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American Protectionism Threatens Global Trade Negotiations — II

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The first article on this subject discussed how world free trade is under serious threat from the loudest advocate of free trade — the U.S. itself. It referred first to the new tariffs of 8 to 30 per cent imposed by the U.S. on foreign steel imports to protect its domestic steel industry amidst protests from EU, Japan, China, Korea and Colombia, and second to the increase in farm subsidies by $ 82.8 Billion over the next 10 years bringing the total of farm subsidies to about $ 190 Billion for the whole period, under the new farm bill of May 2002. The new bill offers increased direct per bushel payments for corn, sorghum, barley, oats, wheat, soya beans, oilseeds, cotton and rice as incentives to increase production; they will further depress the world prices for these commodities, many of which are of great export interest to developing countries.

Even more worrying for competitors is the revival of countercyclical payments which will make up the gap between the going market price and the guaranteed per bushel rate. These payments will insulate U.S farmers from fluctuations in world prices and thus remove any market-based incentives they might have to limit production. The bill also continues a system of loan deficiency payments' which acts in a similar way to the countercyclical payments as they are calculated to make up the difference between a pre-determined loan rate and the market price. It is almost paradoxical that the U.S. is increasing its farm subsidies when it is trying to get everyone else to decrease theirs. In fact the U.S. forced China to agree to the abolition of its farm subsidies before joining the W.T.O. last year.

The passage of the farm bill has shaken the outside world's confidence in U.S. commitment to the liberalization of agricultural trade. Reactions from other major agricultural exporters have been scathing including threats from Brazil and Australia to challenge some of the subsidies in the WTO as incompatible with existing US obligations. Within the US, some Republican Representatives have called the bill a "giant leap backward in federal agricultural policy" which would "stimulate over production, lead to lower prices and force excessive government outlays". Poor Asian and African farmers will be prevented from getting a fair price for the exports such as cotton and rice by the worsening [illegible]rms of trade caused by the U.S. policies; further the countercyc[illegible] deficiency payments [illegible]make U.S. exports extremely competitive and [illegible] of flooding developing country markets" [illegible] subsidised imports. A few American farmers will benefit but at the expense of a very large number of poor farmers in developing countries. The World Bank released an assessment of the impact of the U.S. protectionist measure on Burkina Faso, one of the poorest countries of the world, where many scrape a living at $ 1 a day, growing cotton. It found that if the cotton price was not distorted by U.S. new subsidies, the number of people living in poverty there could be cut by half over six years.

Trade Promotion Authority

The Trade Promotion Authority adopted by the U.S. Senate in May 2002 also has far reaching consequences of the WTO talks, as well as any future trade negotiations the U.S. might undertake. The proposed legislation contains an unprecedented provision that carves out changes to U.S. trade remedy laws from the negotiation authority the bill otherwise confers on the President. Under the Drayton-Craig amendment, congress would retain the power to modify any concession negotiated on anti-dumping and other trade defence laws while the rest of the trade deal would only be to a yes-or-no vote. The agreement to include anti-dumping subsidies and countervailing measures in the single undertaking WTO negotiations was the only significant concession made by the US government in Doha last November. Without it, developing countries would in all probability have refused to join the consensus to launch a new round of trade talks. The possibility that an essential part of a negotiated package could be lost through last minute congress modifications is likely to further erode their confidence in the potential benefits of Doha "development agenda".

Discrimination against Asian tuna imports

The recent U.S. trade preferences for the Andean nations of Latin America have effectively increased the tariffs on tuna from South East Asia. The Andean preferences will reduce the tariff on tuna from Latin America to zero, while South East Asian exporters will continue to face 12.5 per cent tariff. The tuna exports to the U.S. in 2OO1 by the Thailand amounted to $ 167.5 Million, by the Philippines $ 42.6 Million and by Indonesia $ 37 Million. The tariff changes, it is believed, will wipe out most of the South East Asian tuna industry and throw hun[illegible] of people out of jobs. Accor[illegible] Government [illegible] exports 25 percent of its tuna to the US and if the 12.5 tariff is maintained, half the country's 20 canneries will be forced to close and 16,000 workers will lose their jobs. Ironically decreased demand for more expensive tuna could lead to lay-offs of thousands of Muslim workers in the Philippines (Mindanao) and Indonesia at the same time that the U.S. is looking for increased support in the region for its efforts to end terrorism. In Mindanao in the Philippines, the U.S. scheme of training armed forces to fight against Muslim insurgents is likely to backfire as thousands of Muslims will lose their jobs due to higher tariff.

