Imperialism's New Trade-Negotiating Strategy*

Prabhat Patnaik

The WTO has been a major weapon used by the advanced countries to roll back the structures that the third world dirigiste regimes which came into existence after decolonization had erected for achieving a degree of self-reliance. The TRIPS agreement for instance which tightens the Multinational Corporations' stranglehold over technology was pushed through the WTO. But the advanced capitalist world has of late found an even stronger weapon, which consists of bilateral or regional trade agreements like the Trans Pacific Partnership (TPP).

The advantage of RTAs for them is that, unlike at global multilateral negotiations where they have to contend with vast numbers of countries, which moreover form groups to mount resistance against this or that proposal, pressure can be put more effectively, and in a more concentrated manner, against the limited number of countries that are typically involved in the RTAs. Instead of negotiations involving 162 trade ministers, which was the number at Nairobi, RTAs entail negotiations with barely a dozen or even less. The third world in short is made fragmented and RTAs are negotiated with these fragments separately which makes the hegemony of advanced countries that much easier to exercise. Imperialism is thus shifting from multilateral trade agreements to regional trade agreements; and at multilateral forums which of course continue to exist, it is shifting from seeking grand agreements to negotiating only specific issues.

At the Nairobi ministerial meeting which has just ended it has officially abandoned the project of erecting any grand, globally agreed, multilateral trade arrangement. Instead, what would happen from now on are negotiations for RTAs where it can easily browbeat the small number of third world countries involved, and negotiations within the WTO on particular issues, where concessions can be wrested from third world countries without any scope for the latter's demanding a quid pro quo in some other sphere.

The abandonment of the Doha Development Agenda (DDA), which promised to accommodate the development aspirations of the third world in a new global trade arrangement, is in line with this change in strategy. Not that any actual progress of significance had been achieved on the Doha agenda, but at least it constituted a marker in WTO negotiations. Every round of discussions under the WTO reaffirmed commitment to the Doha agenda, but Nairobi has broken new ground. Its Ministerial Declaration is quite candid in admitting that "..many Members reaffirm the Doha Development Agenda…Other Members do not reaffirm the Doha mandates as they believe that new approaches are necessary to achieve meaningful outcomes in multilateral negotiations..".

The U.S. government holds the legal position that if the DDA is not re-affirmed, as it has been in every ministerial meeting until Nairobi, then it is dead. Other countries may contest this opinion, but the fact is that the DDA was not reaffirmed at Nairobi; and the reason is that the most powerful capitalist country explicitly wants it dead.

The African countries had a particular interest in the re-affirmation of the DDA; and it is ironical that the WTO ministerial meet held for the first time on African soil saw to it that Africa's concerns were given short shrift. And also ironically, the United States was able to have its way in scuttling DDA and stonewalling all the issues raised by third world countries, by getting a handful of important countries within the latter to agree to the draft Declaration which was then imposed upon the rest. Among this handful of countries alas was India which had made such strong statements earlier.

It is not even as if India got some concessions for itself while ditching the poor countries of the third world. On matters of vital concern to itself, India returned empty-handed from Nairobi. One such matter was public procurement of foodgrains for running the PDS. On this issue the WTO has been the scene of a bizarre drama. Public procurement of grains at prices which exceed a WTO-recognized benchmark fixed several years ago (since which time there has been much inflation), is counted as a "market-distorting subsidy"; and if the magnitude of such market distorting subsidies given to agriculture exceeds roughly 10 percent of the value of production in agriculture (which is just about the case in India), then the country in question is supposed to be violating WTO "norms".

On the other hand, the advanced capitalist countries give enormous subsidies to their farmers but these are not counted at all as "market-distorting". The United States for instance systematically gives subsidies in the form of cash support to its farmers that amount on average to 40 to 50 percent of its value of production every year; and in some years the subsidy given even exceeds the value of production (since the ratio between the two fluctuates a great deal). Yet, such massive subsidization does not violate WTO "norms".

