

Seven years of talks rot over food

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For The Straits Times

IN THE end, it foundered over food. Seven years of global negotiations over new rules for trade in the World Trade Organisation (WTO) broke down this week in Geneva. The director-general of the WTO, Mr Pascal Lamy, was forced to call off further discussions after nine days of long and heated debates with no agreement in sight.

The proximate cause of the rupture was a fairly narrow dispute over allowable agricultural protections. The real issue, however, was an unbridgeable divide between the developed and developing world, represented largely by the United States, India and China. The collapse of talks will renew discussions over the fate of the WTO and global trading regimes.

Trade ministers had been meeting to try to narrow the gaps in negotiating positions across a range of issues. The last time new trade rules were crafted at the WTO was the early 1990s. The current discussions were launched in Doha, Qatar, in 2001. Items up for discussion included new rules on tariffs for manufactured and agricultural goods, opening up protected markets in services and writing new rules for the organisation.

But the most contentious issues have been global trade rules covering agriculture. In the end, there were two key areas where agreement was not possible. First, developing countries were upset at the high levels of subsidies given to farmers in the developed world. Most of the unhappiness with subsidies was directed at the US, the European Union and Japan.

Although the Americans had pledged to reduce agricultural subsidies to US\$15 billion (S\$20.5 billion) last week, other states argued this "reduction" in allowable levels of subsidies still exceeded the current amount of subsidies actually provided to farmers. This would result in no practical reductions at all and allow US farmers to export products at lower cost than would be possible in the absence of government payments. Conditions in the global economy, with soaring food prices, meant that removing subsidies and price floors for agricultural production of crops like soybeans, corn or cotton would be politically difficult.

Getting a further reduction in subsidies from the US and EU was not going to be easy. The EU Trade Commissioner, Mr Peter Mandelson, had little room to manoeuvre. Member states of the EU, particularly France, had ruled out allowing any additional cuts.

Farmers in the US have enjoyed subsidy payments from the federal government for years, and watched them balloon under President George W. Bush.

In the Geneva talks last week, both the US and EU showed up willing to discuss further and deeper cuts in subsidies than had ever been on the table before. But these cuts were still deemed insufficient by the developing states.

The second area in agriculture, however, ultimately killed off the discussions. Developing countries like India and China wanted to be able to protect their domestic farmers from sudden surges of imports. The use of barriers to prevent imports is not allowed under WTO rules, except in certain, narrowly defined and limited circumstances. The purpose of the WTO has been to encourage free trade between member states.

India argued that developing countries should be allowed to protect their farmers

using special safeguard measures. These measures, the US claimed, would be triggered at low levels, meaning any normal fluctuation of the global markets could result in closing off the Indian markets to imports. US Trade Representative Susan Schwab asked for higher trigger levels but was rebuffed. The Indian trade minister, Mr Kamal Nath, insisted that he had a duty to ensure the livelihoods of farmers who were at risk of being overrun by cheaper imported agricultural products.

China, which has largely been sitting on the sidelines since being admitted to the WTO in 2001, suddenly broke its silence last week. In unusually strong language, Chinese trade negotiators accused the US of hypocrisy for continuing to subsidise cotton farmers

while asking developing state farmers to face harsh competition.

In the end, Mr Lamy was forced to admit defeat. He claimed that member states in the WTO had managed to reach agreements in 18 of 20 issues under discussion, but the remaining points were insurmountable.

Given the negotiating process in the WTO, it is not possible for the 153 members to simply close a deal that includes the areas with agreements so far and exclude the others. The system currently in place requires a deal that includes everything or nothing at all.

This leaves the WTO staring at the wreckage. Talks have foundered before, but have always been pulled back at the last moment. In this case, however, events outside

Geneva appear likely to derail progress for a long time to come.

With US elections looming and Democratic Party candidates sounding increasingly hostile to trade deals, no movement is likely until at least the middle of next year. India may be headed by a new leader as well, possibly one even less open to free trade than the current prime minister, Dr Manmohan Singh. A new European Commission will be appointed early next year.

All these changes make it increasingly unlikely that anything will be salvaged from seven years of talks in Geneva.

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