

# Mounting concern over failure of World Trade Organisation talks

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Media commentary on the collapse of the World Trade Organisation talks in Seattle reveals a growing concern over the failure to launch the so-called “Millennium Round” and the social and political meaning of the anti-WTO protests.

*The Economist* magazine in Britain headlined its article “A global disaster” and pointed to the widening divisions between the major capitalist powers over the trade agenda. While laying some of the blame on the European Union, citing its “lackadaisical efforts to comply with WTO rulings over bananas and beef hormones”, the article said the collapse of the talks had raised doubts over the WTO’s “unwieldy structure” and “worsened the deep divisions not only between America and Europe, but also between rich and poor countries about future liberalisation.”

*The Economist* claimed it was “largely the Americans’ fault that no deal was done” and indicted US Trade Representative Charlene Barshefsky, President Clinton and Vice-President Al Gore as the three “culprits” responsible for the collapse of negotiations.

It pointedly noted that while the official position is that efforts to launch a new trade round are “suspended”, the EU trade negotiator Pascal Lamy has declared that all the negotiating papers brought forward at Seattle are now “dead”. Negotiations on agriculture and services due to start in January were “unlikely to make any progress” as their prospects were “clouded by the lack of agreed objectives or deadlines.”

Across the Atlantic, the *Washington Post* said that the failure of the talks sent a “grim message” and could “usher in a period of trade friction and cause the already burgeoning US trade deficit to climb even higher.”

The article cited Princeton University international economist Peter Kenan who warned there would not be a new trade round for some time and that in the meantime “there will be a whole new set of trade issues that will come along that will fester.”

According to the article, the managing director of the Economic Strategy Institute, Lawrence Chimerine has expressed concerns that without a mechanism to open up markets for US goods and services, particularly in Asia, there is no prospect of controlling the US trade deficit, now approaching \$300 billion, and that the widening trade gap is an “economic and political time bomb just waiting to explode at the first sign of an economic downturn in the US.”

It went on to warn of an increasing turn to bilateral or regional agreements, with countries resorting to unilateral sanctions to redress grievances. “That, in turn, could prompt retaliations and

raise the overall level of trade tensions.”

One of the more insightful articles was an opinion piece published in the *Christian Science Monitor* by Benjamin Schwarz, a contributor to the US magazine *Atlantic Monthly*. Entitled “Lenin and globalisation”, the article recalled the conflict between Lenin and the leader of German social democracy, Karl Kautsky, over the historical significance of the outbreak of World War I.

“Several years ago,” Schwarz wrote, “a Pentagon planning document asserted that America’s greatest post-World War II achievement is the creation of a ‘market-oriented zone of peace and prosperity encompassing two-thirds of the globe.’ To appreciate this achievement, it’s helpful to recall the once-famous debate between V.I. Lenin and Karl Kautsky. Lenin held that any international capitalist order was inherently temporary because the political order among competing states on which he believed it would be based would shift over time.

“Whereas Lenin argued that international capitalism could not transcend the Hobbesian reality of international politics [a conflict of each against all—N.B.], Kautsky maintained that capitalists were much too rational to destroy themselves in international conflicts, recognising that international political and military competition would upset the orderly process of world finance and trade, would instead seek peace and free trade. ...

“Kautsky believed the common interest of an international capitalist class determined international relations, whereas in Lenin’s analysis international relations were driven by competition among states. Lenin argued that there was an irreconcilable contradiction between capitalism and the anarchic international system; Kautsky didn’t recognise the division in the first place.”

Schwarz went on to note that in the post-war period American foreign policy strategists had worked to keep Lenin’s view of international relations “permanently at bay.”

“Since World War II, the US has created a new kind of international politics among the advanced capitalist states. Whereas these states had formerly sought to protect their national economies from outside influences and to enhance their national power in relation to their rivals, they would now seek security as members of the US-dominated alliance system and their economic growth as participants in the US-secured world economy, adjusting their national economies as dictated by world market tendencies. But at the close of the 20th century, global capitalism’s contradictions are becoming apparent, as the international economy’s very success begets potentially lethal challenges to it.”

