

Tariffs: WTO talks collapse after India and China clash with America over farm products

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Last-ditch talks to salvage a deal in the seven-year Doha round of global trade negotiations broke down dramatically in Geneva last night, after India, China and the US fell out over measures to protect poor farmers.

As recriminations began, the head of World Trade Organisation, Pascal Lamy, warned that the wrangling among the organisation's leading members had allowed a package worth more than \$130bn (£65bn) a year in tariff savings to "slip through their fingers".

Clinching a deal would have provided a powerful vote of confidence in globalisation from the WTO's 153 members, in the face of the world economic slowdown. But after nine gruelling days, Lamy was forced to accept that the US, China and India were still too far apart for a deal.

Negotiators from the major trading blocs were already blaming each other for the failure last night. Brazilian foreign minister Celso Amorim suggested particular individuals within the G7 group were responsible for the failure. "If I were the coach, I would replace the players, and see if a different result was possible."

The US trade representative, Susan Schwab, said it was "unconscionable" that developing countries were insisting on shielding their farmers. "In the face of the food price crisis, it's ironic that the debate came down to how much and how fast could nations raise their barriers to imports of food."

She suggested that if India and China had got their way "we could have come out with an outcome that rolled the global trading system back three years, or five years, or 30 years: 30 years of progress."

Kamal Nath, India's trade minister, said he was representing the position of all the G33 members, who were "concerned about the livelihood of poor and subsistence farmers", and said he hoped the talks could eventually be revived.

EU trade commissioner Peter Mandelson said it was "heart-breaking" that the talks had failed because of a "small gap in numbers" over when protection for farmers could be triggered. "But I'm afraid that on this subject, an irresistible force met an immovable object and the rest is history."

The talks came perilously close to collapse last Friday, but limped into a second week after Lamy tabled a draft agreement and exhorted ministers to keep talking. However, a war of words broke out between America and key developing countries on Monday, and the atmosphere remained sour as ministers reconvened yesterday.

The US objected to the details of a "special safeguard mechanism", designed to protect farmers in the developing world against temporary surges in cut-price imports of cotton and rice.

This safeguard mechanism has long been a key demand of the G33 - a group of countries including Indonesia, India and China, concerned about the livelihoods of their subsistence farmers.

Yesterday morning, trade officials scrambled to draw up a compromise that would satisfy both sides. But America insisted the issue was a matter of principle. "We're committed to not going backwards," a US source said. Schwab has faced fierce political pressure from Capitol Hill to secure fresh markets for America's rust-belt manufacturers.

Mandelson had also come under intense political pressure over promised reforms to Europe's lavish common agricultural policy.

France's President Nicolas Sarkozy had demanded an immediate meeting with Mandelson, and rallied a cohort of other countries including Italy and Greece to say they might reject the deal in its current form.

The Doha round, which was launched with great fanfare in the Qatari capital in the aftermath of the terrorist attack on the World Trade Center in 2001, was billed as a way to make world markets fairer for poor countries.

Failure of the Geneva talks is a severe personal blow to Pascal Lamy, the WTO's director, himself a former EU trade commissioner, who had staked his reputation on securing agreement. Lamy said he had spent 60 hours trying to reconcile the Indian and American positions. "What members have let slip through their fingers this time is a package worth more than \$130bn a year in tariff savings by the end of the implementation period."