

3. Getting the International Rules Right

Canada and the World Trade Organization

Membership in the World Trade Organization underpins Canadian trade policy. The WTO rules govern the trade relations of the organization's 150 members, which include Canada's main trading partners (e.g., the United States, the European Union, Japan, China and Mexico), as well as other industrialized countries, emerging markets and smaller developing countries.

The building blocks of the multilateral trading system are the WTO agreements, which are negotiated and signed by all members. The two basic principles of the WTO are the following:

- equal treatment for all WTO members (most-favoured-nation, or MFN clause), under which countries cannot normally discriminate between their trading partners; and
- national treatment, under which imported and locally produced goods and foreign and domestic services are to be treated equally.

The WTO remains the locus of the multilateral trading system. It not only provides a venue for negotiating market access and other trade rules, but it also represents the best forum for monitoring the implementation of obligations and commitments under various agreements, reviewing members' trade policies and practices, and discussing trade-related issues to enable trade to flow freely, fairly and predictably. The WTO also offers a state-to-state dispute settlement system, whereby trade disputes are settled based on commonly agreed rules, rather than political or economic power. Only the WTO has the critical mass of countries needed to address the most harmful distortions in the international trading system, particularly trade-distorting agricultural subsidies.

The Doha Round and Canada's Objectives

The Fourth WTO Ministerial Conference in Doha, Qatar, in November 2001 launched a new round of trade negotiations (the Doha Round). These negotiations include such issues as agricultural trade reform, market access for non-agricultural goods and for services, rules for subsidies, anti-dumping and countervailing duty actions, trade facilitation, dispute settlement, and certain aspects of trade and the environment. In addition to this broad range of topics, there was agreement to focus on the needs and interests of particular concern to developing countries, such as special and differential treatment. Given the focus on development issues and their overarching nature in the negotiations, the Doha Round is also referred to as the "Doha Development Agenda."

Following the Sixth Ministerial Conference in Hong Kong, China (in December 2005), trade ministers and other senior officials responsible for the WTO engaged in intensive regular meetings throughout the first half of 2006. Their goal was to bridge the gaps in negotiating positions and conclude an agreement by the end of the year (as set out in the Hong Kong Declaration). Despite their efforts, the gaps remained too wide to bridge and the negotiations were subsequently suspended in July 2006, in all negotiating areas.

Members used the suspension to engage in quiet diplomacy and technical discussions, as well as to reflect on ways to push through the impasse and get the negotiations back on track. By November, however, it had become clear that the suspension had not achieved its desired effect and that WTO members wished to see a re-launch of the talks. At the Asia-Pacific Economic Cooperation forum (APEC) meeting in Hanoi, Vietnam (November 12 to 19, 2006), APEC trade ministers indicated their support