

# Global Trade Talks Collapse

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Prospects for a Global Free Trade agreement were clashed as negotiations in Geneva collapsed in bitter acrimony and mutual finger pointing.

After a marathon nine-day round of high-level talks, trade ministers left the table with nothing. They failed to bridge the gap between the demands of the Western capitalist powers for unfettered open markets and the insistence of the “emerging” economies of India and China on retaining the means for protecting their agricultural sectors from a flood of cheap exports generated, in particular, by US agribusiness.

“It is no use beating around the bush. This meeting has collapsed. Members have not been able to bridge their differences,” World Trade Organisation (WTO) Director-General Pascal Lamy told the media.

The collapse of such talks has been a perennial event for the past seven years. Ministerial meetings in Cancun in 2003 and Hong Kong two years later, as well as other rounds of negotiations in Geneva in 2006 and Potsdam, Germany last year, all failed to achieve a deal.

This time, however, leading participants in the so-called Doha round—named for the Qatari capital where the talks on a world trade agreement began in 2001—questioned whether negotiations could be resurrected within the next several years, if ever.

The sticking point in the talks was a dispute over the so-called “special safeguard mechanism” (SSM) which allows countries to temporarily raise tariffs on agricultural goods in the event of an import surge. The issue was what level of increase would trigger such a provision. India and China proposed that it be set at a 10 percent hike in imports, while Washington insisted that it be allowed only in the event of a 40 percent increase.

Beijing and New Delhi cast their intransigence on the issue as a matter of ensuring stable domestic food supplies. “Every country must ensure its own food security,” said Kamal Nath, India’s minister of commerce and industry and the country’s top trade negotiator. He also insisted that “the vulnerability of poor farmers cannot be traded off against the commercial interests of developed countries.”

Both the Chinese and Indian rulers face increasingly restive rural populations. Some 500 million people remain in the countryside in China, while in India, an estimated 700 million are dependent upon agriculture. The prospect of large numbers of poor farmers being driven off their land by competition from cheap foreign imports poses the threat of social upheaval in both countries.

With the Congress Party-led government facing an election next year, the Indian negotiators had no interest in concluding a deal that would incur the wrath of the rural poor, the vast majority of the population.

The Beijing regime’s official *China Daily* published an editorial recently denouncing the draft treaty that was under negotiation before the talks collapsed. “The proposal would have put the livelihoods of vulnerable farmers of the

developing world in danger due to cheap farm imports from the rich world," it stated.

The Chinese news agency *Xinhua* also lashed out at the US position. "This selfish and short-sighted behavior directly caused the failure of this small-scale WTO ministerial meeting, which will lead to a series of serious consequences."

While both the US and the European Union offered to cut agricultural subsidies in return for the opening of markets in the so-called developing countries, these concessions were widely seen as paltry.

Argentina's foreign minister, Jorge Taiana, commented, "On the side of the developed countries there was very little willingness to provide concessions on commercial matters, but plenty of ambition to obtain benefits for themselves."

Similarly, Mari Elka Pangestu, Indonesia's trade minister, blamed the breakdown of the talks on the intransigence of Washington and the refusal of the US and the EU to accommodate the growing economic power of China, India and Brazil. The demand of India, China and other countries for a safeguard measure for domestic agriculture was a "reasonable request," she said, but the US was determined that it was "not going to show flexibility."

Countering this criticism, US trade representative Susan Schwab denounced the proposed safeguard as a "tool of blatant protectionism." She said, "It is unconscionable that we could have come out with an outcome that rolled the global trading system back not by one year or 5 years, but by 30 years."

Schwab also found it "unconsci-onable" that given the global food crisis, "this comes down to how much countries could raise their barriers to imports of food."

Agriculture—which accounts for barely 7 percent of global trade—has proven the stumbling block in all four of the abortive attempts to reach an agreement over the past seven years of the Doha negotiations.

On the one hand, the US and the EU have been loath to scrap the system of state subsidies jealously defended by powerful agricultural lobbies. On other, having witnessed the wiping out of domestic agricultural producers by free trade agreements and a flood of foreign imports, governments in the so-called developing countries are unwilling to scrap protectionist measures.

