would have before them a set of alternative drafts to propose to the Chairman's text.

The G-20 is, thus, prepared to engage, at any moment, in negotiations on agriculture on the basis of concrete proposals. This position was reaffirmed at the Ministerial Meeting in Brasilia, in December 2003. On this occasion the Group had the opportunity to conduct a dialogue with the Director General Supachai and a consultative session with Commissioner Pascal Lamy. This last event, in particular, generated a very fruitful exchange of views between the two sides. The G-20 is clearly today an important partner in the agricultural negotiations in the WTO.

Without going into the intricacies of the negotiations on agriculture, it is, perhaps, useful to present the essential elements of the Group's position, pillar by pillar, and with reference to special and differential treatment for developing countries. As stated above, the central tenet of the G-20's position is the belief that, in agriculture as in other areas of the round, we must combine development objectives with the interests of trade liberalization. The relationship between development and trade liberalization is neither linear, nor simple. This is not the place to embark on this discussion. Suffice it to say that the central objective must be economic and social development and that trade liberalization can be an instrument that, under certain

conditions, can help attain that objective. This is of special significance in agriculture because the greater gains that developing countries can obtain in this round on market access are in agriculture. Agriculture and development are clearly linked in the DDA, and to put development at the center of the round we need substantive results in agriculture in line with the Doha mandate. On the other hand, agricultural trade is largely outside the rules of the WTO, dominated by protectionist policies. To achieve trade liberalization today means putting agriculture at the center of the round. But to liberalize trade in agriculture, we must bear in mind the distortive policies adopted by developed countries in the area of domestic support and export competition as well as the differences between the rural sectors in developed and developing countries, especially those that have a large part of their population living in rural areas engaged in subsistence agriculture. Even in the case of Brazil, which has a large, modern and competitive agricultural sector, the global picture is very uneven, with widespread areas of poverty and millions of small sharecroppers living at subsistence level. When considering trade liberalization in agriculture, there is, therefore, a need to bear in mind those disparities and the fact that commitments on market access have to take into account rural development problems in developing countries.

Based on these concepts, the G-20 developed an approach to negotiations on agriculture that tries to fulfill the Doha mandate of substantial reduction in domestic support, substantial improvement in market access, elimination of all forms of export subsidies and special and differential treatment. In the first pillar, domestic support, the Group has two main objectives: to secure substantial cuts in trade-distorting domestic support in a manner that avoids shifting support between products or between boxes (amber and blue) and improvement of discipline on the green box to guarantee that the remaining support is really non-distortive. On market access the Group proposes a different approach for developed and developing countries, in light of the differences mentioned above. Without going into the discussion of the formula, the Group accepts the concept of a blended formula but seeks to ensure that there will be no element in the formula that allows for only minimal improvement in market access without

generating new trade flows. Due to the complex nature of barriers to agricultural trade in developed countries, where tariffs coexist with Quantitative Restrictions and Special Safeguards, the G-20 defends substantial liberalization of non-tariff barriers and a reduction of tariff escalation, as well as the abolition of Special Safeguards for developed countries. In the case of developing countries, the Group accepts the need for a contribution on market access, but one tailored to ability to contribute and taking into account rural development and food security concerns of developing countries. Finally, in the case of export competition the Group sees the Doha mandate as a commitment to the elimination of all forms of export subsidies.

The G-20 is here to stay

Following this lengthy presentation of the G-20 and its objectives and proposals, it is possible to sum up by saying that the creation of the Group was a response to the challenges of the agricultural negotiations in the WTO and, in particular, the understanding between the two major trading partners that could mean reducing the level of ambition set at Doha. The G-20 was created not to block negotiations but to ensure a true negotiation and avoid any „fait accompli“. The G-20 is inclusive, combining development and trade liberalization, ambition in market opening with fairness and ability to pay. The G-20 has established itself as a factor in the WTO negotiations and intends to play a central role in the negotiations on agriculture.

The G-20 is here to stay. The Group has withstood strong pressures to disband and has remained active in the negotiations. We see a recognition of this in the fact that other groups and countries are seeking to engage in discussions with the G20 to attain progress in the negotiations. There is a renewed sense of commitment to achieving results in Geneva during 2004. The statements by the European Commission at the end of last year and the recent letter by United States Trade Representative Robert Zoellick to all members of the WTO are positive indications in that regard. The G-20 is ready to reengage in Geneva and to meet with all parties interested in making progress in the negotiations.

After a post-Cancun period of reexamination by all countries of the situation of the Round and of

their positions in the negotiations we are now moving to a resumption of negotiations trying to achieve progress during 2004. Again the G-20 is at the forefront of these efforts. The Ministerial Meeting of the Group in Brasilia strengthened the resolution of the G-20 to explore, through direct consultations and negotiations with other partners, alternatives to reaching an understanding on a framework for the negotiations on agriculture. The guiding principles for the G-20 in this exercise will be the respect for the level of ambition of the Doha mandate and the development objectives of the Round.

Future prospects

Let us now consider the future of the Group and its potential to shift the balance in trade negotiations in favor of a more positive attitude toward development issues. When the Group was launched, but especially during the Cancun Ministerial, the press and civil society organizations rapidly perceived the potential of the Group in the context of the Doha Round. From the beginning, the Group was able to enjoy a positive image and this was instrumental in helping to resist centrifugal pressures. Perhaps it is not an exaggeration to say that the role the G-20 played prior to and at Cancun was a distinctive and new element in the scenario of trade negotiations. In the past, agricultural negotiations have always been hostage to the possibility of an understanding between the two major trading partners based on their own interests. A similar situation was taking shape before Cancun. The Cairns Group represented the first attempt at changing this picture during the Uruguay Round. The G-20 now has added its force in favor of accomplishing what we all agreed to at Doha: reforming agriculture to make agricultural trade subject to the rules of the multilateral trading system and to promote social and economic development through trade.

After Cancun, and in the light of the role the G-20 played at the Conference, there have been some suggestions that the Group could perhaps play a larger role encompassing other areas of the WTO agenda, or even the broader agenda of cooperation for development. Perhaps this is only natural and reflects the need that is felt in many quarters for a new coalition in favor of revitalizing the debate on development issues in international fora. This is even more so in view of the growing fatigue with orthodox adjustment, self-regulating market forces as an answer to development problems and the negative aspects of globalization. Nevertheless, the G-20 is perhaps not the answer, and to try to expand the Group's mandate might possibly jeopardize its unity. One of the strengths of the G-20 is its ability to combine a political stance with a focused approach to agricultural negotiations. By doing so, the Group is able to project itself as a political factor in the WTO, thus capturing the imagination of many who wish to see the organization working in a more open and democratic manner, while being able to act constructively and in defense of its members' interests in agriculture, by presenting concrete and technically sound proposals for making progress in the negotiations. This is not a minor achievement, for, as stated above, if we change the picture in world trade on agriculture, we would certainly be making a major contribution to attaining the development goals of the WTO negotiations.

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