



"Cancun can't, US can" - Opinion Piece  
by  
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The failure of the Cancun meeting of the World Trade Organisation (WTO) has worried the many supporters of trade liberalization around the world. What is the alternative if the WTO cannot succeed?

Robert Zoellick, the US Trade Representative, has said "the United States will not wait: we will move towards free trade with can-do countries", an implicit criticism of what he has called "won't-do" countries.

For some time, Zoellick has been pressing a strategy of pressing trade liberalisation on several fronts, a strategy he calls "competition in liberalisation", that involves pursuing bilateral free trade agreements such as the possible agreement between Australia and the US, at the same time as multilateral negotiations are conducted through the WTO.

The Zoellick strategy is based on a view that it is the best way of securing progress on the WTO agenda. The view is that without the prodding of the "WTO-plus" (an important pre-condition) bilateral agreements, groups such as the European Union, Japan and the not inconsiderable protectionist elements in the US will be reluctant to allow the WTO to advance.

Australia's negotiations of free trade agreements with Singapore and with Thailand were motivated by a desire to advance the cause of trade and investment liberalization in the neighbourhood (in this case, South-East Asia). The intensive talks being held between Australia and the United States reflect the desire to realise a range of commercial and economic opportunities, and political and strategic priorities.

Pascal Lamy, the EU's astute Trade Commissioner recently told the European Parliament in Strasbourg, that he also sees a possible rebalancing of trade negotiations towards more bilateral and regional mechanisms.

However, that does not detract from the fact that multilateral trade reform through the WTO is the first, best result.

The bilateral-regionalism challenge is not a new one for the WTO. Of the 148 Members of the WTO, just three (Macau, Taiwan and Mongolia) do not belong to a regional trade agreement. These are permitted under WTO rules on two key conditions: trade barriers between participating countries must be substantially reduced or removed on all sectors of trade within the group; and, non-members should

not find trade with the group any more restrictive than before the regional trade agreement was created.

The "theological multilateralists" maintain that regionalism undermines the WTO system, by fragmenting the world trading system into a patch-work of discriminatory trading agreements and can create commitments incompatible with the WTO rules: the most favoured nation status (which means treating every country the same as that with the most favoured treatment) and national treatment (treating foreigners the same as domestic producers).

Carried to extremes, they are right. But a sensible strategy can avoid this.

Those who support the regional trade agreements strategy, by contrast, point out that they can actually support the multilateral trading system, by allowing smaller groups of countries to negotiate rules and commitments which go beyond what is achievable in the WTO at the time.

Regional trade agreements are an inevitable part of the architecture of international trade law, and will continue to co-exist with the WTO system. The main challenge is to ensure the primacy of the WTO system, in terms of sectoral coverage and depth of commitment by its Members.