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WTO and Development

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Introduction

The development literature has placed a strong focus on the role of the trade policy regime in growth, and more broadly on the link between liberalization and growth. Country performance in relation to these issues has been the subject of controversy for well over a century. The debate on whether trade was a handmaiden or an engine of growth was an analytical one before it became increasingly fact-based from the late 1960s onwards, when developing countries were first subjected to intensive scrutiny in the heat of the center-periphery debates. This essay will not touch on the debate but review the road taken in a stylized fashion. The aim here is not to elaborate on any of these vast and complex topics, but rather to show interconnectedness as well as the most significant ways in which the trade regime has acted and reacted to the evolution of ideas on development.

Global trade was worth almost fifteen trillion US dollars in 2011. The value represented almost a third of global production, a comparison that is meant to show the relevance of trade for development. Thus traditionally, developing countries have sought 'differential and more favorable treatment' in the GATT/WTO with a view to increasing the development relevance of the trading system (Hudec, 1987; Finger, 1991). But the multilateral trade regime has never incorporated development concerns until the Doha Development round that paradoxically has since its launching contained the seed of its own failure given the focus on development that was supposed to embrace.

A country's trade chances depend on a mix of conditions and circumstances based on endowments, internal structures and the world market context. Policies and internal dynamics matter but they are formulated and implemented within the context of a facilitating or inhibiting global regime. This context was first marked by the GATT and then by its successor the WTO which sets limits and crystallizes trends. As such, what is possible for national policy is set by the trade regime, itself continuously redefined by the negotiating process and the right to litigate. WTO rules, as well as those of its predecessor, GATT, have contributed to the global trade system through the provision of a framework of rules within which member countries conduct trade and other commercial relations among themselves. This has contributed to a measure of stability and predictability as contrasted to an alternative scenario in which arrangements are dominated by unilateral policies and bilateral arrangements.

If global collective action is to be acceptable, it must result from a bargaining process based on the full and equal participation of parties. However, power differentials result in rules that sanction unequal distribution of benefits and conflicting interests. For that reason the trade regime retains heavy overtones of a North-South struggle.

Based on liberal economic theories that assert a connection between open trade and growth, the regime has sought to promote the liberalization of trade, has enforced a set of rules and regulations and has served as a forum to settle disputes. The system was originally conceived at the end of the World War II. Its first expression was the GATT, adopted in 1947 by twenty-three founding members. Between 1947 and 1994, the GATT held a total of eight rounds of tariff reductions, leading to substantial liberalization of the trade in manufactures of developed countries. The premises underlying import-substitution policies were so widely accepted in the post war period that they were incorporated when the charter of GATT was drafted. Article XVIII explicitly excluded developing countries from the "full obligations" of

industrialized countries and permitted them to adopt tariff and quantitative restrictions. Although the GATT covered a wide array of trade issues, it never covered some crucial trade areas for development such as commodities. For most developing economies, the GATT was “a rich men’s club” where they did not belong. Round after round of negotiations delivered meager benefits for developing countries. Liberalization remained largely restricted to the large scale operations of industrial countries (Tussie, 1988). Whereas in 1955 the trade in manufactured products among developed countries had accounted for a third of world trade, this had risen to nearly half by the end of the 1960s. No efforts were made to tackle the issues of trade in primary products. The panoply of tariffs and nontariff barriers on primary products posed severe obstacles for other countries to develop downstream processing. Subsidies ballooned after the Common Agricultural Policy (CAP) of the European Economic Community (EEC) came into being in the 1960s¹. As subsidies grew unabated prices were pushed downwards and the developed countries were able to surpass the developing countries in the value of primary product exports. Developed countries’ share of world trade had reached over 80 percent by 1969.

This paper looks at the major aspects of the trading system and its relations to development. The first section addresses how the GATT evolved in its treatment of developing countries. The second section analyzes how the use of special and differential treatment (S&D) has changed through the years. The third section addresses how the imbalance in rule making became evident with the results of the Uruguay Round agreements and its implementation costs. The fourth section addresses how the debate has moved from the concept of S&D to the discussion of policy space. Finally, we conclude with some reflections about the current governance challenges that WTO faces today.

1. Developing countries in the GATT early years 1945 to late 1960s

Since the origin of the GATT developing countries emphasize the uniqueness of their development problems and challenges and their need to be treated differently. However the system did not take into account their development needs except for granting them a lists of exceptions that was systematized under the S&D treatment until the late 70s.

