

# WTO meeting collapses as trading system begins to crack

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The collapse of World Trade Organisation (WTO) ministerial meeting in Cancun, Mexico, has left the so-called Doha round of trade negotiations all but dead and could well herald the break-up of the organisation itself.

The talks, which were supposed to set a broad negotiating framework for the negotiations due to be completed at the beginning of 2005, collapsed when a group of Asian and African countries rejected demands by the European Union, Japan and South Korea that rules on foreign investment, competition policy, government purchases and trade facilitation be included.

The group, comprising poorer nations, insisted that agricultural issues, including the winding back of the \$300 billion a year paid in market-distorting subsidies by the wealthier nations, be settled first. Many delegates saw the demands of the EU and Japan as a manoeuvre to avoid a commitment on agriculture, regarding the proposed investment rules, first put forward at a meeting in Singapore in 1996, as of benefit only to the major transnational companies.

Comments by delegates and analysts in the aftermath of the Cancun debacle revealed the bitter hostilities between the rich and poor countries and the growing tendencies towards the replacement of multilateralism with bilateral agreements and trade blocs.

Commenting on why the talks collapsed, Kenyan delegate, George Oduor, told reporters: “You ask me who is to blame. I would say it is those who have been trying to manipulate the process. Those who have been trying to manufacture consensus. The EU and the US, we believe ourselves, are to blame. The Singapore issues were at the centre of the deadlock, all of them. The developing countries say they are not ready for them.”

Malaysia’s minister for international trade and investment, Rafidah Aziz remarked: “Unless they listen to countries, unless they listen to the problems we have in meeting some of the demands of the developing countries, this is what will happen. The developing countries have come into their own. This has made it clear that developing countries cannot be dictated to by anybody.”

European Union trade commissioner, Pascal Lamy, said he would not “play the blame game” and then went on to do precisely that. Criticising the poorer nations, he told the *Australian Financial Review*: “There was a dynamic there that led them to the erroneous conclusion that they needed to rock the boat. At the end of the day they had a deal, notably on farm trade that is not on the table anymore. That’s politics; sometimes, collectively people are not rational.”

Lamy expressed his dissatisfaction with the organisation of the WTO, which relies on consensus agreements, saying it was a “medieval organisation.” “The procedures, the rules of this organisation cannot support the weight of its tasks,” he said.

While the United States was not directly involved in the confrontation that led to the collapse of the talks, two of its delegates issued scathing attacks on the positions of developing countries, laced with economic threats.

“A number of countries,” said US trade representative Robert Zoellick, “just thought it was a freebie—they could just make whatever points they suggested, argue and not offer and give. And now they’re going to face the cold reality of that strategy, coming home with nothing.”

Zoellick hinted that those who had opposed the US would be shut out of its markets and trade deals and that US trade officials would concentrate on pursuing

several bilateral and regional trade agreements.

US Senator Charles Grassley was even blunter. “Let me be clear,” he said. “I will use my position as chairman of the Senate Finance Committee, which has jurisdiction over international trade policy in the US Senate, to carefully scrutinise the positions taken by WTO members during this ministerial. The United States evaluates potential partners for free trade agreements on an ongoing basis.

“I will take note of those nations that played a constructive role in Cancun, and those nations that did not,” he added.

One of the most significant features of the meeting was the emergence of a new bloc which opposes the domination of the WTO by the major powers—the US, Europe and Japan. Known as the G23, the group is led by Brazil, China and India and is said to represent over half of the world’s population and 63 percent of the world’s farmers.

Other countries are looking to join. Zambian trade minister Dipak Patel said: “We’re working hard to find a convergence with G23. We’re trying to make it G80.”

According to the *Guardian* a survey by the group War on Want, which polled 112 developing country delegates in Cancun, found that 82 percent felt the WTO was monopolised by rich countries while 83 percent said it was undemocratic.

After the meeting there were celebrations among the G23 delegates and their supporters over their ability to stand up to the major powers. But the newfound air of confidence could prove to be short lived as bilateral and regional arrangements increase.

As the *Guardian* noted: “Bilateral trade deals do not bode well for the world’s poorest countries, which individually have little to offer the world’s big trading powers. While the US is busy signing up trade partners in Asia and Latin America, analysts see possible trading blocs between China and the Association of South East Asian Nations (Asean), India and Asean and Japan and Asean.”

Such a world of trading blocs, it continued, would “leave African countries no choice but to sign regional and bilateral deals, no matter how unattractive.”

Singapore’s trade minister George Yeo warned against the “I’m all right Jack” attitude among the wealthier nations, saying that rich countries would

ignore the rising resentment against them within the WTO at their peril.

“It’s not in the interests of those of us who are better off to have them remaining impoverished because eventually, their problems become our problems—whether through terrorism or disease or migration,” he said.

While the WTO has scheduled another ministerial meeting in Hong Kong some time in the next two years, no progress is expected on the Doha round. In fact, rather than the striking of new global agreements, the next period could see a rapid disintegration of the multilateralism which has formed the basis of the post-war trading system.

As the *Financial Times* noted: “The spectre that most haunts many trade experts is that countries will turn with extra vigour to regional and local trade deals, for which enthusiasm worldwide is already growing strongly. Not only could that divert political attention still further away from the WTO talks; it could, in time, undermine respect for the rules that underpin the multilateral system.”

It is significant that two of the international organisations established in the wake of World War II to prevent the type of conflicts which characterised the 1930s are in such an advanced state of decay.

In March, the United Nations failed to prevent the war of aggression against Iraq conducted by the US and its allies and then sanctioned the use of military might. Now the WTO, whose predecessor the General Agreement on Tariffs and Trade was established in order to prevent trade wars and the formation of trade blocs, is breaking under the strains of increased global economic conflicts.



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