

Doha Round trade talks collapse amid recriminations

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Talks aimed at trying to restart the World Trade Organisation's (WTO) stalled Doha Round of tariff cuts collapsed at the end of last week with signs that the divisions may be unbridgeable.

The discussions held in Potsdam among representatives of the G4—the US, the EU, India and Brazil—had been intended to present a broad outline of agreement to advance discussions in the 150-member WTO as a whole. But they broke up earlier than scheduled with both sides far apart on the issues of agricultural subsidies and tariffs on industrial goods.

The failure was a repeat of the break-up of six-party discussions held a year ago, although on this occasion there was a twist in the direction of the recriminations. Last year, all the other parties tended to blame the US. This time the US and EU lined up together against Brazil and India.

Indian trade minister Kamal Nath accused the rich countries of arrogance and inflexibility. "It is not just a question of figures. It is a question of attitude. The US does not realise that the world has changed," he told the *Financial Times*.

For their part, the US and the EU said that India and Brazil had offered no serious access to manufactured goods in return for proposed reductions in US agricultural subsidies and European reductions in tariffs.

According to EU trade commissioner Peter Mandelson: "It emerged from the discussion [on industrial goods] that we would not be able to point to any substantive or commercially meaningful changes in the tariffs of the emerging economies." Nath had unilaterally declared the talks over and walked out without any consultation, he claimed.

Nath said the US was offering a ceiling of \$17 billion on its farm subsidies, a reduction of \$5 billion on its

current offer, but still well above the \$12 billion that India and Brazil were demanding.

In return, the EU and the US had asked for a ceiling of 18 percent on industrial goods tariffs from developing countries. Brazil and India offered 30 percent and said that any lower offer would depend on reductions in US farm payments.

US trade representative Susan Schwab maintained that both the US and the EU were prepared to make concessions but that the rise of China as a major manufacturing exporter had increased anxiety among developing countries over increased competition.

The talks had started out "pretty well, with the EU and the US making progress on our agricultural differences. Then we got on to manufacturing and all of a sudden we are on a different plane." The apparent "backtracking" by India and Brazil on earlier offers of tariff cuts was "mainly because of their concerns about China."

Amid the various claims and counter-claims, it is clear that all sides have compelling reasons not to see the round go ahead.

For some time, it has been clear that the United States is more interested in bilateral agreements or regional trade deals rather than securing a general agreement through the WTO.

So far as the European Union is concerned, cuts to agricultural tariffs are a politically sensitive issue in a number of countries, especially France.

As for the Indian politicians, the breakdown of the talks provides an opportunity to try to win favour from farmers by speaking out against the US and the EU.

Returning to New Delhi, Nath laid the blame on the US saying its refusal to cut agricultural subsidies was unfair to developing nations. "Everybody puts something on the table except one country who said

‘we can’t see anything on the table.’”

Nath said it was “very unfortunate that demands of developed countries are completely unreal, are not fair, are not equitable. Developed countries must remove distortion. That is the most important thing.”

Commentary in the Indian press reflected resentment towards the US and put a somewhat different slant on the issues from the western media.

An article in the *Hindu* said that, while industrial goods had always been a “bone of contention”, it was the opening up of markets in agriculture by countries such as India that was particularly controversial.

“The Indian government stand has been consistent throughout—livelihood issues of subsistence farmers and the larger question of domestic food security can never be compromised on the altar of free trade. Specifically, the heavily subsidised agricultural products from the US and EU cannot be allowed to swamp Indian agriculture.”

A comment published in the *Business Standard* on Monday declared that it appeared to be “curtains for the Doha Round, and just as well perhaps.”

“From the very beginning it was clear that this round wasn’t going very far. Globalisation and the resulting income disparities within countries have produced domestic political pressures that make concessions in such matters extremely hard. For example, how do you tell 300 million Indian subsistence farmers, already struggling to survive, that cheap imports are good for them?”

It said the “saving grace” of the wrangle, which had been going on for the past five years, was that the American president’s authority granted by Congress to fast-track negotiations was set to expire with no chance, as yet, of it being renewed.

“When the pre-eminent power in the world sees no major benefits in multilateralism, it is bound to scuttle it. Trade is only the latest example of it. The process started years ago with the cutting down to size of the United Nations.”

Japanese concerns over the breakdown of the talks were reflected in a comment published in the *Yomiuri Shimbun*. It said that the failure to break the impasse at the Potsdam discussions, as well as Japan’s exclusion from the talks, were “sombre facts which require serious consideration.”

The paper said that all the G4 powers should be held

accountable for a failure of the negotiations and Japan should now make some “painful concessions” regarding the opening of its markets so that it could take a “leading role in negotiations.”

These comments reflect an underlying fear held in ruling and business circles in many countries that a collapse of the Doha Round could mark the definitive end to the multilateralism that has characterised trade relations since the end of World War II.

As trade analyst and former WTO spokesman David Woods told Reuters, a breakdown in the Doha Round could cause an escalation of trade conflicts between major powers who have already lodged complaints at the global trade body over items such as corn, cotton, aircraft and car parts. Protectionism could also start to rise, aggravating the already simmering tensions between China and its trading partners, such as the United States.



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