In the GATT revision of 1954-55 for the first time provisions were adopted to address the needs of developing countries as a group. Three main provisions were adopted two of them related to article XVIII reflecting the argument that developing countries would be more prone to face balance of payment instability over an extended period of time, and particularly article XVIII B was revised to include a specific provision to allow countries at “an early stage of their development” to adopt quantitative restrictions on imports whenever monetary reserves were deemed to be inadequate in terms of the country’s long term development strategy. At the same time, article XVIII C was revised to allow impositions of trade restrictions (tariffs and quantitative restrictions) to support infant industries. In 1961 the GATT adopted the “Declaration on Trade of Less Developed Countries” in which called for preferences in market access for developing countries not covered by preferential tariff systems such as Commonwealth.

In 1964 a specific legal framework for developing countries was adopted. This declaration addressed the issue of trade and development through the inclusion of three new articles:

¹ The CAP was established by the 1957 Treaty of Rome. At the time, the EEC was a net importer of foodstuffs, so the first impact of the CAP’s high support prices for domestic farmers was exclusion of imports. The CAP was so effective, however, that the EEC rapidly became a net food exporter, with major repercussions in the markets of many commodities of relevance to developing countries, particularly sugar.

Article XXXVI- which establishes that parties should provide the largest possible measure more favorable and acceptable market access conditions for products of export interests for developing countries (particularly primary products and processed goods); at the same time that developing countries should not be expected to make contributions which are inconsistent with their level of development. In addition Art XXXVII and XXVIII call for improved market access for products of export interest for developing countries. The inclusion of these three articles is known as PART IV of the agreement.

In sum, a pattern evolved in these early years in which the GATT accommodated on one hand, developing countries' desires not to liberalize their import regimes based on infant industry grounds and balance of payments reasons but, on the other hand, regarding questions of market access to developed countries as well as commodity price stabilization, the GATT refrained to take any actions. The Committee on Trade and Development of the GATT was a forum to discuss developing country issues but not to negotiate legal commitments in their favor, as many developing countries were not part of the GATT or participated minimally in its deliberations. Developing countries did not see the GATT as a primary forum to debate their trade concerns and during those years they lobbied instead at the United Nations Conference for Trade and Development(UNCTAD).

Developing countries succeeded in establishing the General System of Preferences under the UNCTAD support, this system that is essentially an exemption from the most favored nation principle (MFN), with the purpose of lowering tariffs for developing countries on a basis of voluntary preferences granted by developed countries. Among other concerns, developing countries claimed that MFN was creating a disincentive for richer countries to reduce and eliminate tariffs and other trade restrictions that could benefit developing countries. Officially a GATT waiver was granted in 1971 that permitted tariffs preferences to be granted from developed countries to developing countries initially for 10 years along with another waiver for developing countries to grant preferences among themselves. The main argument to create this system was that reductions in industrial tariffs in previous negotiations round were not particularly beneficial for developing countries as most of the products of export interests to them were not covered by those negotiations. This exemption later evolved into the approach of special and differential treatment that is analyzed in the following section.

1. Rise and fall of Special and Differential Treatment

By the late seventies import substitution provided declining returns in terms of growth and many of its premises came under siege in development circles. The marginalization of developing countries from international trade had coetaneously given rise to an active campaign to reform the structure of the international trading system under the leadership of Raul Prebisch (Dosman, 2008). From the UNCTAD which he created, he had advocated the principle of S&D for developing countries.

The first steps towards S&D –that is, asymmetrical treatment or non-reciprocity in international trading rules when they involved transactions between developed and developing countries—were gradually inscribed towards the end of the 1960s to underscore the trade-development link. It allowed positive discrimination for developing countries. S&D had first led to the drafting of Part IV on trade and development, and subsequently to the more comprehensive “Enabling Clause” approved in 1979 during the Tokyo Round. (Tussie, 1988)

