

Time is running out for WTO pact

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By James Kanter

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PARIS After five years of talks about tearing down protectionist trade barriers, negotiators from World Trade Organization countries face a crucial deadline this week in Geneva to reach an outline deal that could help reduce poverty and lift global output.

About 50 trade ministers from wealthy and developing nations are aiming to cut agricultural protections and widen market access to manufactured goods like cars and services like telecommunications.

But constant disagreements on issues of national sensitivity, like benefits for farmers in the United States and Europe, have made a deal elusive, as the previous "make-or-break" meeting showed in Hong Kong in December. That one ended with no deal and a new deadline.

This time, however, time really is running out. Elections are coming up soon in some of the world's major trading countries, including Brazil, which will make it difficult for politicians to persuade their electorates of the need to reduce certain protections.

A U.S. congressional election, meanwhile, will mean that leaders soon will be distracted by domestic issues, and President George W. Bush's fast-track trade negotiating authority is set to expire in mid-2007, making it imperative to secure a deal that cannot later be picked apart by U.S. legislators.

At the same time, officials from the 149 member states of the WTO will need to review the complex formulas that lower tariffs, reduce subsidies and ease regulations to assure themselves and their citizens that their trading partners make matching concessions. In theory, ministers still could wait until June 30, 2007, when Bush's authority expires, to reach a deal that pleases everyone - including advocates for poor countries like Oxfam, a British charity that has warned that a deal this year could do the world's poor more harm than good.

But temporizing beyond July would not be feasible, experts say. Governments "need time to cross-check each other," said Rachel Thompson, a former Australian trade diplomat who now works at the consultancy APCO Worldwide. "You can't just inaugurate a new French president and expect to sign a deal," she said, referring to national elections set for France next spring.

With the pressure on, there is less talk than there was in 2001 of lifting up impoverished parts of the world - one of the principal goals of the current Doha round of trade talks, which started five years ago in the Qatari capital.

"We seem to be in a mode of continually lowering expectations," said Brendan McGivern, a trade attorney with White & Case in Geneva. Instead, trade officials appear focused more on tackling details of how to ease commerce between some of the world's largest and most rapidly developing economies.

But even a limited deal could prove difficult because the talks have remained deadlocked over agriculture. The EU and the United States must compromise on farm protections before a block of countries including Brazil, India and China further open their markets to industrial goods and services. WTO officials say all three sides will need to move to pave the way for an overall accord.

To unblock the talks, the United States must cut back the kinds of subsidies that create big surpluses of goods like corn, rice and cotton - surpluses that U.S. producers end up selling cheaply in foreign markets. So far the United States has offered to lower those subsidies by 60 percent, but countries like Brazil want far deeper cuts.

European governments also generously subsidize their farmers, but they are constrained by a previous agreement to leave that budget untouched.

Where the EU does have room to move is on tariffs. The bloc now seems prepared to lower average duties by more than its current offer of 39 percent, to around 50 percent - still short of the levels demanded by others.

"There is a three-way bargain here," the EU trade commissioner, Peter Mandelson, said Friday. If the Americans cut farm support, and countries like Brazil lower import barriers, the EU would "meet them both with a strengthened offer" on farm tariffs, he pledged.

There have been flickers of hope for a breakthrough in recent days. Pascal Lamy, the director general of the WTO, said he was optimistic about chances for an accord amid signs that Bush was prepared to do more to rein in U.S. farm subsidies. Mandelson will meet with all 25 EU trade ministers next week in Geneva - a sign, analysts said, that he may seek support before making big concessions.

Even so, Lamy warned negotiators Friday that much work remained to be done. In the past, trade chiefs have presented their own blueprints for a deal to fast-forward blocked talks. But if Lamy's proposals differ too much from what some countries seek, he could be rebuffed and lose credibility as a fair broker.

If the talks do stall - with little hope that even Lamy can get them moving - the major trading powers are likely to blame each other, again.

Last autumn, WTO talks broke up in acrimony when Mandelson and Celso Amorim, the Brazilian foreign minister, accused each other of negotiating in bad faith. This spring, the mood soured again when Mandelson accused the Americans of undermining the talks by replacing their chief negotiator.

Business leaders like Mark van der Horst of AmCham EU, a Brussels-based group representing U.S. companies, are unlikely to be impressed if the sniping resurfaces this week.

"Using agriculture as a bargaining chip is understandable, but the Europeans and Americans must keep the endgame in mind," van der Horst said.

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