

Last-minute deal starts new trade round

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Faced with a deepening global recession and a severe reduction in the growth of world trade, the major economic powers were anxious to ensure that the World Trade Organisation ministerial meeting in Doha, Qatar, did not end in failure, like the gathering in Seattle two years ago. After extending the talks by nearly a day beyond the original schedule, the 144 trade representatives finally agreed on a statement to begin a new round of trade negotiations.

At the conclusion of the talks, the organisation's director-general, Mike Moore, thanked delegates for "saving the WTO." The US Trade Representative, Robert Zoellick said the agreement meant that "we have removed the stain of Seattle." "A second failure could have created a mortal wound to the WTO."

These relieved responses were reflected in media commentary. *The Economist* said the agreement to launch a new round of trade negotiations was both a "triumph and a relief" as a second failure would have "sidelined the WTO and set back the multilateral trading system for years." But it cautioned that for all the difficulties in winning agreement, "the task ahead looks even tougher."

The *Financial Times* welcomed the deal saying it had pulled the multilateral trading system "back from the brink." Failure to begin, it said, would have "undermined confidence in global economic co-operation, just when it is indispensable." But it raised concerns about the future pointing out that "reaching a deal required so many compromises and caveats that the final agenda is almost meaningless."

One of the main reasons for the collapse of the Seattle meeting was the opposition from poorer countries to any new agreement unless some concessions were placed on the table. A major compromise at Doha was the decision to allow the overriding of patents on drugs covered under the so-called TRIPS (Trade Related Intellectual Property) provisions if public health

concerns necessitated it.

While on the surface this may appear as a blow to the major pharmaceutical companies—enabling the manufacture of generic drugs at a far lower cost—industry representatives quoted by the *New York Times* did not appear overly concerned.

Merck spokeswoman Gwen Fischer said: "This does not change the way we sell our medicines."

The president of the Pharmaceutical Research and Manufacturers of America, Alan F. Holmer said: "We do not believe that our intellectual property rights are in any way diminished. We're satisfied with the language."

Earlier Holmer had sent a letter to US trade negotiator Zoellick warning against any compromise on the drug industry's patent rights. However, he said he believed the agreement only applied to highly contagious and devastating diseases and not to chronic illnesses.

Another area of contention was so-called anti-dumping regulations. These measures have been used by the US to block the entry of cheap imports—particularly steel—if they are sold at prices considered to be below the cost of production. Representatives of poorer countries have insisted that the measures have been used to block market access for their products. Under the final agreement anti-dumping measures will now be discussed in the new trade round—a position previously rejected by the US. However, Zoellick portrayed this not so much as a concession by the US but rather as an agreement to clarify already existing rules.

The final stumbling block was agriculture with the European Union, and particularly France, insisting on maintenance of its Common Agricultural Policy (CAP) under which billions of dollars of subsidies are paid to European producers.

After the EU lost the support of Japan, agreement was reached on the phrasing of the final statement. Instead

of calling for the phasing out of subsidies it called for negotiations on “substantial reduction in, with a view towards phasing out, agricultural export subsidies.” This was linked to a commitment that talks could start “without prejudging the outcome of the negotiation.” In other words, talks can go ahead but there is no agreement that the CAP will be scrapped or substantially modified.

A spokesman for the 18-member Cairns group of countries fighting for reduced agriculture subsidies pointed to the political issues behind the wording. “The EU can go back to Europe and say that the Cairns Group wanted us to abolish the CAP but we said no. Now there will be four years of fighting and a lot of blood on the floor,” he said.

According to the ministerial statement, negotiations on the new trade round will begin no later than January 31, 2002 and conclude by January 1, 2005. Given that negotiation under the so-called Uruguay Round lasted seven years, this timetable is regarded as somewhat optimistic. But the shortened time framework is considered necessary because of the pressures acting on the WTO.

As the *New York Times* commented: “Speed matters, since regional trading blocs in the Americas, Africa and Asia could expand rapidly over the next several years.”

The growth of regional trade agreements (RTAs) was the subject of a report by WTO director-general Moore on the eve of the ministerial meeting. His report warned that there were 170 RTAs now in force, covering some 43 percent of world trade. Their number could rise to 250 by 2005, accounting for more than half of world trade and posing a “systemic risk” to any rules-based multilateral trading system. The risk did not so much lie with the effect of individual RTAs as with “the collective impact of a large number of RTAs, each with its own special mini-trade regime, on the functioning of a rules-based multilateral trading system.”

Moore’s warning pointed to one of the contradictions of the global capitalist economy—the fact that the more the economic interconnections between different parts of the world are developed, the more the world market tends to fracture into regional blocs. No doubt he and the rest of the WTO hierarchy will be hoping that this tendency can be slowed down by the opening of a new trade round, if not entirely halted. But given the fractious nature of the negotiations so far and the fact

that differences have been papered over rather than resolved, this seems highly problematic.



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