

# Multilateral muscle needed for Doha deal

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Rarely can there have been a bigger contrast between the remarkable resilience of the world trading system and the pusillanimity of the politicians nominally in charge of bolstering it.

Last year, like many since 2001, was another corker for global economic integration. It seems likely that overall trade in goods and services grew by about 8 per cent, once again outpacing the rise in global gross domestic product. But no thanks are due to trade ministers. The Doha round finally ground to a halt in July after nearly five years of posturing and grandstanding. Transatlantic relations worsened as Brussels and Washington showed more enthusiasm for blaming the other than for actually getting a deal done.

The prospects for rescuing Doha look poor. Informal talks have restarted at the World Trade Organisation in Geneva. Washington, Brussels, Brasilia and elsewhere hoarsely insist that a deal is possible. But negotiating positions still appear inflexible, particularly on the sticking point of agriculture, and at present official optimism looks more like blame-avoidance than a serious statement of political will.

This multilateralist vacuum, sadly, is being filled with the pursuit of bilateral and regional trade deals. Contrary to the claims of the White House when it pioneered this misguided tactic several years ago, such agreements have not spurred "competitive liberalisation". Instead they have sucked time, effort and political will away from the multilateral talks. The flagship deals the US is negotiating with South Korea, Thailand and Malaysia have become tangled up in detail and are struggling to get in under the wire before the White House's "fast-track" authority to negotiate entire trade deals expires in the summer.

The European Union is now following the US down the primrose path, having lined up India, the Association of South-East Asian Nations and Korea, among others, as potential partners. The EU's claim that it is going to use bilateral and regional trade deals as steps to multilateral liberalisation is not impossible to fulfil. But it is highly implausible and would be a spectacular break with the past.

For one, no deal involving the EU is going to involve substantial farm reform. For another, the EU's history of sub-multilateral trade deals is not encouraging. It boasts, for example, that its special access deal for the poorest least-developed countries is the most generous in the world. On paper that is true. In practice a combination of finicky "rules of origin" - minimum limits on the amount of added value that the exporting country has to contribute, which prevent them importing components for exports - and obsessively strict rules on food hygiene limit their effect. Reviews of these limitations have been mooted but nothing has been done.

Moreover, high on the EU's wishlist are the so-called "Singapore issues" - rules of questionable economic merit governing foreign investment, government procurement, competition law and the operation of customs and trade procedures. But these are the very rules that were kicked out of the Doha round to keep the developing countries on board. Thus the EU inadvertently reveals the absurdity of claiming bilateral and regional deals are building blocks. The deeper these deals go and the more non-WTO issues they cover, the harder it is to multilateralise them.

Regionals and bilaterals are not a second best. They are not the good of which the best is the enemy. They are not a small move forward. They are, by and large, a step back.

The US has been pursuing bilaterals and regionals for years. Has this put momentum behind the Doha round? No. Asia has been pursuing trade deals for decades. Has this helped in the integration of Asia? No. The limited and shallow regional Asian trade agreements have had almost no effect.

The conclusion for trade ministers and their heads of government should be clear. The only two kinds of trade liberalisation that regularly and predictably have significant effects are unilateral (do-it-yourself) and multilateral (get everyone to do it). Unless this lesson is absorbed, 2007 seems set to be another year in which the global economy gets on and integrates itself while policymakers squabble pointlessly among themselves.

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