Tariff Disputes Make Breakthrough Unlikely in Doha Trade Talks

By John W. Miller in Brussels and Greg Hitt in Washington
Wall Street Journal
July 18, 2008

Officials meet in Geneva next week to secure a deal in the Doha round of global trade talks, but disputes over tariffs for cars, chemicals and other goods, as well as drug-patent and food-name-copyright rules make a breakthrough unlikely.

The U.S. and European Union are closer than ever to agreeing on new limits for agricultural subsidies and tariffs, prompting the World Trade Organization to invite about 35 officials representing about 95% of world trade to its first formal talks in two years on the stalled Doha agreement.

The talks start Monday at the WTO's Geneva headquarters and could last all week. WTO chief Pascal Lamy is working against the clock. The U.S. election cycle will soon make all such gatherings pointless until late 2009, when a new U.S. trade representative will be ready to negotiate, analysts say, and the next U.S. president could be less committed to a Doha deal than President George W. Bush. Any deal signed by Mr. Bush or his successor would later have to pass a skeptical Congress, probably controlled by Democrats.

Darkening economic clouds and fears of protectionism are also putting pressure on leaders to do something. A trade deal "would be the only good news in the international economy these days," EU Trade Commissioner Peter Mandelson told a press conference in Brussels Thursday. According to the WTO, a Doha agreement could stimulate an additional $50 billion to $100 billion of trade annually.

The U.S. and its allies started the current round of trade talks in Doha, Qatar, in 2001. The goal was to offer farmers in poor countries access to rich markets, in exchange for developing nations opening up their markets to Western industrial goods and services. Negotiations quickly stalled, however, as the U.S. and EU resisted sweeping cuts in farm subsidies and food tariffs. In July 2006, officials broke off talks in Geneva, again disagreeing over agricultural tariffs and subsidies.

In the past month, the EU and U.S. have come closer to a compromise. The EU has pledged to cut farm tariffs by 54%, while the U.S. says it will keep farm subsidies between $13 billion and $16 billion a year, down from more than $20 billion. The U.S. Congress and skeptical EU governments such as France could still scuttle any farm deal. But for now, the spotlight has moved to developing nations' barriers to trade in goods and services, with discussions focusing on how deeply tariffs will be cut and which products would be shielded from foreign competition.

"Everyone is going to have to contribute," U.S. Trade Representative Susan Schwab said in an interview Thursday. She added she was cautiously optimistic for Monday's talks. "There is a deal to be had," she said, while noting that "a handful of countries can in fact bring down the round."

Even if there is a breakthrough, trade officials from all sides say there is a long way to go. Any outline deal reached next week would need many months of additional negotiations on details. Moreover, U.S. and EU demands for developing nations to open their markets to foreign law firms, banks and other services will only be seriously discussed for the first time next week.

Meanwhile, midsize developing economies such as Brazil, India and South Africa say they aren't willing to dismantle trade barriers that protect their manufacturing industries from Western and Chinese competition. Brazil, for example, has a 35% tariff on car imports. It has offered to bring that down to 22%, but EU negotiators, fighting on behalf of companies like Volkswagen AG, want bigger reductions.

Developing countries, meanwhile, want a rule that would force drug companies to prove, on patent applications, that they aren't stealing designs from traditional plants and medicines. Rich countries oppose that.

Write to John W. Miller at john.miller@dowjones.com and Greg Hitt at greg.hitt@wsj.com