The understanding of the meaning of S& D was clarified and written into the fifth provision of the Enabling Clause: “Developed contracting parties shall therefore not seek, neither shall less-developed contracting parties be required to make, concessions that are inconsistent with the

latter's development, financial and trade needs." The main development of this principle was the creation of the General System of Preferences (GSP) in 1968 and its implementation by major industrial countries since the early 1970s, based on the waiver to the MFN principle for the Generalized System of Preferences approved in 1971. However, GSP did not turn out as planned: a *generalized* (as its name indicates) system of preferences subject to multilateral supervision. As far as market access, studies soon indicated that its effects were rather frustrating. Thus, for example, Karsenty and Laird (1987) showed that in 1983 the GSP had increased developing country exports by only 2%, with half of those benefits going to the Asian Tigers and Brazil. (Whalley, 1990)

On the side of what was allowed as leeway to protect their own markets, S & D was reflected in benign neglect in terms of ensuring that developing countries' domestic policies conformed to tight regulations. Up to the Uruguay Round developing countries were able to keep most of the tariffs unbound at high levels, to use quantitative import restrictions and other mechanisms of trade intervention. Developing countries were also left out of the loop of the codes of conduct on export subsidies, import licenses and other issues. Drache is right to conclude that asymmetry in the acceptance of rules paradoxically became the institution's default option (Drache, 2008). In practice, the "development dimensions" of the global trading system continued to be a bone of contention.

A key factor in the global environment all through the 1980s was, of course, the change of perception in the development debates about the virtues of Import substitution versus export-led growth. In the orthodox interpretation, that gradually gained ground, protection was increasingly viewed not only as leading to inefficient allocation of resources but also as a source of the "anti-export biases" that blocked growth. The interpretation of trade as adjustment to market forces turned the tables from a development approach to trade policy to one in which trade liberalization became the path to development. It was most compellingly articulated by Ann Krueger (1974) and when she became Chief Economist at the World Bank it became the official World Bank doctrine in the 1980s. This implied a view of protection and export promotion as stark alternatives rather than complementary strategies, and was based on a particular interpretation of East Asian success with export-led growth, which emphasized "neutral incentives" rather than state intervention, in sharp contrast the interpretations by Amsden (2001), Chang (2003) and Wade (2003) of such success, among others.

Mexico's accession to GATT in 1986 was turning point. The country agreed to bind all its tariff schedule and sign four of the six Codes of conduct of the Tokyo Round, a significant change with patterns typical in the late 1970s and early 1980s, when countries that joined GATT were only required to bind a next to negligible proportion of their tariff schedule and did not have to abide by any of the Codes. As the tide turned, a host of countries, most forcefully in Latin America, turned to outward oriented growth in an effort to emulate the success of South East Asia. By the time the Uruguay Round of the GATT closed in 1994 countries were snatching the multilateral agenda as a means to lock in freshly acquired taste in trade policies or as an element to throw into their "package of concessions" in the hope that they could have a lever to pry open closed markets. With new thrust there was an acceptance both of rules and of tariff reductions for the first time. Certainly, in former rounds, countries that had already joined the GATT had either stood on the sidelines or had pressed to be released from rules. But when the UR closed in 1995 all countries extended their "bindings" to almost all tariff items. The Uruguay Round also gave birth to the World Trade Organization (WTO). The WTO was established through the Marrakesh Agreement in April 1994. It incorporated the GATT's principles and added a strong enforcement mechanism through its dispute settlement system.

The preamble to the Marrakesh Agreement establishing the WTO does contain the objective that “trade and economic endeavor should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand (...) in accordance with the objective of sustainable development”. It equally recognizes the need for positive efforts to “ensure that developing countries, and especially the least developed among them, secure a share in the growth of international trade commensurate with the needs of their economic development”.

In any case, and leaving aside the conceptual debate on development policies, it was increasingly clear that those developing countries that relied on export-led growth now had a growing interest in a better multilateral trading order *per se*. It also meant that industrial countries increasingly saw them as competitors, and were thus reluctant to grant them S&D. Turning the tables developed countries now called for a “level playing field”. (Bhagwati, 1995)

3. New Rules, Novel Concerns, Fresh Approaches

3.1 Imbalanced rules

Despite the cumulative efforts countries made to play by the rules and accept blanket obligations they came out sorely disappointed. Countries soon learnt that acceptance of the rules of the game (including their own liberalization) did not translate automatically into leverage, as they found it difficult to decisively influence the process of agenda setting and to shape the final outcome of negotiations. Over the first decade and a half of the WTO while the call for a level playing field gained ground, developing countries made efforts to put forward technically substantive negotiating positions, no longer accepting the WTO principles, rules and processes uncritically.

