

# Splits widen in the World Trade Organisation

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With just over a month to go before the ministerial conference of the World Trade Organisation scheduled to be held in Seattle on November 30, a series of conflicts have opened up in the 134-member organisation on the agenda for a new round of trade liberalisation.

There are divisions both between the major capitalist powers—the US, the European Union and Japan—and between the so-called developing countries and the industrial nations.

Pointing to the conflicts between the major powers, the *Financial Times* reported on Monday that the “European Union, Japan and other countries have accused the US of trying to rig the agenda for a new world trade round to suit its own interests”. It said diplomats had warned that the conflict threatened to “sour the political atmosphere” and set back preparations for the WTO meeting, already delayed by the months-long dispute over the choice of a new WTO director-general.

Trade officials from several governments are said to have accused Washington of “unfairly exerting pressure behind the scenes to try to exclude from the Seattle agenda proposals with which it disagrees, and to restrict proceedings to issues that appeal to the US.”

The conflict erupted when US deputy trade representative Sue Esserman presented a draft ministerial declaration for the Seattle meeting, which was rejected as “unbalanced.”

The text of the resolution was substantially different from an earlier version, which had drawn strong objections from the US. The later draft played down proposals for negotiations on anti-dumping regulations, investment rules and competition policy, which the US opposes, and gave high priority to liberalisation of trade in agriculture and services, which the US supports. It also omitted sections of the earlier draft calling for poorer countries to be allowed flexibility in meeting their WTO obligations—a demand that Washington has long opposed.

According to the *Financial Times* report, a senior Japanese official, attending a meeting of EU and Asian trade ministers in Berlin, said the US was guilty of

“outrageous” behaviour, while a “senior EU official” accused the US of making “a major tactical blunder” which had dashed hopes for quick agreement on a new round of trade talks.

The dispute over the draft statement has brought to the surface a long-simmering conflict between the US and the EU over American demands for further liberalisation of agricultural policies. In addition to the long outstanding differences over EU subsidies to agricultural producers, there are deep divisions over the question of genetically modified crops.

Setting out the US agenda in a statement issued in May, US Trade Representative Charlene Barshefsky said: “In Seattle we plan to advance aggressively an agenda for a new round of agricultural trade negotiations that will not only seek further reductions in tariffs, nontariff barriers, and subsidies, but also address emerging issues such as biotechnology.”

An accompanying paper authored by Assistant US Trade Representative James Murphy insisted that biotechnology was not just about regulatory processes but was “the fundamental challenge facing US agriculture.”

“While biotechnology is accepted by consumers and governments in many overseas markets, there is tremendous resistance, particularly in Europe, from consumers who fear for the safety of their food and from some governments that have turned away from scientific principles in evaluating foods produced with biotechnology.”

While the US recognised the right of any country to maintain high standards for food safety, “we must ensure, without any question, that the debate about the safety and benefits of biotechnology is based on scientific principles, not fear and protectionism.”

Murphy claimed that “abundant scientific evidence” in support of biotechnology had made “the problems we are having with the EU all the more frustrating.”

“We have repeatedly told EU officials at the highest levels of the need for a workable—and this includes timely—system for the products of biotechnology.”

The importance of this issue for US agriculture is indicated by the fact that last year around one quarter of US maize plantings consisted of genetically modified varieties, while in soybeans the figure was one third, with the expectation that these proportions will increase significantly.

Another area of conflict concerns the inclusion of so-called “labour rights” within the agenda for any new trade round. Here there is opposition from Asian and other developing countries, which maintain that concern with labour standards is a disguised form of protectionism being advanced by the US to appease opposition in the Congress to the further opening of domestic markets.

The question of the link between trade and labour standards was also a major point of contention in talks between 15 EU and 10 Asian trade ministers held last Friday in Berlin.

While the meeting expressed agreement on the need for a new trade round, there were significant differences over what the agenda should be. The joint communiqué issued from the ministers' meeting noted that some had “proposed the need for further analytical work in conjunction with the International Labour Organisation” on the relationship between trade and “core labour rights” while “a number of ministers had expressed real difficulties with this issue.”

Besides the disagreements over labour standards, the majority of Asian countries did not support calls by the EU and Japan for a comprehensive round, including foreign direct investment, competition policy and government procurement. Nor was any agreement reached on whether the WTO should discuss anti-dumping policy which many developing countries maintain is used by the US and EU to discriminate against their products.

While there was agreement that agriculture should be included in the Seattle talks, there are wide differences on this question as well, with the massive subsidies provided under the EU's Common Agricultural Policy providing a constant source of tension between Asia and Europe.

The divergences between the major capitalist powers and the majority of the countries which make up the WTO were the subject of a recent article by United Nations Conference on Trade and Development secretary-general Rubens Ricupero, published in the *Financial Times*.

Replying to that paper's assertion that “developing nations are suffering from trade liberalisation fatigue” he maintained that they were tired of being told to “open up even more” after doing so for the past 15 years.

“The truth is that the adoption of economic policies

promoted by the international community following the early 1980s debt crisis—and persistent biases in the multilateral trading system—have failed to deliver stability and rapid growth in the developing world.

“Although growth has recovered in the 1990s, it is not much higher than in the second half of the 1980s, and well below the 6 percent averaged in the 1970s. Significantly, this recovery has been accompanied by a worsening of external deficits, on average higher by almost 3 percentage points of gross domestic product.”

The article pointed out that with the establishment of more liberal trading regimes, increased economic growth sucks in more imports. But attempts by developing countries to improve their trade balances through increased exports run up against “sluggish markets, protectionism and adverse movements in the terms of trade.”

Consequently, they have come to increasingly rely upon attracting foreign capital. However, capital inflows are confined to a narrow group of 20 or so “emerging markets” and even in these countries much of the capital inflow is absorbed by activities which do not add to productive capacity. Nearly a quarter of the capital inflow is moved offshore and a fifth is used to boost foreign exchange reserves.

The UNCTAD secretary-general pointed to what he called a “panorama of protectionism” in industrial countries and the development of new forms of protection within the framework of the WTO which discriminated against developing countries.

He ended his article with an appeal to the “rich countries to bear the full share of their responsibilities in making openness work.”

But the “open market” agenda is aimed neither at ending poverty nor promoting economic growth. Rather, it is the program of the major transnational corporations and global financial institutions for tightening their grip on the world economy in the relentless struggle for markets and profits.



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