

# Trade talks could "blow up" says US commerce secretary

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The United States commerce secretary William Daley has warned that conflicts between the US and the European Union could threaten the next trade round set to be launched at the ministerial meeting of the 134-member World Trade Organisation which starts in Seattle on November 30.

Speaking to a meeting of the Transatlantic Business Dialogue in Berlin last Friday, Daley said the talks were "very significant" but that there was "much to do" in the next 30 days. "Frankly, I fear the Atlantic alliance might be the greatest threat to getting these talks off to a good start.

"Lately, we have had too many disputes, from genetically modified foods to hushkits for airplanes. These have not been good for the alliance. It would be crazy to end up the century on opposite sides going into the Seattle talks because of parochial disputes. It would be ironic if the millennium trade talks were to blow up and become the trade crisis that we have tried to avoid."

Daley also pointed to domestic opposition in the US where many people saw the WTO as "some kind of secret organization, carving up the global economy to line the pockets of big business."

Following Daley's blunt assessment, US Special Trade Representative Charlene Barshefsky insisted that Europe, Japan and the US were moving closer to agreement on an agenda for the talks and that differences were narrowing.

But an examination of the increasingly bitter conflicts over the past weeks reveals deep divisions among the major capitalist powers and increasing concerns by the so-called developing countries over the agenda for the next round of trade liberalisation.

The depth of the differences between the US and Japan was revealed in a series of public exchanges between trade officials from both countries at the end of last month after US under secretary of commerce for international trade David Aaron accused Japan of jeopardising the talks. He claimed Japan was seeking to protect its fishing and lumber industries and attacking American anti-dumping laws which have been invoked against low-cost Japanese steel.

In a letter to Aaron, released on October 25, Japan's vice minister of international trade and industry for international affairs, Hisamitsu Arai, said that Japan was not alone in its

request that US anti-dumping laws be examined in the next round of trade talks and "over 20 members of the WTO, including developing countries" had made a similar proposal.

Aaron dismissed the letter saying that the US would never agree to include its anti-dumping laws in the trade negotiations and claimed that calls by developing countries to reopen the issue had been orchestrated by Japan.

Rather than toning down his remarks after the receipt of the letter, Aaron adopted an even more bellicose stance in an address to the Washington-based Institute for International Economics.

"Seldom in the history of the last half-century," he said, "have the forces of protectionism and retrenchment been stronger—from developed countries defending the last redoubts of trade barriers, to developing countries still in the thrall of obsolete doctrines of development. And here at home, legitimate concerns about unfair competition and dislocations caused by trade are being compounded by isolationism, know-nothingism, and misguided environmental extremism."

Turning to Europe and Japan he said it was "hard to escape the conclusion that their approach to the New Round is principally motivated by a desire to protect their highly distorting agricultural policies."

"Up to now, they seem to be doing everything they can to shift the focus of negotiations away from the liberalisation needed in this sector. They are insisting on a 'single undertaking' that would include areas like investment and competition policy—which they say will broaden the results of the negotiations and make trade-offs easier."

The US is demanding that the trade negotiations be confined to a narrow range of issues in particular the reduction of agricultural subsidies, and the removal of barriers to the operation of service industries. The Europeans, together with Japan, are calling for "special treatment" for agriculture and negotiations on investment policy and competition. But the broader agenda is opposed by the US.

According to Aaron: "We are prepared to agree to a single package approach in the area of market access—that is goods, services and agriculture. But we are not ready to sign on to a single undertaking that would be conditioned on agreement on investment, competition, dumping and who knows what else. I

call this the 'let's put everything in so nothing comes out' approach. It's not a formula for consensus, only delay."

Aaron also attacked Japanese moves to have US anti-dumping laws placed on the agenda following their use against steel exporters, claiming that Japan was involved in the discussion on the laws and agreed with them.

"Now that Japan sees that its companies continue to violate our laws—three times more than any other WTO country—they want to change the rules."

Turning to opposition from the "developing countries" to the US trade agenda, Aaron said that the emergence of "North-South divisions" had been "exacerbated by the efforts of the EU and Japan to use these and other issues for their own ends".

In the lead up to the meeting US officials have insisted, in the words of US Special Trade Representative Charlene Barshefsky that agriculture is "the most central element of the new Seattle round".

The disputes with the EU and Japan are on two fronts. The US is demanding the removal of subsidies on agriculture, especially by the EU and an agreement on biotechnology and gene modification which is assuming ever-greater importance in US agriculture.

But the EU and Japan maintain that their view of "multifunctional agriculture"—the importance of agriculture on village life, the environment and social factors—should be recognised in the treatment of this sector. However in the US view "multifunctionality" is just a code word for the maintenance of massive agricultural subsidies, which block US exports.

Biotechnology is an area of equally bitter dispute. In an address to a US Senate subcommittee on international trade early last month Aaron denounced European opposition to American biotechnology as being driven by "misinformation, inconsistency, and an absence of political leadership".

While insisting that the US was prepared to work with the Europeans to develop a "science-based" approach to this question, he warned that "our patience on this issue is not inexhaustible".

"The US is committed to continued dialogue with Europe on this issue to dispel public concerns about the safety of biotechnology. But we also know that this issue is ripe for exploitation by protectionists, in Europe and in other countries around the world. And we insist on our trading rights."

Aaron noted that "increased agitation against biotechnology and biotech foods that started in Europe is beginning to spread to markets in Asia, Latin America, Australia and Canada". A solution had to be found soon because "the stakes are so high for the United States."

While conflicts over agriculture have tended to dominate the headlines, another, potentially no less contentious area, is services. The importance of these industries, covering finances, telecommunications, health, education, travel, tourism, law, engineering and construction, to name but a few, is illustrated

by the fact that they provide around \$5.5 trillion of US output—more than 75 percent of US private sector economic production—and more than one dollar in seven of world production.

US exports of services totaled \$246 billion last year and trade spokesmen for the Clinton administration have made it clear that they regard liberalisation of services to allow greater penetration of US firms into global markets as a key agenda item in the new trade round.

While a General Agreement on Trade in Services (GATS) was established in 1994 as part of the so-called Uruguay Round of trade negotiations, there is considerable dissatisfaction in US administration circles over the barriers to penetration by US firms which remain in place.

According to US trade negotiators while the GATS provided a general framework, the Uruguay Round did not provide for a broad-based liberalisation as many countries agreed only to "standstills"—commitments not to impose further restrictions—rather than an expansion of market opportunities.

Outlining the US agenda on this issue in a recent speech, deputy US Trade Representative Susan Esserman, made clear its widening scope. Greater liberalisation in the services area should include "deeper commitments in finance and telecommunications, together with fundamental improvements in the commitments of existing WTO members on distribution, audiovisual, construction, travel and tourism, the professions, education and training, health, express delivery, energy and environmental services".

But the US demand for "open markets" in these areas is likely to deepen the increasingly bitter conflicts with its competitors. This is because while "free trade" in agriculture and manufactured goods requires the removal of tariff barriers and subsidies, "free trade" in services requires nothing less than the rewriting of domestic laws covering commercial operations, foreign ownership rules, administrative procedures, tendering requirements, medical practices, television content quotas and a host of other issues.



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