First, they showed how the rules and the outcomes of negotiations were imbalanced against their interests. The expansion of the agenda under the Uruguay Round, through the introduction of the then new issues, made the system even more imbalanced, as well as constraining of the domestic policy space –as the system moved from its traditional concern with trade barriers at the border, to issues involving domestic economic and development strategies and policies. Many of them have complained that the benefits they anticipated have not materialized, particularly in the area of agriculture. While developing countries reduced tariffs, increased bindings, accepted to tighter rules on intellectual property and to get rid of export subsidies, not much was gained in terms of improved market access.

In agriculture, even after reduction by 36%, which was the set obligation, in order to retain room to maneuver, many products ended up with higher levels of protection than applied prior to the UR. For example, the following *ad valorem* tariffs were notified by the EU as base rates: rice 361%, wheat 156%, sugar 297%, meat 125% and dairy products 288% (Hathaway and Ingco, 1995). Subsidies on agricultural products were “bound”, i.e. cannot be increased beyond the level notified, but binding levels were strikingly generous in the amount of water included over and above the leeway to change from restricted to unrestricted categories (the notorious blue box²) and other such loopholes. Estimation of public support to farmers provides the following figures: In Japan, US\$23,000/ farmer; in EU US\$20,000/ farmer, and in USA US\$16,000/ farmer.

² The blue box refers to government support payments which limit production by imposing production quotas or requiring farmers to set aside part of their land. Blue box measures were exempted from the general rule that all subsidies linked to production must be reduced or kept within defined minimal (“*de minimis*”) levels.

Before the commodity bonanza that started in 2003, in Japan agricultural subsidies represented 58% of the total value of production, and in the European Union and the United States 35% and 21% respectively. In short, there was meager agricultural liberalization and in many cases there was room for retrogression (Meller, 2003). Japan, Iceland, Norway, the Republic of Korea and Switzerland are among the countries with the highest level of subsidies, and the EU also exceeds the average of OECD. In some cases, as subsidies shifted from one crop to another the redistribution has actually broken the rules. Thus, in a dispute settlement case on cotton, the US was found to have wrongly shielding some trade-distorting subsidies within the category of non trade distorting³ and hence permitted subsidies (the so called Green Box), and was asked to change its policies accordingly.

The developing countries had expected to benefit significantly from the Uruguay Round through increased access to the markets of developed countries for products. This was especially in agriculture and textiles, sectors in which developing countries have a comparative advantage. However, as Tables 2 and 4 indicate, these two sectors remained those subject to the highest levels of protection in industrial countries. Tariff peaks continued to be an embedded feature of the system, particularly in these two sectors, and continued to affect in particular developing country exports. About three-fifths of total imports of into industrial economies of tariffs that exceed 15% (which represent slightly less than 8% of these countries' tariff schedules) came from developing countries (Hoekman, Ng and Olarreaga 2002).

Developed countries' subsidies are partly redundant from the point of view of their domestic markets, to the extent that tariff and non-tariff protection make domestic consumers pay higher prices. This is the reason why the computable general equilibrium simulations mentioned above indicate that the relevant issue from the point of view of liberalizing agriculture is actually market access, particularly tariff rates applied beyond the minimum quota of market access. However, developing countries are affected by subsidies in two ways. First, they have to compete with subsidized agricultural goods in their own markets. In this regard, even the full elimination of export subsidies, as proposed during the Doha Round of negotiations, may hardly solve the problem, so long as production subsidies equally allow producers to sell below production costs. Second, developing countries lose export opportunities in third markets. This is particularly true of cotton, where world market distortions are essentially generated by production subsidies in the US. (Ocampo and Khor, 2011)

Tariff escalation by industrial countries retained substantial loading against imports from developing countries. Much more important for development strategy were the provisions on intellectual property rights (TRIPs). All members had to recognize minimum rights for owners of intellectual property, and to establish national enforcement mechanisms. Under these provisions the pharmaceutical industry was able to hold back on making valuable drugs available to developing countries. In the case of Argentina it has been estimated that rents of \$425 million per year may have been transferred from domestic to international pharmaceutical industries (Nogués, 2005). The right to other policy instruments was also narrowed down and were challenged in WTO committees and the dispute settlement mechanism: price bands⁴ and simplified drawback schemes (in Chile), price reference system for imports (in Uruguay), export credits (in Brazil), regional subsidies for tobacco and port development (in Argentina), among others. An underlying reason for the imbalanced outcome was that negotiations were not used to open foreign markets, but as a means of locking in

³ The debate since, now indicates that the division between trade and non-trade distorting subsidies is artificial.

