Efforts to salvage a landmark World Trade Organisation deal collapsed on Thursday after India refused to drop its objections, plunging the body back into a crisis of credibility.

The collapse of the agreement to reduce red tape at borders around the world immediately drew a concerned response from business groups and came just seven months after it was reached by WTO members in Bali.

At the time, the trade facilitation agreement was celebrated as the first in the Geneva-based body’s almost two-decade history, which would provide a way forward for multilateral trade negotiations.

Roberto Azevedo, the WTO’s Brazilian director-general, told members on Thursday night that his efforts to overcome Indian objections had failed before the expiry of a July 31 deadline set in Bali.

“We have not been able to find a solution,” he told a meeting in Geneva. “We tried everything we could. But it has not proved possible.”

Mr Azevedo warned that the failure to find a compromise meant the WTO was entering a “phase . . . full of uncertainties”.

“My sense . . . is that this is not just another delay which can simply be ignored or accommodated into a new timetable – this will have consequences,” he told the assembled ambassadors. “And it seems to me . . . that the consequences are likely to be significant.”

In a statement Mike Froman, the US trade representative, accused a “small group” of WTO members of not living up to their end of the Bali deal.

“The United States is fully committed to the multilateral trading system embodied in the WTO. But the WTO system relies on its Members to implement the commitments to which they have agreed,” Mr Froman said.

The US, he said, would “consult with our trading partners on potential paths forward”.

The WTO has been struggling for years to prove its value as a venue for global trade negotiations largely as a result of the deadlock in the 13-year-old Doha round of negotiations. The stalemate has caused trading partners such as the US and EU to venture outside the WTO to negotiate regional agreements such as the 12-country Trans-Pacific Partnership and an even larger Transatlantic pact.

The deal struck in Bali was meant to get WTO members to agree on a small package of uncontroversial measures as a way to build trust and eventually find a way to revive the Doha negotiations, which have been dormant since 2008 and respond to the growth of the “megaregional” pacts.

In Bali, ministers also agreed that WTO members would draft a plan to address the rest of the Doha agenda and issues such as agricultural subsidies and removing tariffs on industrial goods by the end of this year.

That is now likely to prove difficult and senior trade officials in Geneva warned that countries such as the US would turn away from the WTO.

“Today’s developments suggest that there is little hope for truly global trade talks to take place,” said Jake Colvin, a spokesman for the US National Foreign Trade Council. “Businesses are multilateralists at heart, but they’re also pragmatic, and will look to talks among smaller groups to achieve what now appears to be impossible among the entire membership of the World Trade Organisation.”

John Danilovich, secretary-general of the International Chamber of Commerce, said: “What we can’t afford
- Roberto Azevedo, WTO director-general

now is a period of existential reflection on what this means for the future of the WTO. Action is needed to save a deal that would bring real-world benefits for us all.

“Our message is clear. Get back to the table, save this deal and get the multilateral trade agenda back on the road to completion sooner rather than later.”

India’s new government surprised other WTO members this month when it threatened to block implementation of the agreement. It said it would not back the deal unless it was linked more directly to progress on separate negotiations over updating WTO rules that apply to its massive programme to supply subsidised food to the poor.

While some cheered the tough stand taken by Narendra Modi’s Hindu nationalist administration it was far from universally acclaimed in India. Business groups said they were concerned about missing out on potential benefits to India and its industries, of the trade facilitation deal.

“Ensuring food security for its people is of paramount and strategic importance for any country,” the Federation of Indian Chambers of Commerce and Industry, said in a recent statement. “But we are also faced with the need to bring to our society fundamental economic, and job creation, benefits from more efficient global trade integration.”

RELATED TOPICS  Global Trade, EU trade

Content recommended for you

Based on your browsing history

Argentina defaults after last-minute talks fail  India’s Tata earmarks $35bn for expansion
US banks braced for large deposit outflows  Let statesmanship prevail in Geneva
The Brics bank is a glimpse of the future  Business presses India to drop objections to trade deal
US economy grows 4% in second quarter  The Closerr
UK gives green light to driverless cars  Q&A: India and the World Trade Organisation

Printed from: http://www.ft.com/cms/s/0/15040d08-18fb-11e4-80da-00144feabdc0.html

Print a single copy of this article for personal use. Contact us if you wish to print more to distribute to others.

© THE FINANCIAL TIMES LTD 2014 FT and ‘Financial Times’ are trademarks of The Financial Times Ltd.