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What went wrong in Geneva?

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So what's with the WTO? Deadline after deadline missed, expectations dashed, agendas stretched and yet, after five years of negotiations -- nothing achieved. What's going on?

The latest setback (some would say debacle) took place some two weeks ago in Geneva, when trade ministers gathered, jawed and departed, without coming close to bridging differences on so-called "modalities," the basic ingredients for tariff cuts and subsidy reductions, the twin pillars of these negotiations.

Without a set of agreed modalities, it's virtually impossible to envisage the talks winding up successfully by year-end, the drop-dead date for U.S. President George W. Bush to get any agreement approved by the U.S. Congress under his "fast track" authority. That authority expires on July 1, 2007 and, for technical reasons, a trade deal would need to be finalized at least six months before then.

So much for the optimistic hopes and dreams of the Doha Development Round. While WTO director-general Pascal Lamy is continuing to frenetically twist arms, few are predicting any real changes in positions this summer.

The interesting thing is the scant attention paid to the collapse of these talks. Apart from trade policy professionals, one big yawn. Almost no sustained mainline press coverage and little serious concern expressed by the business community.

It's true, business organizations issued the predictable press releases about the dire situation in Geneva, the need for politicians to show leadership and muster the political courage to get the Doha deal done. But this was window dressing.

The reality is there is only modest, if not tepid, global business concern over the prospect of the round being dissolved at year-end. While private-sector preference is for a WTO deal to be done, no one is claiming the sky will fall without one.

Why is this? Why is there not greater pressure on governments -- particularly the United States and the European Union -- to compromise? There are several reasons.

To begin with, what started the Doha Round in the first place were the unfinished negotiations in agriculture trade, left undone when the previous WTO Uruguay Round ended in 1994. To re-ignite agriculture negotiations, however, a larger critical mass of subjects was needed to bring governments to the table.

So to aid in restarting the agriculture talks, trade ministers put together an artificial package of negotiating items. That package comprised a range of desirable goals, such as reducing industrial tariffs and enhancing services trade, but the reality was that only agriculture (market access, reduced subsidies) was truly an essential negotiating item. The problems is that agriculture is not a priority for most business groups.

Second, international commerce has been carrying on successfully under the market openings gained in the previous WTO negotiations. Business was not crying out for more benefits from the Doha Round. As a result, business largely discounted potential benefits from Doha in its calculations. This has further contributed to the lack of sustained commitment to the Round on the part of the private sector.

Third, the huge increase in WTO membership, now totalling 156 countries, makes multilateral compromise and consensus very difficult to achieve.

Added to this is the emergence of China, India, Brazil and a host of other developing economies as significant players with real clout. This means that the days when the United States and the Europeans could hammer out a trade deal and present it to the international community are over.

Equally important, there has been only lukewarm leadership in the WTO on the part of both the U.S. and the E.U. in the negotiations. There are many reasons for this, including the vast political energy taken up in combatting international terrorism, which detracts from a focus on multilateral trade negotiations.

Well-financed interest groups are also applying great internal political pressure on the American and the European governments to resist making significant compromises in agriculture, further frustrating negotiating progress. Canada is not excluded in this - witness our unwillingness to bend on supply management.

The result is that the WTO parliamentary arm -- the negotiating forum -- is for all practical purposes on life support. While the judicial arm -- the WTO dispute-settlement panels -- seems to be working more or less effectively, that system could benefit from a needed transfusion as well.

Where to go from here is the big question. While the WTO director-general continues his whirlwind attempts to find some kind of solution this summer, predictions are that the Doha Round is effectively over. It means the WTO will be lamentably wounded as an international body, even if its vital organs are still functioning.

A new set of conditions is needed to get negotiations re-started -- probably after the next U.S. presidential election. In the meantime, we have all witnessed the limits of diplomacy as the art of the possible. It's a sad story for the international community.

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