

# WTO's "reality check" reveals widening differences

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With the global economy facing its most serious downturn in 20 years, and possibly in the entire post-war period, there are growing concerns that relations between the major capitalist powers are becoming increasingly antagonistic.

These conflicts have been reflected in the political arena in disputes between the Bush administration and the European powers over issues such as the proposed nuclear missile defence system and the US refusal to endorse the Kyoto climate protocol.

Economic divisions are deepening as well. There is a growing likelihood that, despite the calls at the recent G-8 summit for the rapid launching of a new global trade round, the ministerial meeting of the World Trade Organisation (WTO) scheduled to be held in Doha, Qatar next November will collapse, widening the differences that were revealed at Seattle in December 1999.

Speaking at a meeting in Geneva last week, WTO Director General Mike Moore told trade representatives from the organisations' 142 member nations that unless an agreement was reached "the focus of global trade activity will shift from the multilateral trade arena to regionalism, bilateralism and, most worryingly to unilateralism."

Moore said if entrenched differences were not resolved, talks on a new global round of trade agreements would "implode" and condemn the WTO and the global trading system to a "long period of irrelevance."

"We are still far from agreement. Not all members are convinced of the need for new negotiations, and among those who are there is insufficient clarity about the scope and level of ambition envisaged," Moore said.

How far the differences extend Moore made clear in an article published in the *Financial Times* last Wednesday.

"In a 'reality check' that Stuart Harbison, general council chairman, and I drafted for members," he wrote, "we offered a sombre assessment of where we stand in

about 20 areas of our work, from agriculture to protection of property rights. There is no consensus among governments on any of these issues today.

"If we believe we can go to Doha with all these areas unresolved and succeed in settling them all during a five-day conference, we are living very dangerously indeed. We tried that in Seattle. The results speak for themselves."

A *Financial Times* editorial warned that "a debacle in Doha, so soon after Seattle, could be devastating for the WTO and the trade system. Whatever doubts governments have about the gains from a round, they should be clear about what they would lose if efforts to launch one failed again."

In a similar vein, an article in the *Australian Financial Review* noted that "with the global economy slowing dramatically" a second failure "could spark a damaging round of protectionism and an unseemly rush towards bilateral and regional free trade agreements."

When the Seattle talks collapsed the WWSWS pointed out that the significance of the breakdown lay in the fact that the talks were not merely a set of negotiations on particular trade and economic issues "but an attempt to set in place a framework for the development of the global capitalist economy into the next century." While there had been sharp conflicts in the past, usually a last minute formula had been devised to "present at least the façade of agreement." However, there was not one at Seattle.

Eighteen months later the differences are hardening. Commenting on the Geneva discussions Harbison said: "It is not simply the extent of the outstanding differences... that is worrying, but the apparently entrenched nature of those differences."

One trade envoy described the mood in the meeting as the "four D's—demoralising, discouraging, discomfiting and depressing."

The major differences are over what should be on the

agenda in Doha and include such issues as the liberalisation of trade in agriculture and services, tariffs on industrial goods, investment policy, competition policy, labour and environmental issues and anti-dumping laws.

In agriculture, one of the most contentious questions, the European Union and Japan are opposing demands from Australia and the so-called Cairns group of agricultural exporting countries for an end to agricultural subsidies which are estimated to cost \$300 billion a year.

Europe's top trade envoy, Pascal Lamy, has stated that if negotiations on liberalisation of agriculture at Doha are only to be governed by trade concerns then "there will be no agreement."

In an attempt to show some flexibility the European Union has stated that it may negotiate on agricultural trade liberalisation as long as the agricultural exporting countries adhere to environmental issues and laws. However differences have emerged on this issue from the so-called developing countries who believe that if Europe does lower its agricultural trade barriers, it will protect its agricultural industries by invoking environmental concerns on foreign products.

With regard to anti-dumping laws the US has said it will not negotiate on this issue following the concerns expressed by Japan and poorer nation members of the WTO. Anti-dumping laws enable a country to impose tariffs on commodities it believes are being "dumped" in export markets, or sold below cost. In the lead-up to the Geneva talks, 60 US senators wrote to America's chief trade negotiator Robert Zoellick instructing him not to touch America's rules.

The poorest nations are reluctant to make new agreements because they maintain the WTO system is weighted against them. Decisions favouring the richest nations are enforced, but undertakings which would benefit them, such as the opening up of markets in textiles, are being blocked.

At a recent meeting in Tanzania, officials from 49 of the world's poorest countries expressed concern over the upcoming meeting and the devastating effect that trade liberalisation and WTO laws have had on their economies so far.

The chief spokesman for the meeting, S. Rahama from Bangladesh, said: "We are confronting a time where 600 million people, one tenth of the population of this globe, are finding it increasingly difficult in their endeavor to lead a decent life. Our 49 countries are generally facing marginalisation, (our) share is declining in the global

market, and the economies in the country are becoming impoverished by each passing day."

A draft declaration signed by finance ministers of the 49 countries raised opposition to the "exclusion and marginalisation" caused by current WTO rules. "None of the poor countries," it continued, "has been able to accede to the WTO since its establishment in 1995, and the poor nations' percentage of world trade has dropped."

The finance ministers also raised concerns that tighter environmental and labour rules imposed by richer countries would undermine their ability to attract foreign investment.

Apart from the issues of trade as such, there are also tensions between the US and Europe over the decision by the US Congress to extend the Iran and Libya Sanctions Act (ILSA).

The ILSA allows the US president to prevent offending foreign companies that do business with Iran or Libya from exporting goods to the United States, selling to the US government or obtaining more than \$10 million annually in US bank loans.

The European Union's external relations commissioner, Chris Patten, said the EU would call for a WTO panel against the US if it used the renewed ILSA against any EU company or individual. Patten stated that the EU has long opposed unilateral sanctions laws with extra-territorial effects.

The Geneva talks showed that far from resolving any of the differences which scuttled the Seattle talks, the conflicts among the major capitalist powers and the hostility of poorer nations to the WTO system have increased.



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