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FROM DOHA TO WHERE EXACTLY ?

By Stephen Jacobi¹

The way ahead for trade liberalisation is uncertain now that the major trading nations have spit the dummy on the WTO Doha negotiations.

Is Doha as dead as the proverbial dodo ?

Not quite is the answer, but pretty close to it. When World Trade Organisation (WTO) Director General Pascal Lamy pulled the plug on the Doha Development Agenda at the end of July, he caused delight amongst anti-globalisation activists and a few business Neanderthals but dismay amongst those politicians, officials and business leaders who have been working for a freer and fairer international trading system.

Make no mistake about it: Doha's complete collapse would be a major setback for the wood products industry. Trade barriers not only prevent business growth in added value products, they add to the cost of existing business, encourage the use of competing products, like steel, where barriers are lower and, by limiting returns to legitimate trade, lead to unsustainable forest management and illegal logging.

It's not fair to point any finger at Pascal Lamy. He was simply giving voice to what had become increasingly clear: the world's trade giants, particularly the European Union, the United States and the Group of 20 developing countries led by Brazil and India, were not yet ready to do a deal to conclude the negotiations that were scheduled to finish by the end of 2006.

As Trade Minister Phil Goff correctly argues, it is too early to write off the Doha process altogether.

The major players remain committed to finding a way forward but the window for this is very narrow – essentially a matter of months after the November Congressional elections and before the expiry of the President's negotiating authority at the end of June 2007. Elections in Europe complicate the picture towards the end of next year.

On the other hand, if the problems were insurmountable in July why would they be any easier to resolve six months later ? That's why some commentators are

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talking about a delay of several years before Doha can be resurrected and completed.

If Doha crumbles, where do we go next with trade liberalisation ? For New Zealand the choices are not all that numerous.

While some in the forestry industry profess to be unconcerned, they risk being found asleep at the helm. With our Australian market coming under pressure from domestic suppliers (and other trading partners with whom Australia is negotiating free trade agreements), New Zealand's traditional margin of preference is being eroded. We need to find not only new markets but new products which give higher returns to forest owners and shareholders.

New Zealand can look to negotiate free trade agreements as it has done with Australia and Thailand or as it is doing with China, Malaysia, ASEAN and the Gulf Cooperation Council. These can be useful but in terms of markets of strategic significance to the wood industry we are unlikely to unhook an FTA with the US, Japan or Korea, much less the European Union or India, any time soon.

New Zealand could look to foster a free trade zone in the Asia Pacific region whether through APEC or through the newly formed East Asia Summit. There the difficulty lies chiefly in reconciling the different ambitions of the US and China.

However you look at it, a way forward without Doha is uncertain at best. New Zealand's immediate priorities need to be around remaining in the Doha game, completing major negotiations with China and ASEAN, giving high priority to making progress in other key relationships and remaining pragmatic about how ambitious we need to be in future trade agreements.

In the post Doha world opening a beach head in markets of significance to us, which we can work to expand in the future, is likely to be more important than establishing free trade at the outset.