

WTO buries Doha Round: Another rupture in the post-war order

Nick Beams**22 December 2015**

The decision of the World Trade Organisation (WTO) to scrap the so-called Doha Round of trade negotiations at its meeting over the weekend in Nairobi, Kenya is another step in the disintegration of the post-World War II economic order.

While the meeting decided to end export subsidies on agricultural exports, the product of a long-running series of negotiations that was highlighted in the press of agriculture-exporting countries such as Australia and New Zealand, the most significant outcome was the decision not to reaffirm the Doha mandate.

The Doha Round, which began in 2001 amid considerable fanfare as the “development” round, had been bogged down for almost a decade. But that does not detract from the historic significance of the decision to end it. It signifies the end of multilateral agreements applying across the board and their replacement by two-way trade deals or agreements between several countries, excluding others.

The main protagonist in the move was the United States, backed by other major economies including Japan and the European Union, with support from lesser powers such as Australia. China and India, together with other poorer economies, were the main opponents.

The US hailed the Nairobi decision as clearing “the road to a new era for the WTO.” India, the chief advocate for sticking with the Doha framework, while not naming names, said “some members” had blocked its continuation and that it was a “significant departure from the fundamental WTO principle of consensus-based decision-making.”

The communiqué from the talks announced the death with more of a whimper than a bang, stating that “many members reaffirm the Doha mandate” while others do not, and that members have “different views on how to address negotiations.” Some wish to discuss and identify other issues, but “others do not.”

The significance of the breakdown can be grasped only when viewed in its historical context. The WTO was formed in 1995 as the successor organisation to the General Agreement on Tariffs and Trade (GATT), founded in 1948. GATT was established with the specific aim of preventing a repeat of the 1930s experience, when the world polarized into competing trade blocs, promoting the conditions that led to World War II.

GATT was based on the principle that trade concessions should be multilateral in scope and decisions made by any country should not be selective, applying to only one country or a particular group, but should extend across the board.

The prime mover behind GATT was the United States. Its adherence to “free trade” was not motivated by a commitment to the principle as such. It was based on lessons drawn from the experiences of the 1930s, which demonstrated that the continued expansion of American capitalism required a world open to its trade and commerce. Like British capitalism, which upheld free trade doctrines in the 19th century when it dominated the world economically, the US position was based on its overwhelming economic superiority. In the immediate post-war period, it has been estimated that the US accounted for up to 50 percent of the world’s industrial output.

GATT was part of an international economic framework that established the conditions for the post-war expansion of world capitalism. But this very expansion contained a profound contradiction. The growth of the world market and the recovery and rise of other capitalist powers, while necessary for the economic fortunes of the US, at the same time undermined its economic dominance.

The first explosive expression of that contradiction was in 1971, when the US scrapped the Bretton Woods Monetary Agreement of 1944 by removing the gold backing from the US dollar. Now the US has played the

central role in discarding the principle of multilateralism in trade negotiations.

The decision was not a result simply of the failure of the Doha negotiations. It reflected deeper processes. Some of these issues were set out by the chief US trade negotiator, Michael Froman, in a comment published in the *Financial Times* a week before the Nairobi talks began.

The Doha Round had not “delivered,” he wrote, and it was time for the world to free itself from its “strictures.” Two-way deals were working, regional pacts were working, and “only multilateralism”—the attempt to reach a global deal—was “stuck.”

These lines were based on a definite agenda clearly set out by Froman in an article published a year earlier in the November-December, 2014 edition of the leading US foreign policy journal *Foreign Affairs*.

He noted there that for nearly seven decades the global trading system fashioned after the war, in which American politicians played a leading role, had “brought jobs to American shores and peace and prosperity to countries around the world.” But in recent years, he wrote, “tectonic shifts” in the world economy meant this architecture had to change. That immediately raised the question: why?

Froman pointed to the answer. “Washington,” he said, “faces unprecedented constraints in crafting trade policy. The United States no longer holds as dominant a position in the global economy as it did at the end of World War II and must build trade coalitions willing to work toward consensus positions.”

The two key trade coalitions are the twelve-member Trans-Pacific Partnership (TPP), which reached formal agreement at the beginning of October, and the proposed Transatlantic Trade and Investment Partnership (TTIP), covering economic relations between the US and Europe. Repudiating the principles of multilateralism, these agreements offer concessions and enhanced access to US markets only to those nations that have signed up and agreed to US demands. The aim of these agreements, as Froman made clear in his *Foreign Affairs* article, is to position the United States “at the centre of a web of agreements that will provide unfettered access to nearly two-thirds of the global economy.”

In other words, having lost its overwhelmingly dominant economic position under the system of multilateralism, the US is striving to regain it by other means. And those means include a return to the formation of the kind of trade blocs that prevailed in the 1930s and produced such disastrous consequences, helping to

prepare the way for world war.

Of course, the situation is very different from the 1930s and the exclusivist agreements established today will not take the same form as they did more than 80 years ago. But their reactionary and militarist content is the same. Froman made this clear in his *Foreign Affairs* article, where he pointed to the “strategic logic of trade” and its critical role as a means through which “countries measure and exercise power.”

This implicitly militarist and aggressive agenda receives concrete expression in the TPP, which Froman has specifically cited as representing the road forward. It has been rightly described as the economic arm of the Obama administration’s “pivot to Asia,” which is aimed at asserting US military and economic dominance and subjugating China—an agenda that leads to war.

The global growth of the productive forces, facilitated by free trade and multilateralism, has raised to a new peak of intensity the contradiction between world economy and the nation-state system in which the profit system is rooted. Each of the capitalist great powers, with the US taking the leading role, seeks to resolve this contradiction in its own interests by striving to enhance its own economic and military power and ensure its own “place in the sun,” thereby fueling the conditions for war in the same way as did the economic exclusivism of the 1930s.

This contradiction can be resolved on a progressive basis only through the struggle of the working class for the world socialist revolution and the abolition of the outmoded profit and nation-state system, so that the globally-developed productive forces can be utilised to meet human needs.



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