Tariffs on tuna are only the latest U.S. trade restrictions to prompt scepticism about US's. commitment to free trade. The U.S. has been preaching free trade to all developing countries, but ironically, it does not practice it and set an example. The Thai Deputy Minister of Commerce says "The U.S. Government needs to practice what they preach with free trade. The U.S. is trying to serve its own purposes, whether through protectionism or free trade". Some American analysts draw attention to Asian's frustration at U.S. protectionism reaching a

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very high level and that the U.S. has lost its moral compass. In a letter to the U.S. Senate, Southeast Asian Ambassadors to Washington warned that preferential treatment for the Andean Nations will destroy the level playing field in the global tuna market and have a detrimental effect on countries supporting the global campaign against terrorism.

Developing Countries and Agricultural Trade

Discrimination against Asia's tuna exports on the top of increased farm subsidies, anti-dumping (30 per cent) duties on steel imports, and on catfish and lamb meat imports and high tariffs on ASEAN's exports of tropical timber, textiles and rubber gloves could damage the credibility of U.S. officials ahead of the next round of trade talks and dampen the enthusiasm of developing countries. The new protectionist measures of the U.S. are really concessions to domestic protectionist interests in the hope that this would help to win support at the elections, but they are in fact leaps backward and will no dou[illegible] the global trade negotiations. The WTO had spelled [illegible] formula for agricultural subsidies in develo[illegible] was not followed; in fact subsidies increased [illegible] billion a day in the rich countries and still the Fourth Ministerial meeting at Doha refused to take the erring countries to task. The rich countries succeeded in providing the developing countries with a lollipop. Returning from Doha with promises to phase out subsidies and to take into account the development needs, including food security and rural development, the developing countries termed it a victory not realising that future talks on agriculture would be established without prejudging the outcome of the negotiations. The rich countries' subsidies therefore remain protected, but the developing world has been forced to open their market for cheap and highly subsidised food imports from rich countries. This is the so called equality and justice in free trade!

Meanwhile, the EU is busy manipulating rules and framework to protect its subsidies. It has introduced a new concept of "multi-functionality" in agriculture for this purpose. The U.S. and other rich countries ignore the fact that farmers in poor countries are abandoning agriculture because they cannot compete with the heavily subsidised food flooding their countries on the back of trade rules and IMF conditions that force them to open up their markets. From Haiti to Mexico and Mozambique to Tanzania, small farmers are selling up unable to compete with subsidised imports. Thus liberalization of agriculture trade when the U.S. and EU are increasing their farm subsidies means that agriculture will prosper in the rich countries and will be wiped out in the poor countries — creating poverty and misery.

To add insult to injury, the U.S. seems to believe that bribing foreigners by US firms to secure favours or concessions is justifiable. In April 2002, the U.S. District Court Judge David Hittner ruled that under the law, it is perfectly legal for an executive from a U.S. Company to bribe a foreign official to reduce the company's tax burden or customs duties in that country. The firm concerned — American Rice Inc. — had bribed customs officials in Haiti for reducing customs duties and the tax burden of the company.

Textiles

Progress on textiles implementation issues — the use of the most favourable methodology for calculating the expansion of textile quotas for small supplies and the least developed countries, and the advance expansion of quotas for developing coun[illegible] is almost non-existent because of the oppo[illegible] [illegible] textile industry. The Secretary of Commerce, Donald Evans recently reassured representatives of textiles states that "with respect to existing trade arrangements, particularly the WTO's Agreement on Textiles and Clothing (ATC), we intend to implement the ATC integration as scheduled. We have declined all requests to negotiate an accelerated schedule for elimination of existing quotas and intend to continue to do so". He also argued that the developing countries possess cost advantages because of lower wage rates and therefore there is no excuse for them to have high tariffs, subsidies and other barriers to trade and emphasized the government's commitment to "enforcing our trade remedy laws generally, and on behalf of our textile industry in particular". The American Textile Trade Action Coalition is vehement in its opposition to further liberalization in the WTO and has even opposed the trade preference granted to textile imports from the Andean Pact countries. An international coalition of European, U.S., Canadian and Mexican textile industry associations has also announced a campaign against all textile - related proposals in the Doha Implementation Decision.

Global Trade Negotiations

The developing countries apparently have been deceived by the free trade banner waved by Bush during the election campaign and at the Doha global trade negotiations last November. The US delegation promised freer trade in agricultural produce which was supposed to give the developing countries a better deal. The coming three year Doha round of trade talks now looks to be in trouble even before it gets off the ground as the developing world and even Europeans associate U. S. free trade advocacy with hypocrisy. The failure of the Doha round is likely to dampen world economic growth and this would spread anti-Americanism in many countries.

The increase in farm subsidies and higher tariff on steel, lamb meat, cat fish and now tuna all give the impression that the U.S. is interested in free trade only when it suits itself; it wants other, mainly smaller and poorer countries to open their markets (liberalize) for American goods but it does not hesitate to close its markets when its domestic industries face competition from foreign goods. As Larry Elliot wrote in the Guardian "At the moment the rich countries act just like the patriarchs of Victorian London, demanding the highest moral standards of their servants but slipping out after dark to debauch themselves in brothels".