

Bitter recriminations as trade talks collapse

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The collapse of the Doha round of trade liberalisation negotiations in Geneva on Monday has been accompanied by a series of bitter recriminations and warnings of increased protectionism and trade conflicts.

Talks involving representatives of the so-called G6—the United States, European Union, Japan, India, Brazil and Australia—were called off after it became clear that the participants were moving further apart rather than towards agreement. World Trade Organisation director-general Pascal Lamy said he saw little point in convening further meetings until there was a prospect for progress, in effect signalling the indefinite suspension of the round.

The main sticking point in the negotiations, which began in 2001, was agriculture. The United States insisted that in return for cuts in farm subsidies there had to be major cuts in farm import tariffs, opening the way for its producers. This was rejected by the EU, Japan and India which insisted that the US had to first go further in reducing its agricultural subsidies.

The intensity of the conflict was indicated by the war of words which erupted when the decision to suspend the talks was announced.

EU trade negotiator Peter Mandelson lost no time in indicating where he considered the blame lay.

“We have missed the last exit on the motorway,” he said. “This is neither desirable nor inevitable. It could so easily have been avoided. Having been mandated by heads of government at the G8 to come together to indicate further flexibility, I felt that each of us did—except the United States.

“The US was unwilling to accept, or even to acknowledge, the flexibility shown by others in the room and, as a result, felt unable to show any flexibility on the issue of farm subsidies. Let’s be clear, as well as an economic cost, there is a huge cost of political failure.

“We risk weakening the multilateral trading system at a time when we urgently need to top up international confidence not further damage it, and do what we can to stabilise the world—not create additional tension and uncertainty.”

Chief US negotiator Susan Schwab blamed the EU and the other participants saying they had not been ambitious enough to reach a deal. “The US remains committed to a robust, ambitious and balanced round. Unfortunately, our trading partners were more interested in loopholes than in market access.”

Schwab said the average EU tariffs were twice as high as those of the US and farm subsidies were three times higher. “Unfortunately things became clear that ‘Doha light’ seems still to be the preferred option of some of the participants.”

The chief Indian negotiator Kamal Nath, joined the attack on the US. “Everybody put something on the table except one country who said: ‘We can’t see anything on the table.’” He warned that it would be months if not years before the talks could be restarted.

The following day the exchanges became even more bitter. As the *Financial Times* reported today: “Transatlantic hostility over the collapse of the Doha round of trade talks reached previously unseen levels yesterday as Susan Schwab, the US trade representative, accused her European counterparts of spreading lies to divert the blame.”

Schwab said EU claims that the US had failed to show sufficient flexibility were “false and misleading”. The US had been prepared to make concessions on farm subsidies and offer deep cuts but the access offered by the EU, as well as India and Brazil, to their agricultural markets was too low to be meaningful. “Indeed, during recent discussions it became clear that the EU was in fact offering even less market access than originally thought,” she said.

Aside from the recriminations, there have been warnings that the collapse of the negotiations will bring an increase in protectionism and bilateral trade deals, undermining the principles of multilateralism which have formed the basis of the post-war trading system.

Australian trade minister Mark Vaile said the collapse of the talks had created “a very serious situation” for world trade with a serious risk of rising protectionism and

a steep increase in trade disputes.

Confederation of British Industry director-general Richard Lambert described the situation as being “as serious as it possibly could be.” “The collapse of the talks puts the whole multilateral trading system in jeopardy and fuels the damaging protectionist tendencies that are increasingly emerging around the globe.”

In an editorial on Tuesday, the *Financial Times* argued that the talks had broken down because no one was prepared to make the case for trade liberalisation as such, relying on what it called the “mercantilist fiction” that the “pleasure” of increased exports was balanced by the “pain” of increased imports. In other words, while freer trade would benefit the global capitalist economy as a whole, each of the participants in the negotiations argued from the standpoint of its own national interest.

In an editorial published today, the *Australian Financial Review* described the Doha failure as a “costly setback”. Noting that the collapse of talks came after the call from the G8 for a new initiative, it wrote, this “confirms doubts about the value of the G8 as a forum capable of making any useful contribution ... to help guide the global economy to greater and wider prosperity.”

“But the collapse and indefinite suspension of the Doha round is far more serious than that. The failure of negotiators to overcome increasingly powerful protectionist forces around the globe is one that could cost the world economy dearly. There should be no illusions about the potential dangers this poses.”

It went on to warn that the collapse of the round would bring an “explosion of protectionism and survival-of-the-fittest trade outcomes” and called for pressure to restart and rejuvenate the negotiations as soon as possible. “Otherwise, the forces of protectionism will be invigorated and their handiwork then papered over by a network of bilateral deals. Failure of multilateral trade deregulation risks the world economy spinning off the path of prosperity, which it has so successfully managed to steer for so long.”

But given the depth of the conflicts among the major participants, there is little likelihood of any resumption in the near future. Rather, there will be an acceleration of the turn to bilateral deals.

Bill Thomas, the chairman of the Ways and Means Committee in the US House of Representatives said the EU had “made a mockery” of the Doha negotiations. “It is unfortunate that the EU decided to impede this critical advance, but the United States will continue to work with the tools at our disposal, such as the pursuit of bilateral

agreements, that will open markets and enhance economic opportunity.”

In fact, there have been indications for some time that the US is more interested in securing bilateral trade deals, where it is able to exercise greater pressure, to advance its interests, than all-embracing trade agreements.

Back in January 2005, the decision by Bush to appoint US Trade Representative Robert Zoellick to the position of deputy secretary of state was widely seen as a sign that the Bush administration was losing interest in the Doha round. While he was credited with playing a significant role in jump starting the round, Zoellick had come under increasing criticism for focusing too much of his energy on concluding bilateral pacts with individual countries, including Morocco, Australia, Bahrain, Singapore and the Central American nations.

Zoellick was followed in the position by Robert Portman. But he lasted barely a year in the job before being shifted to the post of director of the Office of Management and the Budget in April this year, just as negotiations were entering a critical phase.

The turn to bilateral deals is viewed with concern because it violates one of the central guiding principles of the post-war economy arrangements—that in order not to repeat the experience of the 1930s, when the world economy broke up into antagonistic trade blocs, trade agreements must be multilateral. That principle is in the process of being junked along with many others that have guided international relations over the past six decades.



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