

Farm Issues Stall Talks for a Deal on Trade

By Edmund Andrews
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WASHINGTON- Any hope of advancing a global trade pact this year all but evaporated on Wednesday, as negotiators from around the world said that they were at an impasse over agriculture.

The immediate cause of the breakdown was the refusal of European leaders to offer more than modest reductions in their tariffs on farm products ranging from beef and sugar to dairy products and fruit.

The breakdown threatens to sink the first big global trade agreement in 10 years. The deal was supposed to address the longstanding grievances of poor countries about being excluded from the agricultural markets of rich countries, as well as expand the opportunities for wealthy nations to export services like banking and insurance. But without an agreement on agriculture, newly assertive developing countries like Brazil are in no mood to negotiate about industrial goods or services.

With just a month left before a crucial meeting in Hong Kong, where ministers were supposed to agree on a detailed framework, American officials all but gave up hope of progress this year.

"I am sorry to report that we've not made the progress that we had hoped in order to put together a program for the Hong Kong meeting," Rob Portman, the United States trade representative, said in a conference call with reporters on Wednesday morning.

But the stalled talks reflected anxieties about reducing protections that extend beyond Europe.

Just last week, Latin American leaders roundly rebuffed President Bush's attempt to promote a "free trade agreement for the Americas." Here in Washington, the Republican-controlled House came within two votes last July of killing the Central American Free Trade Agreement, a comparatively tiny deal.

And on Tuesday, the Bush administration succeeded in pressuring China to limit the growth of its clothing exports to the United States.

The new impasse is in the Doha Round of trade talks, which began with euphoria in Doha, Qatar, in 2001 and were supposed to result in a sweeping new agreement by the end of 2006. The stalled talks were first reported by The Wall Street Journal on Wednesday.

To reach that goal, negotiators were supposed to agree on a framework at meetings next month in Hong Kong. But after two days of talks in London and Geneva this week, officials from many crucial countries said that no deal was probably better than a weak one.

"The worst possible scenario would be to lower the ambition and try to do something on the cheap side," Celso Amorim, Brazil's foreign minister and top trade negotiator, said in a telephone interview on Wednesday from Geneva. "If you don't have an appropriate result now, we'll have to wait another 20 years to have real reform in agriculture."

Last month, Mr. Portman put forward a fairly bold plan to cut tariffs by 55 to 90 percent over five years. He also proposed a 60 percent cut by the United States in some farm subsidy programs. But the European Union, under intense pressure from French leaders, offered to cut its farm tariffs by an average of only 39 percent and insisted on keeping many "sensitive" products outside that average.

The Doha Round is not entirely dead. But the talks have made almost no progress for the last two years, and many trade specialists say the chances of salvaging a deal next year are slim.

"There is now clearly a sense of crisis in these negotiations," said Bruce Gosper, Australia's ambassador to the World Trade Organization. "The issue is not about the text or timing. The issue is about ambition and political will, and most particularly the will of the European Union."

In essence, supporters of a big new trade pact face a grim choice: settle for a timid agreement, knowing that it may take another 20 years to complete a new round of global trade negotiations; or walk away from talks next month, hoping that European leaders will agree to more ambitious reductions early next year.

Trade negotiators are doubtful that European leaders will offer greater access to their protected farm markets, even if talks resume next spring.

Peter Mandelson, the European Union's chief trade negotiator, is already under sharp attack from the French president, [Jacques Chirac](#), for offering too many concessions.

Mr. Amorim of Brazil said he saw no hint of a willingness by Europe to soften its stance, even after he tentatively floated the idea of sharply cutting Brazil's tariffs on industrial goods.

"I've been in trade negotiations for more than 20 years now," Mr. Amorim said. "You know when someone wants some more of you, or when they are just reciting their case. What we heard yesterday was just a re-recitation of their proposal. It led me to the conclusion that they are setting the bar very high on industrial goods, because they don't even want to talk about agriculture."

Some negotiators were more sympathetic to Europe, contending that the United States was offering less than Europe in reducing farm subsidies.

"The fact is that on domestic supports, the European Union is closer to the G-20 position than the U.S.," said Ujal Singh Bhatia, India's ambassador to the World Trade Organization, referring to the Group of 20 large developing nations.

There is ample anxiety and downright hostility in the United States to trade-opening pacts, not only among traditional opponents in big labor unions but also among otherwise pro-business Republicans in states with industries hit hard by imports.

Gene Sperling, a top economic adviser to President [Bill Clinton](#) who endured the collapse of trade talks in Seattle in 1999, said American leaders need to pay more attention to the people whose lives and jobs are disrupted by more open trade.

"If you care about progress in market opening, you are going to have to have more ambitious compacts for sharing the downside costs as well as the benefits of open trade," Mr. Sperling said. "As economists, we talk about how the benefits of lower prices are broadly shared. But the costs are very heavily concentrated."