

Special briefing: Collapse of WTO talks threatens global trade

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Geneva, Switzerland: World Trade Organisation (WTO) director-general Pascal Lamy has announced that after days of negotiations, ministers have failed to agree on the liberalisation of trade in agriculture and industrial products. That has led to the collapse of the whole trade negotiation process which, if successful, would have resulted in a major boost for economies in the developing and developed world.

Talks foundered on agreeing a 'special safeguard mechanism' in farm products for developing countries and ultimately came down to an impasse between the US and India. Lamy's summary of the situation was bleak. "It is no use beating around the bush. This meeting has collapsed. Members have not been able to bridge their differences," he told journalists later.

Out of a 'to-do list' of 20 topics, 18 had seen positions converge but the gaps could not be narrowed on the 19th — the special safeguard mechanism for developing countries, which would have allowed those countries to raise tariffs temporarily in order to deal with import surges and price falls.

The sticking point boiled down to some countries (mainly India and China) wanting a high 'trigger' (a large import surge needed to trigger the tariff increase) in order to avoid the safeguard being triggered by normal trade growth, while others (e.g. US and EU) wanted a lower trigger so that the safeguard could be easier to use.

"After more than 36 hours trying to find bridges between these two positions, today it became clear that the differences were irreconcilable," commented Lamy yesterday (July 29).

According to the WTO, the overall package was worth more than \$130bn in tariff savings annually by the end of the implementation period, with a \$35bn saving in agriculture and \$95bn in industrial goods. Developing countries would have contributed one-third and benefited from two-thirds of the overall gains and it would have led to a rebalancing of the rules of the trading system in favour of developing countries.

Getting talks back on track will be hugely challenging. In the wake of the collapse, there have been multiple recriminations. China accused wealthy developed nations in the EU and North America of being "selfish" for not agreeing to scrap farm subsidies. Japan, meanwhile, blamed India and China for not living up to their responsibilities as major trading partners.

So why should we all be worried about the failure of the talks, given that the outcome will mainly affect agriculture? The reason lies in the fault lines which have been increasingly exposed between various interest groups of countries throughout the duration of the Doha Round of talks.

The WTO has been largely responsible for the trend towards globalisation, benefiting industry and consumers throughout the world – not least in China which has perhaps been the greatest beneficiary of all. If, as has already started to occur, countries decide to bypass the WTO, by developing their own bilateral agreements, or even worse, rebuilding protectionist barriers to trade, the economic consequences will be severe.

At a time when many economists feel that the global economy is sliding towards recession, it is even more important to embrace the ethos of free trade. The failure to do so, and the eventual breakdown of the WTO which has proven so effective in providing a stable platform for global trade, will harm industry and consumers in the very countries which have blocked any chance of a deal.

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