⁴ The use of price bands provides a buffer from lower world than domestic prices. It consists of setting a band of upper and lower prices for imports so as to trigger the application of an offsetting tariff when the international price of a product falls below the lower band level.

reforms. In this context of enfeebled bargaining power, the world of ever growing continuous negotiations strengthened essential asymmetries, bringing developing countries under disciplines from which they had previously been exempt. Negotiations often turned out to be opportunities for a combination of structural adjustment packages along a comparative advantage patterns.

3.2 Implementation costs⁵

The implementation problems were the second thrust of the link between trade and development. When the costs of new obligations hit the raw nerve of policy, developing countries identified the multiple problems they faced when implementing their own obligations. In the run up to the Seattle Ministerial at the end of 1999, developing countries spoke up at the WTO and tabled papers on the implementation problems, and a group of them prepared a list of implementation issues that they wanted resolved.

This list was included in the draft Ministerial Declaration prepared by the Chair of the General Council. With the failure of the Seattle Ministerial in 1999, nothing was agreed. The developing countries then actively pursued the issue in the process of preparing for the next Ministerial in Doha in 2001. A draft decision was prepared on implementation-related issues. Also, a compilation of over a hundred outstanding implementation issues and proposals for their was issued (Document JOB (01)/152/Rev.1).

The developing countries in fact made the negotiations on resolving implementation issues their top priority after the Seattle fiasco. They asked for the prior solution to these concerns, and wanted to defer proposals of the developed countries for introducing yet more new areas (the Singapore issues) into the WTO mandate. However, the developed countries made it clear they were not interested in discussing the implementation issues, which to them was the result of previous negotiations (the Uruguay Round) whose outcome had already been agreed on. They wanted to push ahead instead with injecting new issues into the WTO.

In the aftermath of 9/11, when the Doha Ministerial meeting was convened, the developing countries had a strong bargaining and so succeeded in placing implementation-related concerns in four areas of the Ministerial Declaration that launched the Doha Work Programme: Firstly, a separate Doha Ministerial decision on implementation-related issues and concerns (Document WT/MIN (01)/17) was adopted, which addressed several of the problems faced by members. However the more important and difficult issues remained unresolved, and, although this document is supposed to contain decisions to resolve problems, in fact many of them are merely decisions to refer the particular matter to some WTO body or other for further discussion.

Secondly, a full section, Paragraph 12 of the Doha Declaration, dealt with implementation issues. It mentioned that negotiations on outstanding implementation issues shall be part of the Work Programme. The outstanding implementation issues and their negotiations are part of the single undertaking, which means that an outcome on these issues is to be an integral part of the whole set of agreements on the various issues of the Doha Work Programme. There was also a deadline set for reporting back on the progress of the implementation negotiations by the end of 2002. The location of paragraph 12 (as the first item of the work programme) and the early deadline (before the conclusion of the negotiations on other issues such as agriculture or the Singapore issues) showed that there was an intention to give priority treatment to the implementation issues in the Doha Work Programme.

⁵ This section draws extensively on Khor and Ocampo (2011).

Despite the prominence given to implementation at Doha they were subsequently pushed out of sight. As awareness on implementation costs grew, countries resisted all proposals from developed countries to negotiate the introduction of still newer agreements or rules in the WTO, firstly on labor standards and secondly on the “Singapore issues”. The latter is a set of issues (investment, competition policy, transparency in government procurement and trade facilitation) that the developed countries introduced at the WTO’s first Ministerial meeting held in Singapore in 1996. If accepted as the subject of new rules, these issues would have greatly expanded the mandate of the WTO. Since 1996, these issues have bounced back and forth in the WTO’s negotiating process.

The stalemate between the two camps reached a record high at Ministerial Conference in Cancun in October 2003. The meeting collapsed but prior to that developing countries had compiled a list of proposals that also went down the drain. The trade and development issue then took a new turn in terms of substance and process. To these we now turn.

