

## **Dispute Over Farm Subsidies Stalls Global Trade Negotiations**

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Securing a worldwide agreement to cut trade barriers and reduce government subsidies was never going to be easy. Rob Portman knew that when he began his job as U.S. trade representative in May.

This past week, though, Portman got a sobering glimpse of exactly how tough it will be to succeed in global trade negotiations. The ongoing talks, known as the Doha Round because they began at a World Trade Organization meeting in the capital of Qatar in 2001, are intended to take a major leap forward in economic globalization by lowering tariffs and liberalizing rules governing international commerce.

The depth of Portman's concern was evident in a telephone conference he held with reporters Friday after gatherings earlier in the week in Zurich and Geneva with officials of 17 of the WTO's most influential member countries.

Although he said he was pleased that the officials "are now talking numbers and details" rather than generalities, Portman repeatedly described himself as "very disappointed" and "discouraged" by the reluctance of other countries to offer trade concessions, especially in the crucial area of opening their markets to imported agricultural products.

Portman sought to jump-start the talks last Monday with a series of proposals on agriculture, the centerpiece of which he described as an offer to cut Washington's "trade-distorting" farm subsidies by 60 percent. Curbing such payments to farmers by rich nations is the top demand of developing nations, because subsidies often lead to overproduction of crops, which in turn can depress world prices and hurt farmers in poor countries.

In the conference call, Portman criticized the European Union and a group of developing countries led by Brazil and India, accusing them of failing to respond with proposals that are "even close to comparable" in scope to what the United States had offered.

"There's a lot at stake. The clock is ticking," Portman said, referring to a meeting in nine weeks of all 148 WTO member nations in Hong Kong that is supposed to produce a major advance in the Doha Round. "We made a meaningful proposal. We await a meaningful response." He said he plans to return to Switzerland for more meetings Wednesday and Thursday.

To some extent, Portman's statements can be chalked up as posturing typical of these negotiations. Last week's meetings were essentially a skirmish; the participants will not lay their real cards on the table until the closing hours in Hong Kong. Even so, the Doha Round will take at least another year, and another big meeting, before the details are final.

But when bargaining positions are far enough apart, such meetings can collapse in spectacular fashion, as happened at a 1999 gathering in Seattle and a 2003 meeting in Cancun, Mexico. A similar blowup in Hong Kong could mortally wound the Doha initiative, and plenty of evidence has emerged in recent days to suggest that the key participants, including Portman, must overcome strong political pressures at home to reach an agreement of any significance.

The latest U.S. offer on agriculture was contingent on concessions by other nations, Portman said. Specifically, he demanded even deeper subsidy cuts by governments such as the E.U.'s and Japan's that pamper farmers more than the United States does. He also insisted on pledges by many countries, except the very poorest, to slash tariffs on farm goods.

Although the U.S. initiative was praised by countries such as Australia and Canada, it was rejected as too ambitious by Japan and denounced by some developing countries as not going far enough. Critics such as the aid group Oxfam said the proposal was based on phony accounting and wouldn't curb the "dumping" of U.S. crops.

Adding to Portman's problems was the release of letters from the chairmen of the House and Senate agriculture committees admonishing Portman and Agriculture Secretary Mike Johanns not to try to "reshape farm policy" contrary to congressional wishes.

European Trade Commissioner Peter Mandelson countered Portman with his own proposal to cut farm subsidies and tariffs, arousing the fury of the French government, which demanded that Mandelson appear before representatives of the E.U.'s 25 member nations next week. France is Europe's most vocal champion of protecting agriculture, but its criticism of Mandelson was backed by Italy and Spain, according to European press reports.

Far from being impressed by Mandelson's offer, Portman derided it. He cited, for example, the E.U.'s treatment of "sensitive products" such as sugar and dairy foods that are produced by farmers with enormous political clout and thus would remain sheltered under relatively high import barriers. The United States had proposed limiting such protection to 1 percent of all farm products covered by tariffs, while the E.U. proposed setting the limit at 8 percent.

"That's a loophole big enough to drive a truck though," Portman said Friday, noting that it would mean Europe could maintain high barriers for about 160 products.

Of the counterproposal by the G-20, the group of countries led by Brazil and India, Portman said it would make "no difference in market access" because the proposed cuts in tariffs would be made from legal ceilings rather than the actual tariffs assessed on imports.

Trying to remain upbeat, Portman said, "the negotiations have a new energy." But he warned that he would not present a revised U.S. proposal next week to the Europeans and other WTO members. "The ball is in their court," he said.