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A bad deal all round

It was US intransigence that killed the WTO talks. Developing countries were right to walk away

by Timothy Wise and Kevin Gallagher
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Last minute talks on global trade policy at the World Trade Organization in Geneva this week came close to agreement - but no cigars were lit. For talks that started in 2001, rich country negotiators lost sight of the fact that the round was supposed to be a "development" round to help lift standards of living among the world's poor. This week's proposals by the US and its partners pulled development out of the equation, and subsequently pulled the rug on the round, at least for now.

For the sake of saving the integrity of the WTO, developing country governments were close to accepting a deal that would have included very modest reductions in agricultural protections in the rich country, in exchange for equally modest cuts in industrial tariffs on the part of the developing world. This was already a sacrifice on the part of the developing countries. According to the World Bank, the deal on the table in Geneva would have only increased the welfare of poor countries by just 0.16% of GDP, while Unctad estimated that the costs in terms of tariff revenue losses for developing countries would be close to $60bn.

Rich-country negotiators, and even those from agricultural export powers like Brazil, expressed surprise that the issue that brought down the negotiations was something as seemingly arcane as the "special safeguard mechanism" - the right for developing country governments to raise tariffs in the event of sudden or large increases in imports that threaten to undermine domestic producers. They shouldn't have been. The measure is exactly the kind of "policy space" for development that the poorest countries have sought from this so-called development round.

Although prices for food are now high, according to the International Monetary Fund's latest World Economic Outlook, they are destined to go down again. That, coupled with rich country advantages in industrial agriculture, may lead to the import surges that plagued the countryside in many developing countries just a few years ago, by swamping local markets and further marginalising small farmers.

India and China were widely blamed for refusing to lower their demands, but they had the backing of a large number of the poorest developing countries. By all accounts, the US proved the most intransigent in refusing to grant safeguard rights, insisting on
conditions that would have made the measure virtually useless in most cases where imports would overwhelm local producers.

Our own research confirms the validity of such concerns. In our recent report, *The Promise and the Perils of Agricultural Trade Liberalisation*, we found the same story in country after country in Latin America. Governments opened their agricultural markets in the hopes of gaining market access for exports. Cheap, subsidised imports of staple foods - markets the US and other developed countries dominate - flooded local markets, driving down prices and putting already-poor farmers out of business. Each country became more dependent on imported food, losing its capacity to produce its own. Then prices spiked, exposing the life-threatening danger of such policies.

Any government that wants to take the food security of its residents seriously needs precisely the kind of policy instruments India and China were demanding.

The hypocrisy of the US demands are stunning. Virtually every developed country, including the US, protected its food-producing sectors in the early stages of development. In today's globalised agriculture, such protections are even more warranted. Indian commerce minister Kamal Nath made clear from the start that he would not negotiate away subsistence and livelihoods. In the end, what would it have cost the rich countries and the other agricultural export powers to concede the point?

Nath summed it up best: "It is unfortunate that in a development round we couldn't run the last mile because of an issue concerning livelihood security."

Back to the drawing board.