

# Policy Brief

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## Refocusing the WTO after the Cessation of Doha Round Negotiations\*

John Whalley

How to proceed after the July 2008 cessation of the Doha Round negotiations ("collapse" is the term used in journalistic circles) in the World Trade Organization (WTO) is an issue that will likely preoccupy trade officials globally for many years, even if subsequent Brazilian efforts to revive the negotiations breathe new life into them. The negotiations have been focused on a dated agenda from the mid 1990s, that no party really wanted, but that no one wanted to be seen to walk away from.

In this policy brief, I argue that there is no quick fix that will simply put the WTO bicycle back on its old tracks.<sup>1</sup> While the rules and disciplines in the WTO charter and subsequent agreements remain along with WTO dispute settlement, it is widely believed that the effectiveness of WTO rule enforcement through dispute settlement rests in large part on the prospect of further significant negotiated cooperation. This brief discusses some possible directions for future global WTO-based policy co-ordination beyond the Doha Round and ways of building on existing WTO agreements in the medium term – perhaps over a period of decades.

The central idea is to build on the focal point for international policy coordination that the WTO charter and agreements represent by expanding the coverage of WTO principles. Little debate has taken place on the further elaborations on the WTO structure that could prove productive for global economic policy coordination over the next several decades. Rather than return only to negotiating the issues of the past, such as trade in industrial and agricultural goods, trade in services and other issues, this brief suggests that exploring the potential uses of WTO principles in newer, unexplored areas may provide both fresh benefits for global economic policy coordination and permit forward momentum in negotiation to protect existing agreements.

Put simply, there is no reason why the WTO should limit itself to trade among nation-states in only goods and services. By moving into new areas

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<sup>1</sup> The GATT/WTO bicycle refers to the idea that ongoing sequential negotiating rounds and their continuation is central to keeping the cumulative agreements on trade rules under GATT/WTO in place. If one round stops, says the bicycle, we all fall off and the structure collapses.

\* A longer version of this paper is available at <http://economics.uwo.ca/faculty/whalley>

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CIGI was founded in 2002 by Jim Balsillie, co-CEO of RIM (Research In Motion), and collaborates with and gratefully acknowledges support from a number of strategic partners, in particular the Government of Canada and the Government of Ontario. CIGI gratefully acknowledges the contribution of the Government of Canada to its endowment Fund.

Le CIGI a été fondé en 2002 par Jim Balsillie, co-chef de la direction de RIM (Research In Motion). Il collabore avec de nombreux partenaires stratégiques et exprime sa reconnaissance du soutien reçu de ceux-ci, notamment de l'appui reçu du gouvernement du Canada et de celui du gouvernement de l'Ontario. Le CIGI exprime sa reconnaissance envers le gouvernement du Canada pour sa contribution à son Fonds de dotation.

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of trade, forward momentum in negotiation can be maintained without first trying to resolve the Doha Round conflicts.

## Possible New Areas for the WTO

One possible area to consider is trade internal to states and the use of WTO agreements to better regulate interprovincial and interstate trade within large federal states by having sub-national entities as well as nation-states accede to the WTO. Another avenue worth exploring is the potential application of WTO principles to emissions trading schemes and non-goods and services trade of various types related to global environmental management. Yet another is to view the WTO less as a trade organization and more as a prototype of a World Bargaining Organization for which the negotiating experience gained in WTO Rounds can be applied to much broader global policy bargaining.

The essential argument presented here is that both new international policy coordination and the resulting global policy bargaining that is needed will be even more central to the successful performance of the global economy over the next several decades than has been the case in the post -World War II years. This necessity reflects in part the growing prominence of issues involving global environmental arrangements and energy. As a result, it may be productive to view the WTO not narrowly as a world trade organization in the way currently conceived and largely covering trade in goods and services between nation-states, but as covering trade more broadly both within countries and in assets and covering other policy bargaining.

From this perspective, the WTO can be viewed as a prototype for global bargaining arrangements beyond trade, covering other areas of international policy. The present WTO structure is the outcome of complex, and at times tedious, negotiations that now provides a global rule regime that would be difficult and time-expensive to rebuild and that can potentially be applied more broadly to other issues even with the current Doha Round failure. Given the difficulties and the time delays in de novo negotiation, the idea is to use the present WTO arrangements as a starting point for other global negotiations to follow.

The existing WTO rule regime, including the principles of Most Favoured Nation (MFN) and national treatment in the charter of the WTO, could, by way of example, be applied to areas that go outside the WTO's conventional coverage of goods and series traded internationally. The rule regime of WTO could in this way, for instance, be productively used to discipline arrangements that apply to sub-national governments and liberalize internal trade within countries.

What might be involved would be separate accession of sub-national entities (states, provinces) to the WTO, and through this the application of WTO rules and disciplines extended downward to internal trade. States and provinces could then initiate disputes with each other (and also nation-states) for violations of WTO rules such as national treatment and MFN. Another benefit of liberalizing inter-state or inter provincial trade in this way could be the consistency of nation-to-nation (WTO) trade arrangements

and internal trade rules. This would obviously be a big change for the WTO, but would be potentially productive globally and a way of injecting forward momentum into WTO process.

Another approach could be to try to discipline emerging trade arrangements in areas outside international trade in goods and services, such as in carbon emissions trading in the environmental area and in global assets trade, through the application of WTO rules (MFN and national treatment) by broadening the coverage of trade within the WTO. The WTO rule regime could be extended to cover country-specific trading schemes in emissions rights, whose features conflict with WTO principles such as limitations to trading within jurisdictions (a violation of MFN).

Yet another possible direction involves viewing the WTO not narrowly as a world trade organization but as a broader world bargaining organization that focuses on the use of agreed international rules to discipline a wider range of policies implemented by countries and achieve policy coordination between them. Trade policy may have been the first area for this bargaining organization to deal with and it can now progress to other policy areas. As such, a world bargaining organization contributing to the new emerging world order, focusing not only on trade but also on global policy bargaining in new areas such as environmental issues and energy, could possibly emerge eventually from the present WTO Round process that had its origin in the 1940s and has continued to Doha. And, if the WTO thus far is viewed in this way as a stepping stone for a prototype broader global policy bargaining organization, it may be productive now to try to use it to build global cooperation in other policy areas, such as the global environment, to sustain forward momentum in global cooperation.

Thus, rather than focusing post-Doha on the WTO as a narrowly-based trade-only organization marked by the likelihood of continued frustration over limited forward movement in negotiation and with the possible future derailment of the much discussed WTO bicycle, the idea is to now take the bicycle onto new roads. This will help keep the prospect of new global cooperation in the forefront so as to underpin and enhance the rule-based regime we have progressively built for trade since the 1940s.

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