

Free trade should be for any willing partners

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Pascal Lamy, the Director-General of the World Trade Organization, is worried about "a spaghetti bowl of regulatory regimes." Less metaphorically, he deplores the proliferation of what he calls preferential trade agreements – that is 300 or so bilateral, plurilateral or regional agreements; this is the chosen theme for the WTO's World Trade Report for 2011.

But the Doha round for the improvement of the multilateral, 153-member WTO has almost ground to a halt. One can hardly blame the nations of the world for pursuing comparatively open trade by other means – especially when these agreements, pejoratively called preferential, mostly comply with the principles of the WTO.

Indeed, Mongolia is the only WTO member that has not yet entered into another trade agreement. Canada belongs not only to NAFTA but also to eight other such treaties, with 12 more negotiations, at various stages. As Mr. Lamy says, "The unvarnished truth is that one's PTA partner is often promiscuous, involved in multiple agreements." But that is a good thing.

With so much overlap, such relationships cannot easily deviate from international norms – hence the spaghetti-bowl image, first used by the economist Jagdish Bhagwati about rules of origin, evoking little strings (the literal meaning of the word *spaghetti* in Italian) intertwined with one another.

Mr. Lamy does not go so far as to allege that preferential trade agreements hinder the overall growth of international, but he argues that they may diminish trade's efficiency, as a rigid regulatory regime

takes hold within a trade grouping.

As a whole, the WTO's 256-page report is much more cautious than Mr. Lamy's warnings about market segmentation and policy fragmentation, though he himself acknowledges the view that "regional and multilateral arrangements are complementary and need to be fashioned accordingly."

It is of course Mr. Lamy's job to advance international trade on the multilateral scale. In the absence of any momentum in the Doha Round, however, Canada is right to be pressing on with several trade negotiations. Mongolia should get with the program.