
WTO Negotiating Round Fails to Reach Conclusion

The members of the World Trade Organization failed to reach a new multilateral trade agreement this week, concluding a Ministerial meeting in a Geneva which had been billed as the last opportunity to achieve an acceptable compromise in the foreseeable future.

The current round of negotiations commenced in 2001, with an ambitious goal of reducing global trade barriers in agricultural subsidies and tariffs, industrial tariffs, non-tariff barriers, services, trade dispute rules, and several other issues. The developed countries, including the United States and the European Union, had been at odds for some time with the large less developed member states, including India, Brazil, and China, primarily with respect to barriers to agricultural trade. Numerous last minute compromises on a range of issues led many of the participants to believe an agreement on “modalities” was within reach. Such an agreement would have established guidelines on tariff cuts, identification of protected articles with minimum market access, limits on trade distorting subsidies, and other detailed parameters that would have permitted all the members to continue the discussions on a product-specific, line-item basis through the end of the year.

However, the talks ultimately failed over the terms of a special tariff safeguard mechanism for agricultural commodities in the event of import increases or price declines that might threaten local farmers. India and China pressed the developed countries to agree to such a waiver on much more liberal terms than many both developed and less developed member states could accept. Of greatest concern was the proposal to allow increased tariffs when imports increased as little as 15% above a three year moving average, and would allow protective tariffs which exceeded even those levels which had been “bound” under the previous Uruguay Round of WTO Agreements.

The negotiations have not been officially terminated, so compromises reached to date can continue to be a basis for further discussions. However, it is generally assumed that it will be difficult for the members to conclude an agreement this year, since several issues must still be resolved, and it is likely that by the end of this year, a new US Presidential administration or a stronger Democratic hold in the US Congress will be less agreeable to multilateral trade liberalization.