

WTO Global Trade Talks Resume as Regional Deals Loom (Update 3)

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Sept. 3 (Bloomberg) -- World Trade Organization negotiators resumed talks today after a month's break, intensifying efforts to clinch a global trade compromise worth billions of dollars and avoid a surge in bilateral accords if efforts fail.

``This thing has dragged on" for six years, said Jean- Pierre Lehmann, a professor of international political economy at IMD, a business school in Lausanne, Switzerland. ``If we really compromise to the extent of scaling back and scaling back, it doesn't portend well for the future."

Negotiators in Geneva aim to agree in coming months on the outlines of a deal to expand world trade, using proposals made in July as the starting point for their discussions, WTO ambassadors said. Their efforts, coming six weeks after previous talks collapsed, will be spurred by leaders from the Asia Pacific Economic Cooperation forum who meet in Sydney this week.

Trade talks have snagged on clashes over how to cut U.S. farm aid, lower European agricultural import tariffs and get developing nations such as Brazil and India to allow more foreign goods into their markets. While the WTO's 151 members insist that they're still committed to a multilateral agreement on trade, many governments and regions are racing to negotiate individual free-trade accords as hopes for a global deal fade.

Peter Holmes, an economist at the University of Sussex in England, said the problem is that free-trade agreements, or FTAs, ``can lead to distortions from a pure economic point of view and present systemic problems, as well."

Drawbacks

Such deals mean a developing country may be locked into buying goods at higher prices if the industrialized country with which it agrees to an FTA is an inefficient producer, Holmes said in a phone interview. In addition, poor nations may wield less bargaining power in FTAs with wealthier partners, he said.

That hasn't stopped countries from Canada and Japan to Peru and Indonesia from pursuing such agreements. And Asia Pacific leaders, while favoring a global trade deal, have also said ``the time is right" to pursue regional economic integration and a possible free-trade zone stretching from China to Chile.

Still, when APEC leaders including the presidents of the U.S., Russia and China meet in Sydney on Sept. 8-9, the 21-nation group will press for progress on a global accord.

“The WTO, for APEC economies, is still the best way to achieve trade liberalization goals,” Colin Heseltine, executive director of the APEC secretariat, told a Singapore news conference on Aug. 20. “If APEC can come out with a statement that will spur on further progress in the Doha Round.”

‘Promising Start’

Today's meeting of WTO negotiators ended early and was described by Crawford Falconer, the WTO farm-talks facilitator, as a “promising start” to the talks that lie ahead. Still, the real measurement of progress will be how much they achieve between now and mid-October, he told journalists in Geneva.

The WTO's Doha Round, started in 2001, aims to make trade rules fairer by opening agricultural and manufacturing markets, expanding intellectual property regulation and improving market access for services such as telecommunications and insurance.

APEC economies represent half the world's commerce. The group includes the U.S., Japan, China, Australia, Brunei, Canada, Chile, Hong Kong, Indonesia, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Philippines, Russia, Singapore, South Korea, Taiwan, Thailand and Vietnam.

‘Closing Window’

“It's a closing window and APEC is the last” opportunity to revive the Doha Round, said Simon Tay, chairman of the Singapore Institute of International Affairs. “It could be hard to do, but the Americans could do a deal” before President George W. Bush leaves office in January 2009. If that fails, the chance of an accord “is dead.”

IMD's Lehmann said the trade round has already expired.

“My jaundiced opinion is that Doha is dead but nobody's dared say it yet,” he said.

The European Union, discouraged by the lack of progress at the WTO, has also stepped up its efforts to reach bilateral accords.

The bloc had a de facto moratorium on new FTA negotiations from 1999 until about a year ago, said Stephen Woolcock, head of the London School of Economics' International Trade Policy Unit. The policy was based on EU consensus to focus on the WTO talks.

Now, the 27-nation EU is trying to stitch together a deal with South Korea and is exploring FTAs with Central America, India and the Association of Southeast Asian

Nations. Eventual agreements may add as much as 40 billion euros (\$55 billion) a year to EU exports, according to the commission.

“The FTAs are happening anyway,” Woolcock said. A global agreement based on the “very modest aims” of the most recent proposals “will not remove the incentive for FTAs.”

‘Fundamentally Important’

Still, European Trade Commissioner Peter Mandelson said in a speech today in The Hague, the Dutch capital, that the WTO is “the single best shot at creating an equitable global trading system -- for us and everyone else. The Doha Round is so fundamentally important.”

The World Bank has said a global trade deal would pump at least \$96 billion a year into the world's economy, though it's now recalculating its estimate based on the July proposals and will issue a new assessment later this month. When the trade round began, the World Bank valued an accord at \$850 billion.

The expiration in June of Bush's Trade Promotion Authority, which allowed trade accords essentially to bypass congressional scrutiny, means “there is no clear deadline” for WTO negotiators to strike a deal, said Holmes.

No Real Deadline

Woolcock said the end of 2008 doesn't seem to be a real deadline unless it is to conclude the round before a new U.S. president takes over. “A new administration will inevitably take some time to get things sorted out before it can negotiate effectively, so that would mean we would be talking about well into 2009 before the round could be concluded,” he said.

APEC leaders probably won't set a target date for the talks to conclude, Australian Prime Minister John Howard said today.

“I doubt if we will lay down a strict timetable,” he told reporters in Sydney. “We are still wedded to the view that if we get a good Doha-Round outcome, that is still the best possible way for trade issues.”