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Analysis

The WTO: What Next After Doha?

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Yet another attempt to salvage the Doha Round of trade negotiations has collapsed. This time, though, the collapse may be terminal. Trade ministers could not agree to broad headline cuts in protection on trade in agriculture and industrial goods. This failure is regrettable. But it was predictable. The Doha Round had a terrible gestation in the wake of Seattle. Induced labour followed after 9/11 — in the desire to restore confidence in the world economy. Then the Round was born deformed and disfigured, with an impossibly large, unwieldy and contradictory agenda. It has been on life support ever since

The Doha collapse reflects a deeper malaise. Policies governing international trade and investment have become hopelessly outdated. They are stuck in anachronistic twentieth-century mindsets, institutions and regulations, increasingly disconnected from today's business realities. WTO malfunction is symptomatic, but so is the profusion of commercially nonsensical preferential trade agreements (PTAs). Doha Round negotiations have been bogged down with obscure discussions on 'special and differential treatment', 'aid for trade',

'special products' and 'sensitive products' in agriculture, and mind-numbingly complicated coefficients for cutting tariffs and subsidies — all mostly about exemptions from liberalisation and a world away from commercial realities outside Geneva. PTAs, meanwhile, are creating a veritable mess of bureaucratic and discriminatory regulations that threaten to complicate rather than simplify international commerce. Neither the WTO nor PTAs have launched a fresh wave of much-needed market reforms or contained emerging protectionist threats.

How must the WTO change to make policy relevant to real-world producers and consumers?

WTO negotiations have been drifting in the direction of UN-style irrelevance. The WTO's much-expanded agenda goes deeper into politically sensitive domestic regulations. It is riven internally with intergovernmental divisions and buffeted externally by protectionist interests and anti-market NGOs. A bigger and more active developing-country membership also makes it more difficult to find common ground. The traditional reciprocal bargaining model — exchanging concessions over relatively simple border tariffs and quotas on manufactured goods — does not work with complex regulation covering a wide range of goods and services. Consequently, the WTO has broken down as a negotiating mechanism. 'UN-isation' — flatulent rhetoric, petty point-

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scoring and political grandstanding – has replaced serious decision making. All these structural problems have played into the miserable failure of the Doha round.

What should be done to get the WTO out of its rut? The Doha Round should be scrapped for starters. What was on the table was so full of exemptions, flexibilities, escape clauses and implementation conditions that only the Geneva circuit of trade negotiators, academics and NGO junkies could understand the details. Even if outstanding issues had been settled, a resulting agreement would have been impossible to understand for businesses looking for foreign expansion. Pursuing a midget, largely commercially-irrelevant deal is not worth the candle. It would be a distraction from more important business.

Attention should now switch to a post-Doha agenda. The post-Doha agenda should shift emphasis from *liberalisation* to *rules*. Substantial multilateral liberalisation is highly unlikely. At best, future WTO agreements will 'bind' pre-existing liberalisation measures, that is, lock them in legally and prevent protectionist reversal. But more important than extra multilateral liberalisation is closing loopholes, safeguarding the principle of non-discrimination, making trade procedures more transparent and user-friendly, and generally updating vital multilateral rules for stable and open international commerce. Protectionist threats, such as trade-restrictive border security measures, 'carbon tariffs' to enforce climate-change policies, and foreign-investment restrictions in 'strategic' sectors. The other two-thirds of the WTO membership (about 100 countries) account for ten per cent or less of global economic activity.

These countries have almost without exception been arch-defensive in the Doha Round. They should not be expected to sign up to new commitments, and should be given a free ride – providing they do not block overall progress.

Finally, the WTO should adapt to a more modest, politically realistic future. That means an end to big trade rounds with high ambitions and expectations. It is better to think in terms of a serviceable multilateralism with limited, realistic means and ends rather than ambitious – but mostly flatulent and fluffy – 'global governance'.

Overall, the priority is to hitch trade policy to *domestic* economic policy and its institutional framework. It has to be grounded in bread-and-butter domestic reforms, especially on the trade-related regulatory barriers that constitute a 'second-generation' reform agenda. This is essentially a matter of unilateral action and competitive emulation among governments; something to be 'initiated from below and diffused by example' as the historian David Landes puts it. Unilateral reforms are by no means a panacea. They are inevitably partial and patchy. Above all, they are no substitute for transparent, predictable and non-discriminatory multilateral rules. The WTO's role, therefore, should be to assist unilateral reforms with stronger multilateral rules, rather than misguidedly trying to drive liberalisation 'from above'.

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