

Doha closes, another opens

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Even in the aftermath of the latest, sadly predictable, failure in the world trade talks in Geneva, trade ministers were still reluctant to admit publicly that the Doha round was dead. According to Trade Minister Mark Vaile, it was left hanging by a thread, while in the vivid language of his Indian counterpart, Kamal Nath, it was somewhere between intensive care and the crematorium.

The increasingly desperate attempts to claim that there remains at least some life in the negotiations are becoming eerily reminiscent of Monty Python's dead parrot sketch. Surely this trade round is dead, asks the watching world. No, it's not dead, comes the reply; it's just resting. Or it's paused. Perhaps the Doha round is pining for the fjords? Meanwhile, the serial failures to reach any kind of agreement are pushing onlookers towards the inescapable conclusion that Doha is indeed deceased, passed on, expired and bereft of life. It is, in short, an ex-trade round.

But this is no laughing matter. A defunct Doha would mark a defining moment in the history of the global trading regime, the first irrevocable breakdown in negotiations since the system was established in 1948.

Could the failure of one trade round, on its own, lead to the dismantling of the whole edifice of the postwar trading system? The optimistic response is to point out that even if this round ends in defeat, it would still leave the victories of its eight predecessors intact. These have done away with many trade barriers and, in the more open world economy that has resulted, the pressures of market forces and technological advance will remain free to drive international economic integration.

Moreover, the World Trade Organisation would continue to have the power to adjudicate between its members on trade policy disagreements and so hold the line against any widespread resurgence of protectionism. True, there would be important opportunities forgone, but trade would continue to flow and grow. This hopeful assessment may turn out to be correct. But it neglects two important risks.

First, there is a danger the collapse of negotiations will undermine the credibility of the WTO, including its ability to act as an effective arbiter between competing trade powers, by removing the possibility of further progress. There is a famous theory of international trade liberalisation known as the bicycle theory, which asserts that liberalisation is critically dependent on maintaining momentum. Stop moving forward and everything falls in a heap.

Second, in the absence of action at the multilateral level, countries will continue to turn to preferential -- bilateral and regional -- agreements as an alternative. Even supporters of such deals, who see in them a useful supplement to the multilateral system, do not view them as a viable alternative to that system.

The consequences for world trade of a combination of a weak or failing multilateral system and proliferating preferential agreements are unknown, but at best the outcome is likely to be impediments to trade created by a series of inconsistent and overlapping agreements; at worst, an international economy fracturing into competing trade blocs. The last time the world economy was faced with the combination of competing trade blocs and no effective international discipline on national trade policies was in the 1930s. It was that bitter experience that prompted the founding of the present multilateral system.

The lessons of history point to the need for an effective global trading system. But the lessons of Doha tell us that the present arrangements are no longer working and that the era of huge, set-piece multilateral trade negotiations may be over.

Finding an alternative will be difficult, but at least there is an obvious starting point.

With the world set to travel further down the bilateral and regional trade route, the overriding objective for international trade policy needs to be the international integration, in effect the multilateralisation, of the plethora of preferential deals now in prospect.

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