

Teed up for failure

The success of the Doha round of trade negotiations is a test of the value of the G8 itself, says former trade minister **ROY MacLAREN**

The Group of Eight countries — or, more accurately, the G7 countries since Russia is not yet a member of the World Trade Organization — have repeatedly called for the early and comprehensive conclusion of the Doha development round of trade negotiations. With only weeks remaining before the deadline for a deal, last weekend's summit in St. Petersburg was no exception. But to what countries are these repeated exhortations addressed?

The fact is, they should be addressed to themselves. It is the G7 countries that alone can make a success or failure of the rapidly faltering Doha round. The fundamental multilateral trade issues at stake arise largely from their own domestic policies, yet the same seven governments have, year after year, issued hortatory statements addressed to unidentified countries, and even to the WTO itself, as if it had some substance beyond the wishes of its 149 members. It is disingenuous to "punt" the problem back to the WTO when, in essence, the negotiations remain a transatlantic issue.

The onus for the Doha round's success hinges on a political, not a technical, decision. To make the Doha round a success, the G7 countries must be willing to institute profound changes in their domestic policies, particularly agriculture. The WTO cannot make trade policy. It is — to a greater degree than most international organizations — a collectivity of its member states. If the G7 countries, especially the United States and the European Union, do not, for domestic reasons, choose to reduce sharply or to eliminate their various barriers to international trade in agriculture, despite their

own exhortations at the annual G8 meetings, there is nothing the WTO itself can do.

The earlier Uruguay round of the General Agreement on Tariffs and Trade succeeded in reducing or even eliminating tariffs and other obstacles applied at borders. What the Uruguay round of the GATT could not do and what the Doha round of the WTO has so far failed to do, is to win agreement on an elimination of a whole range of domestic practices that are now the principal obstacle to global free trade. Such obscurantism has only been compounded by calling the Doha round a "development" round without any real understanding of what a development round might be.

Against this background, the Doha development round has missed several successive deadlines for conclusion. Last weekend's call for a prompt and comprehensive conclusion of what the G8 still describes as a negotiation vital to the expansion of the global economy is unlikely to make much difference.

Perhaps enough can yet be cobbled together in the Doha round for the G8 countries to declare victory; some sort of papering over of the vast differences remaining among G8 states, especially in agricultural trade policy, may still be possible. Some will no doubt argue that one-10th of a deal is better than no deal at all, but who will really care when the agreed trade liberalization is so minimal? Another option might be to set yet another Doha deadline, this time for three or four years hence, when a new U.S. president will presumably be given fast-track negotiating authority by Congress. But that, too, would be an admission that

rounds no longer work. And the option of delay would raise a basic question of the WTO's future.

The Uruguay round of the GATT having called into being the WTO should have marked the conclusion of the long series of postwar negotiating rounds. The new WTO, a very different organization, should itself have been recognized as a place for negotiation of trade issues with a review mechanism provided. Additionally, the WTO could have been — and still can be — the place where the rapidly growing number of bilateral or regional free-trade agreements can be assessed for their potential to enhance trade. Given the current multilateral difficulties in countering domestic protectionist practices, it is hardly surprising that the urge to liberalization has recently

taken the form of a myriad of simpler bilateral and regional trade agreements. Even G8 countries themselves, notably the U.S. and the EU, have now mounted the bilateral bandwagon. Yet, the WTO is not permitted by its members to police such agreements effectively, despite Article 24 of the GATT and the trade policy reviews that the WTO inherited from the GATT.

The Doha round should not be allowed to fail. If it does fail, it is not the economic costs that are most worrisome — although these are potentially high — but the systemic ones: the blow that would be delivered to the WTO and to multilateralism in trade. All the key economic relations in the world are basically governed by the WTO. Failure would give a further impetus to bilateralism and weaken the

credibility of WTO rules. The result could well be that the world economy will be left significantly weaker.

At the end of the day, the success or failure of the Doha round is a test of the value of the G8 itself. For more than 30 years, the G7 — and now the G8 — has met annually and consulted between annual gatherings to resolve such fundamental issues as trade and investment. If now, at the 11th hour, the G8 still cannot offer some resolution of the Doha dilemma, it is the efficacy of the G8 itself and its ability to shape a healthy system for the next generation of leaders that will be called into question.

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