Tensions over the issue have been sharply exacerbated by the recent global surge in commodity prices, which has threatened hundreds of millions with hunger. While the global agribusiness corporations see the potential for reaping vast profits, the governments in India, China and elsewhere fear losing any ability to stabilise the volatile situation created by the soaring prices of rice and other basic foodstuffs.

Initially, Brazil—which together with India leads the so-called Group of 20, representing "developing" agricultural producing countries—had been in conflict with Washington over the trade agreement. On the eve of the talks, Brazilian Foreign Minister Celso Amorim created a brief furore by comparing the claims of the US and the EU that they were offering substantial concessions on agriculture to Nazi propaganda. "Goebbels used to say if you repeat a lie several times it becomes a truth," Amorim said of what he termed the deceptive US-EU claims.

Ultimately, however, Brazil backed the accord, reflecting the interests of the major agribusiness corporations operating there and the support of the Brazilian government for a massive development of the country's biofuel export sector.

The European Union's trade commissioner, Peter Mandelson, also seemed to place much of the blame on Washington. The impasse on agriculture had been created in part, he said, by the five-year agricultural subsidies programme recently passed by the US Congress in what he described as "one of the most reactionary farm bills in the history of the US."

In an interview with *Reuters* news agency, Mandelson criticised Washington for adopting a "dollar-for-dollar" approach to the trade-off between opening markets in the poorer countries and cutting subsidies in the richer ones, given that the Doha round had originally been launched with the ostensible aim of promoting development in the so-called developing world, particularly in agriculture.

Writing on his blog Mandelson took another thinly veiled shot at the US position. "It is bad enough to be facing defeat in the last mile of such a marathon," he wrote. "It's worse to realize that some of the people across the table, instead of working for success, are in reality preparing for failure."

Many perceived the US delegation as welcoming the position taken by India and China as a pretext for scuttling the talks. In an election year, the White House is by no means anxious to confront farmers with the prospect of sharply reduced agricultural subsidies. Moreover, the Bush administration has increasingly focused its efforts on forging bilateral free trade agreements, though the electoral calendar has largely brought this process to a halt as well, with pacts dealing with Colombia, Panama and South Korea stalled in Congress.

Nor was the EU by any means unified on making the concessions needed to reach an agreement. The cutting of agricultural subsidies remains a sensitive political issue, particularly in France, where President Nicolas Sarkozy had openly condemned the European Commission bargaining position presented by Mandelson.

The collapse of the talks was widely interpreted as another setback for an already reeling world capitalist economy. WTO analysts had projected that passage of the treaty would have produced \$110 billion in new annual profits for the major industrialised countries and more than twice that for the so-called developing and emerging ones.

"It is a massive blow to confidence in the global economy," said Peter Power, spokesman for the European Commission. "The confidence shot in the arm that we needed badly will not now happen."

In Germany, the business daily *Handelsblatt* warned: "In the long term the debacle in Geneva marks a break of immense importance. The rules governing trade will become more inscrutable, because agreements between individual states will replace the framework that had been globally accepted up to now. The WTO will lose its influence as the referee in disputes. The price will only gradually be perceived by businesses, but it will be high. The trade system is losing the dependability that exporters urgently require."

The German paper also attributed the collapse of the WTO talks to "changing power relations in the world." It commented: "Gone are the days when the US and Europe could set the tone and largely draw up the world trade agreements amongst themselves. China and India took a tough stance. They fight hard for

their interests and only support free trade when it suits them. The old industrial powers will slowly realize the bitter truth of this. Geneva was just a foretaste.”

The *Washington Post* published a gloomy editorial entitled “Doha’s Demise”. “To the litany of recent sour economic news add this unhappy bulletin from Geneva: The global trade negotiations known as the Doha Round broke up yesterday without an agreement,” the editorial began. It commented that the member states of the WTO “proved themselves unready for such a deal for the foreseeable future. This result casts a long shadow over the WTO’s future relevance and increases the likelihood that global trade will splinter into competing regional or sectoral blocs.”

Underlying these comments is the deep-seated concern within ruling circles in both the US and Europe that the collapse of the Doha Round and the potential weakening of the WTO could lead to the breakdown of the multilateralism upon which trade relations have been based since the end of the Second World War.

The fear is that in its place will emerge a series of antagonistic trading blocs and the growth of protectionism, reproducing key features of the crisis that gripped the world economy during the Great Depression of the 1930s, producing mass unemployment and paving the way to world war.