Pointing to the changes in relations between the major capitalist states, Schwarz warned that “the global economy has perhaps sown the seeds of its own destruction.”

“The problem with the US-created global economy,” he continued, “is that it has been all too successful. Through trade, foreign investment and the spread of technology and managerial expertise, economic power has diffused from the US to new centres of growth. With a shift in the international distribution of economic strength, the Pax Americana will inevitably be undermined. If the assumption of power politics, upon which America's post-1945 foreign policy is based, proves correct, then, as US preponderance weakens, the normal conditions will remerge. Independent and jealous states jockeying for power and position will of necessity shred the web of the integrated global economy. Capitalism—at least the advanced state of capitalism represented by the global economy—may collapse as the political order that nurtured it crumbles.”

Besides warnings on the inherent instability of the international economic and political order, another significant strand of commentary has focused on the significance of the anti-WTO protests.

The *Washington Post* cited former Clinton commerce secretary and dean of Yale University's School of Management, Jeffrey Garten, who warned that the International Monetary Fund and the World Bank would now become targets. “What Seattle showed was that there is a lot more angst beneath the surface,” he said.

An article in the Internet-based publication *Salon* entitled “Clueless in Seattle”, pointed to the gap between the pronouncements of the leading political figures and the concerns of millions of ordinary people in the US.

“Their responses ranged from the platitudinous (‘I support free and fair trade. And along with the president I have argued that labour rights and environmental protections should be a more important part of the negotiating process’—Al Gore) to the painfully obvious (‘I readily concede that there may be an instant in time where someone has been pained by free trade’—George W. Bush). And the award for meaninglessness goes to Sen. Tom Daschle, D-S.D. ‘The key,’ he said, ‘is not to run away from global trade but to embrace it while dealing with the negative aspects.’ The minority leader clearly has a great future as a marriage counselor.”

The article claimed the most significant aspect of the anti-WTO protests was that “they embodied the widespread fears and anxieties of millions of Americans who do not share the prevailing assumption that these are the best of times, and who in effect represent America's unrecognised third party, made up of those so disgusted with the system that they have even given up on voting.”

Citing remarks by California Governor Gray Davis that his administration was prepared for whatever demonstrators may be planning in his state, the article pointed out that “maintaining law and order is one thing; responding to a fundamental challenge to the political order is quite another.”

It said the “emerging populist alliance”, cutting through both parties and across generations, traced its roots “not to the street protests of the ‘60s but to the progressive reform movement of the ‘90s—the 1890s.”

A similar point was made by Jeffrey Garten last month in a

comment on the decision of the Clinton administration to repeal the Glass Steagall Act, which had prevented the formation of mega-financial institutions.

According to Garten if these behemoths were to falter “they could take down the entire global financial system.”

“Sooner or later,” he warned, “perhaps starting with the next serious economic downturn, the US will have to confront one of the greatest challenges of our times: how does a sovereign nation govern itself effectively when politics are national and business is global?”

“When the answers start coming, they could be as radical and as prolonged as the backlash against unbridled corporate power that took place during the first 40 years of this century.”

Concerns over the hostility to corporate power have also been reflected in the pages of London's *Financial Times*.

In an article entitled “WTO: In defence of global capitalism”, published on December 8, the newspaper's leading economics commentator, Martin Wolf, explained that the backlash witnessed at Seattle was not surprising and showed that “the passions that have marked this century have not vanished.”

Wolf, a fervent defender of capitalism, the profit system and the “free market”, called on policymakers to “find a constructive response to the anti-market prejudice displayed on the streets of Seattle.”

Among other things, they had to: state that a “dynamic international economy already has a human face”; “argue that there need be no race to the bottom, because they have no intention of entering one”; insist that the WTO “poses no threat to sound environmental policies”; persuade trade unionists that “labour standards are a function of economic development”; and “find ways of reforming the WTO”.

But if the evidence of Seattle is anything to go by, the leaders of the major capitalist governments have about as much chance of achieving consensus on and winning support for such a campaign as they did on reaching agreement on the framework for the international trading system.



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