

The collapse of the WTO talks: What this means for global capitalism

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The failure of the World Trade Organisation meeting in Seattle will prove to be a turning point in the affairs of global capitalism with far-reaching implications. While the representatives of the major capitalist powers attempt to put the best face on a bad situation by presenting the breakdown as simply a hitch or a “time out”, there is no denying the significance of what has taken place.

This was not merely a set of negotiations on particular economic and trade issues, but an attempt to set in place a framework for the development of the global capitalist economy into the next century. That it should have broken down so spectacularly, and that the differences were so wide that they could not be papered over in a final document, must have deep-seated causes. Increasingly in the past period negotiations between the major capitalist powers have reached the point of collapse. But at the last minute a formula has been found to present at least the façade of agreement. This time there was none.

In the immediate aftermath of the debacle the leading participants have sought to place the blame on each other. Predictably US Trade Representative Charlene Barshefsky, whose arrogant chairmanship of the meeting aroused the ire of the majority of the delegates, sought to place the responsibility on other governments, which were unable to meet the US agenda. “The complexity and novelty of the issues,” she said, “strained the collective capacity of delegations to make decisions. Governments were just not willing to take the leap.”

Pascal Lamy, the leader of the European Union delegation, whose refusal to agree to cuts in agricultural subsidies constituted a major stumbling block, protested the innocence of the EU, which had a “clear conscience.” “We came to Seattle with an open spirit and open agenda.” The responsibility for the failure was due to the structure of the WTO, he insisted, and only a miracle worker could have obtained a result from its “medieval” procedures.

Such explanations, however, will not travel far for, as the *Financial Times* noted in its editorial on Monday, the WTO was not some “alien monster” but the creation of the US and the EU.

Among the poorer nations, which comprise the majority of the WTO, the response was virtually unanimous. The collapse of the talks was rooted in the attempt of the major capitalist powers, and particularly the US, to impose their agenda on the rest of the world. In the words of Thai deputy prime minister Supachi Panitchpakdi, scheduled to take over the post of WTO director-general in 2002, the failure of the talks was a wake-up call to the richer nations that developing countries were not going to be squeezed out.

These sentiments were echoed in a formal statement issued by the Caribbean and Latin American countries which noted that “as long as conditions of transparency, openness and participation that allow for adequately balanced results in respect of interests of all members do not exist, we will not join the consensus required to meet the objectives of this ministerial conference.” The language was diplomatic, but the meaning unmistakable.

A *Financial Times* published gave in an atmosphere inside the conference hall in the final hours. The talks, which were “supposed to usher in a new dawn for the global trading system”, turned into a “nightmare” as they “degenerated into all-night feuding between ministers and finished in abject failure”.

“At times, turmoil inside the conference hall was almost as fevered as on the surrounding streets. As proceedings grew ever more chaotic, developing countries’ delegates pounded their desks, booed and catcalled at the brusque chairmanship of Charlene Barshefsky.... Some threatened to walk out of the talks early.”

While the *Financial Times* ascribed the failure of the talks to the “folly and cowardice” of the leading capitalist politicians, the extraordinary bitterness and acrimony which accompanied them were the expression, in the final analysis, of deep-seated and intractable contradictions within the world capitalist economy itself.

These contradictions are revealed through an examination of the historical origins of the WTO. It came into being in 1995 at the instigation of the major capitalist powers. Up until that time world trade had been regulated under the auspices of the General Agreement on Tariffs and Trade (GATT), which had begun its life as a 23-member organisation in 1948 aimed at cutting tariffs on major industrial goods and preventing the type of destructive trade wars that characterised the Great Depression of the 1930s.

By the 1980s, however, the framework of GATT was far too restrictive for the global economy, which had now developed. The era in which GATT was born, when international economic relations were predominantly trade connections between national economies, had well and truly passed. The development of globalised production, the increasing scope of banks and other financial institutions, together with the growing importance of service and so-called knowledge-based industries meant that a new mechanism had to be developed to regulate the affairs of an increasingly globalised capitalist economy.

Accordingly the WTO was established not only to cover trade in manufactured and agricultural goods, but services such as banking, telecommunications and insurance, with rules to cover “intellectual property rights” in computer software, biotechnology, video and film, in many cases covering industries which were not even in existence when GATT was established.

In short, the creation of the WTO was an attempt by the major capitalist powers to create a global organisation in line with the globalisation of production arising from revolutionary developments in transport and communications and the vast advances in the productive forces made possible by the application of scientific discoveries to production technologies.

While it was conceived as a response to globalisation, the WTO remained rooted within the nation-state system, which forms the basis of capitalist political organisation. Therefore, rather than functioning as a mechanism for the harmonious development of the productive forces,

from the outset it has been an arena within which the capitalist powers conduct their increasingly bitter struggle for markets and profits.

