

WTO Ministers Approve Accord, Overcoming Farm, Access Obstacles

Bloomberg

December 18, 2005

By Warren Giles and Mark Drajem

World Trade Organization governments pledged to cut farm subsidies and open markets to more products from the world's poorest nations in an effort to steer negotiations toward a final accord next year.

After six days of talks in Hong Kong, the European Union said it would scrap export payments for farm goods by 2013 and the U.S., under pressure from four West African nations, agreed to accelerate cuts in payments to cotton producers. Both said they would allow in duty-free almost all the textiles, toys or sneakers that 32 of the world's poorest countries can send them.

``We now have enough fuel in the tank to cruise at the right negotiating altitude," WTO Director-General Pascal Lamy told reporters last night after the summit ended.

``We have rebalanced the round in favor of the developing and least-developed countries."

The accord, which follows the collapse of the WTO's previous summit in Cancun, Mexico, two years ago, ends an impasse that had stalled efforts to loosen barriers to trade for companies such as FedEx Corp., Royal Bank of Scotland Plc and Sony Corp. It puts off for four months decisions on global tariff reductions that promise to be at least as difficult as those tackled in Hong Kong.

The summit, which took place against the backdrop of violent protests by South Korean farmers opposed rising rice imports, was an effort to spur along trade talks that aim to add billions of dollars to the world's economy. Negotiators have an end-2006 deadline to work out the details on curbing farmers' aid, reducing duties on industrial and consumer goods and crafting new rules governing foreign investment.

April Deadline

Trade ministers set a new deadline of April 30 to insert figures into the tariff-cutting formulas that will fix actual reductions to duties on machinery and commodities ranging from car parts and corn, and farm aid that distorts market prices.

Negotiations on tariff reductions still remain, and trade ministers predicted today that they'll be the harder endeavor. ``We know what the issues are now and we know very clearly how to put this together," U.S. Trade Representative Rob Portman said in an interview. ``If agriculture is dealt with, many countries are willing to be more flexible in the other areas."

Most effort in the last six days was spent trying to fix a date to scrap export subsidies, which are used primarily by Europe and took on symbolic importance for Brazil and other developing nations. The EU had resisted setting a date to do away with the aid and then relented under pressure yesterday.

'Saved From Failure'

``If we didn't make the conference a success, we certainly saved it from failure," European Trade Commissioner Peter Mandelson told reporters. ``How long can we maintain enthusiasm while trade talks crawl along? My guess is that there's another year of energy" in the negotiations.

Under yesterday's compromise, the EU will eliminate export subsidies, with ``a substantive part" of the cuts made in the first half of an implementation period that's now scheduled to start 2008. Brazil and India, backed by the U.S., initially demanded that the EU get rid of its \$3.6 billion in payments to dairy, sugar and other commodity producers by 2010.

``It's not perfect but it's still a reasonable agreement," French Trade Minister Christine Lagarde said in a radio interview on France Info. ``As with all agreements, no one is happy, no one is outrageously unhappy." Mandelson and Agriculture Commissioner Mariann Fischer Boel ``showed a lot of coolness under fire in the defense of European interests."

Ground Rules

Still, it's not clear what the practical impact of setting a date will be. An end to all export subsidies would actually harm developing nations in aggregate, because many of them are net food importers, according to an analysis by the World Bank.

``At the end of the day, developed countries must realize that you cannot create artificial competitiveness," Indian Trade Minister Kamal Nath said in an interview. ``The ground rules have been laid down very clearly."

Anti-poverty campaigners such as Friends of the Earth International denounced the deal as a betrayal of poor countries and a ``face-saving deal."

While the U.S. will halt export subsidies on cotton by the end of 2006, the more divisive issue of domestic cotton aid remains unsettled. Cotton growers from Burkina Faso, Benin, Mali and Chad say payments to American farmers undercut their ability to make a profit, and their calls for the U.S. to end that assistance immediately helped derail the Cancun summit.

Struggle Continues

``We don't have what we want and we will continue to struggle" against the domestic subsidies, Francois Traore, president of Burkina Faso's farmers' union and a cotton grower, said in an interview.

Some industry groups in the U.S. also complained. Textile makers and lawmakers said they disagree with the U.S. offer to give the poorest nations, such as Bangladesh and Rwanda, duty-free access to the U.S. market, warning that it would hurt suppliers from Africa and Central America.

``I can tell you right now that without substantial improvement over the next few months, this framework will go over like a lead balloon" in Congress, Senate Finance Committee Chairman Charles Grassley said in a statement.

--With reporting by Damien Ryan and Stephen Engle in Hong Kong and Sandrine Rastello in Paris. Editor: Freedman