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Liberalizing trans-Atlantic trade
By Bill Emmott and Roy MacLaren
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The recent collapse of the Doha Development Round negotiations of the World Trade Organization arose largely from the differing ambitions of East and West. India, supported by China, would not accept what, after seven years of talk, the West was prepared to offer; the West equally rejected the approach of India and China.

But more fundamentally, the demise of the Doha Round reflects the fact that negotiations were launched prematurely, before the new WTO had consolidated itself and adjusted to China's membership.

The talks were launched in the hope of offering the world a unifying antidote to the deeply divisive effects of 9/11, but no one really wanted them, still digesting as they were the results of the Uruguay Round of 1994, contemplating as they still are the implications of the shift in global economic power to the emerging Asian giants.

Where do we go from here? Without doubt eventually back to the multilateral roundtable of the WTO. But that at best is now years away. In the meantime, countries have been voting with their feet by seeking regional and bilateral trade and investment agreements, all upon completion duly condoned by the multilateral WTO.

In anticipation of an early collapse of a Doha Round, the superior multilateral approach was put in cold storage by those who had concluded that the bilateral route was increasingly promising.

In the vanguard of those embracing the new-found religion of bilateralism and regionalism were not only major developing countries - themselves potent new trading powers - but the European Union and the United States, which, while continuing to proclaim their support of the multilateral system, eagerly sought bilateral agreements with a range of developing countries (although not, noticeably, with each other). Even Japan, that hitherto multilateral purist, broke ranks and began to bargain with some of its Asian neighbors.

The failure of the Doha Round also proves that North America and Europe have a clear interest in increasing their leverage vis-à-vis Asia. The United States and Europe are losing their economic dominance over Asian rivals - notably India and China - and have been unable to impose an acceptable outcome on the Doha Round (as they did at the conclusion of the Uruguay Round in 1994). They have singularly failed to find common cause with Asia.

Worse, they now risk being left outside the multifarious free trade arrangements that are being designed among themselves by China, India and other Asian and African countries.

North America and Europe need to regain the initiative, and to provide a new spur for multilateralism. The best option is a gesture of mega-regionalism: a trans-Atlantic trade agreement. This would put the shifts in global power in their true context. It would place ineluctable pressure on China, India and others to negotiate seriously with the trans-Atlantic countries for fear of losing their competitive access to a newly integrated and massive North Atlantic economy.

This same logic applied even when a Doha deal still looked possible. The logic is even more compelling in a world where the multilateral option is now sadly languishing. A trans-Atlantic agreement could be the giant lever needed to move the world forward, while North America and

Europe still predominate. It might just be the wake-up call that is needed to save the world trading system from drifting into irrelevance.

If a full trans-Atlantic agreement is not an early prospect, the above trade strategy remains ample reason for Brussels to welcome rather than shun the prospect of a Canada-EU agreement (there is already an EU-Mexico agreement). Europe could exploit that necessarily narrower prospect to press the United States into engaging in broader trans-Atlantic negotiations - and largely on Europe's terms.

If an EU-Canada deal were concluded, U.S. companies would be prompt to recognize the fact that their Canadian competitors had gained superior access to the world's largest market. Washington would face strong pressure from the American business community to strike a similar trans-Atlantic agreement, as it did in response to the free trade agreements of Mexico and Canada with Chile a decade ago.

The economic and political arguments for the liberalization of trans-Atlantic trade and investment are becoming self-evident. A recent meeting of European and Canadian business representatives with Peter Mandelson, the EU Trade Commissioner, gave reason to expect that the visit to Canada in October of Nicolas Sarkozy, then also President of the European Union, will see the launch of the serious negotiation of an EU-Canada agreement that can open the way to a full EU-Nafta agreement

In time, this could rejuvenate the faltering WTO as well as the superior multilateral approach to the negotiation of a rules-based liberalization of trade and investment.

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