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## In Trade Talks, a Stalemate of Big vs. Small Hangs Heavy

BY [DANIEL ALTMAN](#)

HONG KONG, Dec. 4 - After half a century of progress, has the opening of the global trading system finally reached a standstill?

The World Trade Organization's ministers still hope to agree on a further lowering of trade barriers when they gather here next week. But perceptions, politics and economics are all pushing in the other direction.

In the end, while plenty of goods and services will certainly continue to flow across borders, the global trading terrain may look very different indeed.

The stalemate in the current round of talks, which began in Doha, Qatar, in 2001, has clear and immediate causes. Developing countries want rich countries to stop distorting markets for crops. Rich countries want developing countries to open their markets further for services and manufactured goods. Neither group seems ready to meet the other's expectations.

But the underlying causes of this impasse are less obvious, and they have been a long time in the making.

"Trade rounds work when things are going well elsewhere," said Razeen Sally, a senior lecturer in international political economy at the London School of Economics.

He said the Uruguay Round of trade talks, which set up the W.T.O. in 1995, rode a tide of economic growth and optimism around the world: the fall of the Berlin Wall; deregulation in the United States; the integration of the European Union; and the early years of the longest boom since the end of the Depression. Besides the opening of China's economy, he said, nothing comparable is happening now to raise interest in trade.

These economic factors matter in the political realm, too. "People have some fear about trade liberalization, and all the more so when the general economic situation is not so prosperous and the outlook not so optimistic," said Georg Koopmann, a senior economist specializing in trade at the Hamburg Institute of International Economics.

This worsens the political imbalance between the pro-trade and anti-trade camps. "There are vested interest groups resisting, opposing liberalization," Mr. Koopmann said, "and these groups are, in the political arena, frequently more influential than other groups - like consumers or users of imported goods or services - who are not making their voice heard as intensely."

Mr. Sally added that groups resistant to freer trade for different reasons, like industry lobbies and nongovernmental organizations, had increasingly been coming together. Their agenda has been strengthened by the emergence of three notions that recently gained support in academic and political circles: that trade liberalization should happen first in rich countries; that there is a legitimate argument for protecting infant industries in the developing nations; and that freer trade can hurt those developing countries.

These ideas run counter to a quid pro quo negotiating process that is going on at the W.T.O. This disconnection, said Robert L. Howse, a professor of law at the University of Michigan who studies trade, may be the deepest problem of all.

"There's a basic divide in the perceptions of the goal of the whole exercise," he said. While rich countries are thinking in terms of trade-offs for commercial interests, he said, developing countries see the talks as an opportunity to create a level playing field by righting wrongs of the past.

The disconnection extends to the style of negotiations as well. "They're determined to make the W.T.O. as an institution work differently," Professor Howse said of developing countries like Brazil and India. "It will no longer be possible, if there's a deal between Brussels and Washington, to push and shove everyone else."

Some developing countries tried to make this point by walking out of the last ministerial meeting, in Cancún, Mexico, in 2003. But, Professor Howse said, the message has not been received.

"When I see the way people on the European Commission operate, and the reflexes of the negotiators in Washington, they still haven't gotten out of the club approach," he said. "Even though they got a rude shock at Cancún, they really believe that if they can find the magic, then the others will, kicking and screaming, come on board."

After the walkout in Cancún, negotiations intensified for bilateral and regional trade agreements outside the W.T.O. The United States signed deals with countries like Morocco, and the European Union has been aggressively pursuing a Mediterranean free-trade area. Just in the last few weeks, South Asian nations have breathed life into long-delayed plans for a commercial union, and Venezuela may soon become a member of the Mercosur bloc of South America.

Mr. Koopmann argued that these detours from the W.T.O. did not really encourage free trade. "For instance, agriculture is in most cases exempted from the liberalization schemes," he said. "There is also little in the way of deep integration, that is to say removal of technical barriers to trade, or mutual recognition of standards in the services sector."

The pacts often contain arcane rules, Mr. Koopmann said, in an effort to prevent third parties from benefiting from them. And with almost 200 two-party agreements in force, the rules often overlap or are inconsistent between agreements. "This creates a very complicated system," he said. "It increases transactions costs in international trade and leads to a fragmentation in

international trading relations."

Yet agreements like these could dominate the future, if the Hong Kong talks fail. Mr. Sally said that a move toward perhaps 10 regional trading blocs was already happening, and he accused the United States and other countries of being more interested in regional blocs than in a broader system.

"These won't be completely sealed blocs, because you have these bilateral agreements now," he said. "It's just going to be one unholy mess."

In regional blocs, Mr. Sally said, the big traders could still wield disproportionate power over smaller countries, in a sort of hub-and-spoke model. Moreover, bilateral and regional agreements are often used to reward allies or deflect attention from challenges in the domestic sphere. "It's about a lot more politics in trade," he said, "rather than less politics, which was the whole point of the W.T.O. to begin with."

It is no longer clear that most governments are prepared to take on entrenched interests to help advance a freer trade agenda. Indeed, even allowing the W.T.O. to take a more aggressive lead in making the case for trade and expanding opportunity for developing nations could be dangerous ground for the organization, said Keith Rockwell, the organization's top spokesman.

Mr. Rockwell said governments seemed to want the organization to butt out.

"This is a member-driven organization, and we raised this question with members after Seattle," he said, referring to failed talks in 1999. "The universal response was, 'It's for individual governments to do that.' "