What is more, among the advanced countries the magnitude of subsidies relative to the value of agricultural production given by the U.S. is on the lower side. Europe and Japan give on average even higher subsidies than the U.S. But none of it is frowned upon by the WTO, while the paltry subsidies relative to the value of output provided by countries like India, and that too to a bunch of farmers who are far poorer than those in the advanced capitalist world, and for sustaining a public distribution system without which vast numbers of people would face absolute starvation, draws the ire of that organization.

The bizarreness of this logic, and the utter absurdity of any arrangement that is founded upon such logic, has prevented its being actually enforced (if it was then countries like India would have become liable for punitive action). At the Bali ministerial meet the matter was deferred and countries like India were allowed for the time being to continue their practice of procuring foodgrains at certain fixed prices under a "Peace Clause" (a Clause that prevents pushing issues to a point of conflict). Nairobi was supposed to be the venue where the WTO would finally accede to reason and, instead of stop-gap measures like the "Peace Clause", officially permit countries like India to carry out procurement operations by the government in the foodgrains market for feeding the Public Distribution System. But nothing of the sort has happened. The matter is still left hanging like a Damocles sword on countries like India.

The analogy of the Damocles sword is indeed quite apposite. At the ministerial meet in Singapore, the advanced countries had introduced a whole new set of issues, including facilitating the entry of foreign investment, onto the WTO agenda, just as they had introduced intellectual property rights onto this agenda earlier. There has been resistance from within the third world to the introduction of these new issues; and as of now, even the WTO is constrained to say in the Nairobi Declaration: "Any decision to launch negotiations multilaterally on such issues (e.g. the Singapore issues-P.P.) would need to be agreed to by all Members." But with matters of vital importance to the third world countries, such as the public distribution of foodgrains, being left hanging, it becomes easier for the advanced countries to cajole them into accepting the introduction of new issues onto the agenda, and even into falling in line on those issues. In other words, "conditionalities" can be imposed by the advanced countries upon the third world even for the continuation of the "Peace Clause" itself. Not clinching the question of public procurement, keeping it hanging like a Damocles sword on the third world countries so that they can be terrorized into submission on other points, is thus a useful ploy for the advanced countries.

What Nairobi has achieved for the third world is paltry: even the curbs on export subsidies for agricultural products announced at Nairobi which are trumpeted as preventing dumping by the advanced countries of such products, mean little (since they do not touch the issue of credit for exporting such products). But what Nairobi has extracted for the advanced countries as "concessions" from the third world (which of course were not voluntarily given) is substantial. By getting rid of the DDA, by keeping countries hitherto protected under the "Peace Clause" on tenterhooks, and by adopting a new approach whereby the WTO would be concerned henceforth with particular issues rather than with a new global trade architecture, the advanced countries have got themselves into a "Heads I win, Tails You Lose" situation. Where it suits them they would try the WTO route, and if they get thwarted they would try the RTA route.

Even the Financial Times which cannot be accused of any "progressive bias" had this to say on Nairobi: "In a victory for the US and EU, which have been pushing for a new path forward for the WTO, trade ministers from its 162 member countries meeting in Nairobi on Saturday failed to "reaffirm" the Doha Round for the first time since it was launched amid great fanfare in 2001. They also opened the door to the discussion of new issues at the WTO such as the digital economy and investment" (emphasis added).

The "Heads I Win, Tails You Lose" scenario will extend even to supra-national institutions of global corporate rule, which imperialism is currently keen on fashioning, as a means of transcending nation-States and overcoming democratic intervention by the people. If such institutions can be erected under the WTO, such as the Trade Policy Review Mechanism (TPRM), then that is fine for imperialism; but if they cannot be, then the RTA route can be tried for bringing such institutions into being, as is happening under the TPP.

* This article was originally published in the People's Democracy, Vol. XXXIX No. 51, December 27, 2015.