4. From S& D to policy space

Of equal relevance than implementation, or even more, are the constraints imposed on their policy space to implement development-oriented measures such as promotion of local industries or adoption of new technologies. The changeover from the GATT to the WTO substantially altered the range of available development policies. (diCaprio and Gallagher, 2006). In addition to imposing disciplines on a wider range of activities, the WTO was also better equipped than the GATT to enforce compliance given the change in the Dispute Settlement agreement.

The agreement on subsidies allowed developed countries a free hand with their own subsidies (e.g., for research and development, regional development and environmental adaptation) but outlawed subsidies normally used by developing countries (for export diversification). In turn, the so called Trade Related Investment Agreement prohibits developing countries from making use of local-content policy (which developing countries had used to increase the use of local materials and improve linkages to the local economy) and some aspects of foreign exchange balancing (export targets aimed at correcting balance-of-payments problems). This prevents developing countries from taking policy measures which promote domestic industrial development, and which had been used by the present industrial countries and by several developing countries previously.

The Agreement on Intellectual Property Rights (IPR) for the first time set minimal standards for the whole range of intellectual property. Developing countries, which had previously enjoyed the ability to set their own IPR policies, are now constrained by having to adhere to IPR standards that are not only high but also sanction monopoly rights to firms in developed countries. Prior to the WTO agreement, several developing countries had exempted pharmaceutical drugs and food from patentability, and had an active policy of promoting generic medicines. However, this policy of exemption can no longer be maintained, as the agreement prohibits exemptions on the basis of sectors. The agreement has therefore increased the costs for local firms in developing countries to access technology. Furthermore, in contrast to the strict protection of the rights of the innovator, there is no comparable protection of the rights of countries over their natural resources or traditional communities over their ancestral knowledge. In this sense, there is an incentive for “biopiracy” (Khor and Ocampo, 2011) or the misappropriation of biological resources and traditional knowledge over the use of natural resources than mainly originate from developing countries.

The services agreement has also increased pressures to open up service sectors to foreign participation, such as finance, utilities, business services and telecommunications, which could result in placing local service providers at a disadvantage. In the traditional area of goods, several developing countries have also faced problems from rapid tariff decreases; sometimes the result of national decisions to bring tariffs below WTO bound levels, commitments made in free trade agreements with industrial countries and, in many low-income countries, conditions placed on financial support from international financial institutions. In the industrial sector, many African and Latin American countries have suffered “de-industrialization”. In turn, as pointed out, in agriculture, liberalization has reduced the capacity of developing countries to compete against subsidized goods from industrial countries.

The results of the Uruguay Round are a fundamental paradigm shift in terms of the conception of development at the WTO. Since then the basic objective of trade disciplines became to oblige all WTO members to abide by the same rules. As Abugattas and Paus (2006) state this meant a paradigm shift from a *development oriented* S&D to an *adjustment-oriented* and vanishing S&D. Under the WTO, S&D was limited basically to longer transition periods and the provision of technical assistance in order to allow developing countries to implement those multilateral commitments. It is widely acknowledged that those multilateral commitments limited space for industrial policies through the agreements on subsidies and countervailing measures, the agreement on agriculture, TRIMs, TRIPs and the GATS (see for example Gallagher 2005; World Bank 1993). However, they also agree that certain policy space is still available for active public development policies.

As S&D was seen to be a losing battle while at the same time, a new balance of global economic power began to emerge, the debate turned to emphasize policy space for development policies. Rodrik (2004) and Stiglitz et al. (2006) propose a much more proactive role for economic policies. This may be interpreted as suggesting that developing countries could increase their current policy space only by opting out of at least some of their international commitments. Moreover, Rodrik (2007) argues that developing countries should embrace an alternative view of the world trade system in which the centrality of trade has to be questioned, particularly because a development-friendly international trade regime cannot be exclusively focus on improving poor countries' access to developed countries markets. Instead, the focus should be on experimenting with institutional arrangements and leaving room to maneuver for them to devise their own, divergent solutions to the problems or poverty traps they face.

While a reclaiming of policy space gained ground in the WTO since the Doha round, North-South economic integration agreements resulted in further constraints on policy space. The web of bilateral asymmetric trade agreements between developed and developing countries reproduce the patterns that have characterized developing countries when they focus their expectations and complaints on asymmetries in market access (Quiliconi and Wise, 2009).

