

After 7 Years, Talks on Trade Collapse

By Stephen Castle and Mark Landler
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GENEVA — World trade talks collapsed here on Tuesday after seven years of on-again, off-again negotiations, in the latest sign of India's and China's growing might on the world stage and the decreasing ability of the United States to impose its will globally.

Pascal Lamy, director general of the World Trade Organization, could not bridge differences between a group of newly confident developing nations and established Western economic powers. In the end, too few of the real power brokers proved committed enough to make compromises necessary to deliver a deal.

The failure appeared to end, for the near term at least, any hopes of a global deal to further open markets, cut farm subsidies and strengthen the international trading system.

“It is a massive blow to confidence in the global economy,” said Peter Power, spokesman for the European Commission. “The confidence shot in the arm that we needed badly will not now happen.”

After nine consecutive days of high-level talks, discussions reached an impasse when the United States, India and China refused to compromise over measures to protect farmers in developing countries from greater liberalization of trade.

Supporters of the so-called Doha round of talks, which began in 2001, say a deal would have been a bulwark against protectionist sentiments that are likely to spread as economic growth falters in much of the world.

The failure also delivers a blow to the credibility of the World Trade Organization, which sets and enforces the rules of international commerce. It could set back efforts to work out other multilateral agreements, including those intended to reduce the threat of global warming.

The collapse of the talks will not bring an end to world trade, of course, which will continue under current agreements, many of which are between two or more countries rather than under the W.T.O.

But it is a big setback, particularly to the hopes of smaller and poorer developing countries, which were counting on gaining greater access to consumers in the United States, Europe and Japan.

Economists and trade experts predicted that negotiators, having come this close, might not find the conditions for a broad deal among the 153 members of the trade organization for years, if ever again.

Deep skepticism about the advantages of free trade was on vivid display during the Democratic primaries and it is growing in Europe, particularly as France, Italy and other countries have fallen into an American-style economic malaise.

“It’s important to move forward when the world is in a slowdown and is tempted to think of protectionism rather than opening up,” said Norbert Walter, the chief economist at Deutsche Bank.

He said soaring food prices provided another rare opportunity for a deal, since European and American farmers are prospering. It may never be easier to reduce farm subsidies, one of the most delicate issues in trade talks.

“The feeling went from ‘Who cares?’ to a surge of excitement and sense of breakthrough to ‘Oh, no, not again,’ ” said Rory Macrae, a partner at GPlus Europe, a communications consulting firm in Brussels, who was on the sidelines of the negotiations in Geneva.

He said the sticking point this time was countries like China and India, which have become more aggressive in advancing their interests. “Maybe they’re now thinking, ‘We’re big enough that we don’t even need the process,’ ” Mr. Macrae said.

Like the United States and Europe, he said, China and India might find it more advantageous to negotiate bilateral agreements in which they can apply more pressure on a single trading partner.

On Tuesday night, ministers were still discussing whether any of the agreements reached in principle could be salvaged.

But there seemed little prospect for that any time soon, in part because the presidential campaign in the United States will make it all but impossible for Washington to take part until a new administration takes over.

Talks foundered on the right of India and other developing nations to protect sensitive agricultural products from competition in the event of a surge of imports that would make their own farmers less competitive. The United States argued that such protection, which is not permitted now, would mean moving backward on current world trade commitments.

Mari Elka Pangestu, the Indonesian trade minister, said the failure of the talks reflected the inability of the rich industrial powers to deal with the growing influence of China, India and Brazil in the global economy.

She complained that what she called “a reasonable request” had been blocked because the United States “is not going to show flexibility.”

Susan C. Schwab, the United States trade representative, challenged assertions by some developing countries that the United States had been the chief obstacle to sewing up the deal. She added, “The U.S. commitments remain on the table, awaiting reciprocal responses.”

She said, “It is unconscionable that we could have come out with an outcome that rolled the global trading system back not by one year or 5 years but by 30 years.”

Ms. Schwab said it would be possible to help developing nations address surges in imports in ways that could not “be used as a tool of blatant protectionism.”

One official said that the relatively technical nature of the cause of the breakdown underlined a lack of political will to reach an agreement that would be a tough sell to voters in many countries.

The Indian trade minister, Kamal Nath, in a briefing with reporters, said he was “very disappointed” but that developing countries were “deeply concerned about issues which affected poor and subsistence farmers.”

Washington’s negotiating team was also under pressure from the country’s powerful farm lobby, and the European Union was under pressure from its own.

Lourdes Catrain, a trade partner at the law firm Hogan & Hartson, said the real danger created by failure after getting so close was “that the seven years of hard negotiations will be lost and there will be no guarantees on the starting point of a future round.”

The proliferation of bilateral deals and the continuing expansion of exports from both developing and developed countries have raised doubts among some Doha skeptics about the necessity of a global agreement. But experts said it was important, particularly as a bulwark against rising protectionist sentiments.

“There are people who argue that no Doha outcome is better than a weak Doha outcome, but I don’t agree,” said Katinka Barysch, the deputy director of the Center for European Reform in London.

Stephen Castle reported from Geneva, and Mark Landler from Frankfurt.