A Late-Hour Farm Pact Averts Total WTO failure
Global Trade Talks Accomplish Little; The Week Lost Focus

By Scott Miller and Greg Hitt
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HONG KONG -- Global trade talks here ended with a near 24-hour negotiating sprint that for the first time set a firm date for the U.S. and Europe to eliminate one kind of agriculture subsidy. But aside from that, the six days of talks did little to resolve conflicts over reaching a broader agreement that could affect the world economy.

With deadlines for action looming, a declaration patched together among 149 nations averted a worrying scenario by showing agreement on some of the modest aims on the table. The countries committed to phasing out subsidies on farm exports by 2013, and detailed a somewhat watered-down package of special trade deals and new cash to help the world's 32 poorest nations take better advantage of the global economy. The U.S. and Europe committed to move aggressively to help African cotton growers.

With more ambitious measures virtually off the table before the meeting started -- such as opening global markets for agriculture, services and manufacturing to dramatically open countries' markets to each other and fuel global trade -- the meeting averted the acrimonious collapse of the last full-blown meeting of World Trade Organization ministers in Cancun in 2003. Another such meeting in Seattle in 1999 collapsed amid street riots that have since become the norm for global trade meetings, including this one.

But top officials who had once hoped for much more from the meeting were cautious in their optimism, and the issues that broke apart the Cancun meeting still lay ahead of them in another meeting they scheduled for the spring. "In a week of disappointments," said chief European Union negotiator Peter Mandelson, the agreement on export subsidies "is no small prize. It's not enough to make this meeting a true success. But it is enough to save it from failure."

WTO Director-General Pascal Lamy said the meeting, which once was set up to finalize a framework for a broad agreement to drop trade barriers, had moved the ball forward by five percentage points -- from 55% to 60% there.

The countries now face a tough series of deadlines, some of them self-imposed. In Hong Kong, they agreed to complete a blueprint agreement by April 30 of next year. They vowed to complete the entire round by the final deal by the end of 2006. U.S. officials say that would give the White House just enough time to usher the pact through Congress before the president's trade-promotion authority expires in July 2007, after which Congress can pick the deal apart for elements disliked by U.S. interests. The Hong Kong deal on aid to poor countries already faced skepticism in Congress, where key officials warned too much attention was going to the needs of developing countries and not enough to U.S. trade priorities.

Hong Kong sets a discouraging tone for a spring meeting. What should have been minor issues, such as the agreement on ending export subsidies, ended up dominating the talks, with the broader questions virtually untouched. Diplomats estimate that of the 100 hours or so that were spent in so-called green-room negotiations -- meetings of 30 to 40 key ministers -- 20% of the time was devoted to setting a date to end the subsidies. Ministers had already agreed almost 18 months ago to eliminate them; all that was missing was a target date.

The decision will mean the EU will have to stop paying farmers €2.5 billion to €3 billion a year, or roughly $3 billion to $3.6 billion, in export subsidies that covered the difference between higher European prices and lower world prices. It was less clear how wording in the agreement will apply to U.S export programs, because the U.S. provides most of its export aid in the form of food assistance and export credits to help finance trade. The relief agency Oxfam International estimates the U.S. will now need to eliminate about $200 million of export credits that helped finance trade.

Oxfam also estimates the Hong Kong agreement means the U.S. will be forced to change portions of its food-aid program, in which farmers are paid for crops donated to poor countries. The meeting's draft declaration said food-aid programs should be allowed to continue to provide food in emergencies. It went on to say that food aid couldn't be used to subsidize farmers. The U.S. typically donates about $1 billion to $3 billion worth of food to poor countries a year. Most recently about 30% to 40% of the U.S. program has been used to help countries that didn't face a real emergency, Oxfam said. Exact details of how to change food aid are to be worked out over the next few months.

Difficulties in achieving a consensus among its diverse membership forced WTO members to other compromises. For example, what was once seen as the centerpiece of the meeting, granting the WTO's 32 poorest countries duty-free, quota-free access to rich markets, had to be diluted due to worries from the U.S. and Japan. Washington, for example, fears U.S. markets would be swamped with textiles from Bangladesh and Cambodia.

Under the plan approved yesterday, countries will be able to maintain normal tariffs on up to three percent of the products they import from those countries. That is more than many developing countries wanted. But it is also a narrow enough exemption that it appears certain to stir opposition from U.S. farm and textile producers, two influential lobbies in Washington.

The gathering, likewise, left loopholes in a cotton pact. In a nod toward cotton growers in sub-Saharan Africa, the U.S. committed to end export subsidies for cotton by the end of next year. But WTO members left open the larger issue of how and when domestic subsidies on cotton should be reduced, although the U.S. did vow to move more aggressively to control cotton subsidies than its other farm products. The text also calls for WTO leadership to explore the creation of a special program to help African nations cope with unexpected swings in income from the change.

WORLD'S LEADING EXPORTERS, 2004

Rank	**Value, in billions**	**Global market share, in percent**
1. European Union*	1203.8	18.1
2. U.S.	818.8	12.3
3. China	593.3	8.9
4. Japan	565.8	8.5
5. Canada	316.5	4.8
6. Hong Kong	265.5	4.0
7. Korea	253.8	3.8
8. Mexico	189.1	2.8
9. Russia	183.5	2.8
10. Taiwan	182.4	2.7

**excludes intra-EU trade*
Source: World Trade Organization

For many, the meeting's focus appeared to lose sight of the real issues. James Christie, managing director of U.S. trade consultancy Bryant Christie Inc., said that businesses he represents were impatient for negotiators to get past the minor details move on to reducing global tariffs on farming and manufacturing. For instance, California table-grape growers, who he was representing here, face 45% tariffs when they export their product to South Korea, leaving them with only a fraction of the business there they think they could win under a U.S. plan to cut farm tariffs. The give and take on services-sector tariffs underscores the difficulties that negotiators faced in Hong Kong.

At issue was whether nations should be required to negotiate the subject, or simply be encouraged to come to the bargaining table. In the end, the draft text stopped short of mandating further talks. On manufacturing, big differences remained on how deeply to cut tariffs-and how the cuts should be apportioned among poor and rich countries.

The U.S. and Europe are pushing a plan to force developing countries, where tariffs are high, to shoulder steeper cuts than rich nations.

John Engler, president of the National Association of Manufacturers, a U.S. trade group, said negotiators had little to show for their efforts in Hong Kong. "It causes you to question their ability to pull anything off," he said, pointing to the tightening deadline for action. "They've really put themselves behind the eight ball."

Write to Scott Miller at scott.miller@wsj.com[5] and Greg Hitt at greg.hitt@wsj.com[6]