In other words, in the last weeks of 1999, the WTO has foundered on the central contradiction which has bedeviled world capitalism in the twentieth century: that between the global development of the productive forces—itself an inherently progressive development—and the outmoded system of capitalist social relations based on private property and the nation-state. This irresolvable conflict was reflected in the fault lines which marked the ministerial meeting and prevented any agreement being reached.

In the first instance, there was the conflict between the major capitalist powers—the US, Europe and Japan. They could reach agreement neither on US demands that agriculture be treated like any other good, nor on the scope of the talks themselves.

The second major divide was between the advanced capitalist countries and the less developed and developing countries. The various proposals advanced by the US and the other major powers were recognised as a means of increasing their advantages at the expense of the majority of the poorer nations.

The third dividing line was the social polarisation which has resulted from the subordination of globalisation to the dictates of the capitalist profit system. The protests in the streets of Seattle were the outcome of the experiences of billions of people all over the world who have seen their living standards decline with the increasing domination of the capitalist market over all aspects of economic and social life. Nowhere is this experience more graphically expressed than in the US, where despite the longest period of uninterrupted growth in history, and the unprecedented rise of the stock market—the Dow Jones hit a new record on the day the conference collapsed—the operation of the market has resulted in a social disaster for millions of people.

Any autopsy of the failed WTO meeting would not be complete without an examination of the special role played by the US as the major world capitalist power. Throughout its history world capitalism has been wracked by the contradiction between the inherent drive of the productive forces to develop on a global scale and the system of rival nation states.

But in certain historical periods this contradiction has been able to be regulated and contained through the organisation of the world economy under the hegemony of a single great power. The period of capitalist expansion from 1870 to 1913 rested in no small part on the strength of British capitalism, whose domination of the world market provided the foundation for the system of free trade. But the rise of its rivals, in particular the fast-growing capitalist Germany, led to the eruption of World War I.

In the inter-war period the system of free trade collapsed, giving way to deepening rivalry, depression and ultimately a second imperialist war. After 30 years of bloody conflict, the post-war capitalist order was reconstructed through the efforts of a new capitalist hegemon, the United States, which took on the task of re-organising the world economy.

Within the framework of the Cold War, US policy in this period was conducted under the banner of multilateralism. While it always ensured that its interests were protected, the US did organise world economic affairs in such a way that the major capitalist powers, and to some extent the poorer nations as well, were able to undertake economic expansion.

Today the role of the US has been transformed. In place of the multilateralism, which brought about an expansion of global markets, its international economic policies are characterised by what can only be described as an increasingly belligerent unilateralism. Unable to win agreement for its agenda, the US refused to make concessions and decided to pull the plug on the talks. In the words of one official cited by the *New York Times*: “The only thing worse than no agreement was the agreement it looked like we might get.”

What does the collapse of the WTO portend for the future of world

capitalism? WTO Director-General Mike Moore pointed out that GATT had suffered reverses and survived, while others have expressed the hope that the failure of the talks will be a “wake-up” call to be followed soon by a renewed interest in obtaining an agreement.

But there are growing fears that the era of multilateralism has ended, and the future will increasingly come to resemble the turbulent past as trading blocs and bilateral arrangements dominate world trading relationships.

These fears were outlined in the editorial in Monday's edition of the *Australian Financial Review* entitled, “The Unthinkable has Happened”.

“The first half of this century,” it noted, “was marked by two world wars which partly owed their origins to the view that countries could prosper by interfering with the free flow of goods to other countries. The second half has seen an unprecedented period of growth as countries recognised the mutual benefits of trading with each other and the way this can lift the less well off to a new level of development.

“There is no better context than these two halves of a fading century in which to view the collapse at the weekend of a new round of international trade negotiations on the eve of a new millennium.

“It is less than two weeks since the former General Agreement on Tariffs and Trade director general Mr Peter Sutherland wrote: ‘A publicly perceived failure [of the World Trade Organisation talks in Seattle] is not an option. Such an outcome would serve the interests of no country represented in the WTO, and could test the organisation to near breaking point.’

“Despite the dramatic rhetoric about restarting talks early in the new year and picking up the ongoing negotiations from the Uruguay Round, the unthinkable has happened. That it happened in Seattle, which as the Pacific basin home of Boeing and Microsoft is the face of the new booming American economy, makes the collapse even more of a matter of concern. It raises questions about what sort of global economy will unfold in the new century.”

Economic forces would continue to push forward globalisation but “if the benefits of this process accrue narrowly in a world of trade restrictions and financial imbalances, the new century could face a new version of the 1930s beggar thy neighbour economic thinking.”

The subordination of the global economy to the capitalist profit system has already resulted in declining living standards, longer working hours and greater economic insecurity for the majority of the world's people—in the advanced capitalist countries and poorer nations alike.

Now it threatens to bring depression and war. As the WSWS has emphasised, the task of the day is the building of an anti-capitalist movement, based on the international unity of the working class, for the establishment of a new social and economic order in which the benefits of globalisation and technology are utilised to meet human needs and not the dictates of the profit system.



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