

# WTO talks keep trade round on life support

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In the end an agreement was reached and outright collapse avoided, but the World Trade Organisation (WTO) ministerial meeting in Hong Kong could do nothing to disguise the deep divisions within the world economy. And the agreement itself is something of an absurdity.

Under its terms, the 149 member nations have until April 30 to agree to the framework for the completion of the Doha round by the end of 2006. In other words, they must carry out in just four months what they have failed to do in the four years since the round began.

Throughout the six days of negotiations the main sticking point was agriculture and the commitment by the European Union to end export subsidies. The EU said it would do so by 2013. Most of the other participants were demanding a deadline of 2010. The EU held out for 2013 and the others decided to back down in order to preserve the illusion that the round was still going ahead.

The amount involved in the conflict was not great. The subsidies are worth about 2.7 billion euros a year, compared to the EU's annual spending of more than 40 billion euros on agriculture. But many poorer nations claim that the export subsidies cut prices in world markets and undermine their position.

The EU negotiators, however, insisted that they had not obtained sufficient concessions from developing countries in opening their markets for industrial goods and services.

There were also conflicts over US reluctance to remove cotton subsidies which West African producers say are ruining them. They insist that the main problem is not access to markets, but the US subsidies which continually undercut them. The US has now agreed to hold talks with African countries on cutting its cotton subsidies.

Even before the ministerial meeting began the prospect of a major agreement had been ruled out. But

the Hong Kong meeting was at least expected to come up with a package to provide assistance to less developed countries (LDCs). After all, Doha has been dubbed the "development" round.

But here too the negotiations ran into problems as both Washington and Tokyo raised objections to extending duty-free and quota free access to all products from all nations characterised as an LDC. The US objected to cotton and textile imports from "competitive" producers such as Bangladesh, while Japan insisted on retaining restrictions on some "sensitive" goods, such as rice and leather. In the end a deal was struck in which wealthier nations agreed to abolish tariffs on 97 percent of exports from 50 LDCs, retaining the right to impose tariffs on "sensitive" items.

During the talks there were accusations that wealthy nations were going back on previous commitments to "put development first" and were seeking to split the LDCs. According to Phil Boomer, a spokesman for the British-based international aid agency Oxfam: "The EU and the US are trying to undermine developing countries' positions. They are playing groups off each other, recycling old pledges on aid, and offering market access to some not others. At the same time, they are backsliding on promises already made."

As the talks concluded, none of the participants was confident of a successful conclusion to the round. The director-general of the WTO, Pascal Lamy, tried to strike a confident pose saying the round was now "back on track" with negotiations having come 60 percent of the way to a conclusion and that he was more confident than he was a month ago. But even Lamy was not sure they would succeed.

US Senate finance committee chairman Charles Grassley said Congress was unlikely to approve a Doha deal unless there was much more progress in the next few months. And on the "toughest issues" the Hong

Kong meeting “simply kicks the can down the road.”

Other participants tried to put the best face on a bad situation. Celso Amorim, the foreign minister of Brazil and the leader of the Group of 20 developing countries, said the meeting’s results were “modest but not insignificant.”

EU Trade Commissioner Peter Mandelson said: “If we didn’t make the conference a success, we certainly saved it from failure.”

Australian trade minister Mark Vaile said the meeting was a success and that “we are on the pathway to concluding the round.” But he conceded that it would be difficult to get agreement on reducing tariffs by April after the deadlock of recent months. “It’s going to require a lot of political will.”

The main report on the outcome of the talks in today’s *Financial Times* began as follows: “It is tempting, and scarcely an exaggeration, to sum up the meeting ... by paraphrasing Winston Churchill: rarely in the history of international negotiations have so many laboured so long to produce so little. Their biggest achievement was just to keep the talks alive. Another debacle, after the collapse of the WTO’s meeting in Seattle in 1999 and Cancun in 2003, could have sounded the death knell for the Doha trade round and dealt a crippling blow to the organisation’s credibility.”

An editorial said the Doha round was “still breathing, but only just.” “The ministers had kept it on life support.” The *Financial Times* called on negotiators to resuscitate the negotiations in the new year, warning that failure of the round would be an outcome that “only idiots would welcome.” But such are the tensions among the major powers, that one of them may well decide that it is time to pull the plug.



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