5. Governance

Finally, although WTO governance brought improvements in relation to the GATT, its decision-making process also came under fire for not allowing meaningful participation of developing countries. This was especially so in the earlier years of the WTO, during which the major developed countries were able to leave out the developing countries complained of the main decisions, especially during Ministerial conferences where the most important resolutions are taken.

After the so called Battle of Seattle, the 1999 Ministerial Conference, asymmetries in the WTO became a matter of concern for business and civil society alike. A new awareness and the power of numbers (i.e., the jump in WTO membership) gradually gave way to a new negotiating dynamic based on the formation of multiple negotiating coalitions. Pent up dissatisfaction reemerged at the subsequent Ministerial in Cancun in 2003. This time governments prepared beforehand, showing their ability to act in pursuit of collective interests and in favor of leveling the playing field. Brazil, the third largest exporter of foodstuffs, took the lead and joined forces with other emerging powers— China, India, South Africa – as well as with leading agricultural exporters in Latin America.

A remarkable development in particular was the rise of a powerful negotiating voice with the formation of the G-20, a group centered on Brazil and India⁶. Following in the footsteps of the Cairns Group, the G-20 was set up just before the Cancun Ministerial, in order to co-ordinate pressure on the EU and the US to reduce their import tariffs, export subsidies and domestic support in agriculture. By then China was “dictating global prices for nearly everything from copper to microchips” since its share of world trade jumped from 1% to more than 6% over the last twenty years (Blázquez-Lidoy J., Rodríguez J. y Santiso J., 2006, p.32). Leaning on commodity power as the new engine of growth, countries flexed their muscles against the historical rigidities in the trade regime, and especially against the subsidies of developed countries which if not brought under control could now gain the race for access to the prized Chinese markets. After Cancun, Brazil in conjunction with India began to play an innovative role, showing a greater interest and capacity to coordinate and lead positions⁷.

Learning from the experience of the G-20, tropical exporters in the Andean and Central American countries have followed suit and come together as the G-11, upholding the liberalization of tropical products. Interestingly, this coalition so far comprises solely LA members of the Andean Community and the Central American Common Market (Bolivia, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Panama, Peru, Nicaragua, and Venezuela.). Another bargaining coalition where LA countries are active is with a mostly defensive attitude is the G-33⁸, consisting mainly of net food-importing developing countries concerned about the prospects of premature liberalization at home.

These new coalitions have a proactive agenda, typified in technically substantive proposals at each stage of the negotiations, and which is increasingly covering issues other than agriculture, particularly the so-called non-agricultural market access chapters. Each one relies on considerable research to support its agenda and looks for windows of opportunity to move. As such, the strategy is a stark contrast against the ideological battles that countries had put up in their call for the new international economic order of the 1970s. Even more interesting is the permanent interaction between the coalitions. Due to the differing priorities (and sometimes directly conflicting interests) of some of these coalitions, rifts are bound to appear from time

⁶The G-20 comprises the following LA countries: Argentina, Bolivia, Brazil, Cuba, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico, Paraguay, Peru, Uruguay and Venezuela.

⁷ The new found commodity power was also a factor that enabled countries to hedge their bets and decide whether to plunge into the FTAA or not. A few months after Cancun, the FTAA was cut short. The US perceived the G20 to be such a serious challenge to its agenda that Colombia, Costa Rica, Guatemala, Peru, Ecuador and El Salvador at that point in time negotiating free trade areas with the US, were asked not to participate in the G20 if they were interested in access to the US market. Once the agreements were signed, these countries re-joined the G20.

⁸ The G-33 comprises the following countries: Antigua and Barbuda, Barbados, Belize, Benin, Bolivia, Botswana, China, Congo, Côte d'Ivoire, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Korea, Madagascar, Mauritius, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and Grenadines, Senegal, Sri Lanka, Surinam, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia and Zimbabwe.

to time. 'Alliances of Sympathy' between coalitions build bridges and demonstrate efforts to coordinate positions and share information with other developing countries, and at the very least minimize overt contradictions when fuller coordination is not possible. Facilitated by overlapping membership, the bridges between the G-20 and the G-33, the first representing offensive agricultural interests, and the latter arguing for the respect of food security, serve as a case in point.

Coalitions frequently come to operate across issues, and are bound by a collective idea that the developing world shares several problems and needs to address them collectively. But unlike the confrontation of the 1960s-70s for a new international economic order, the challenge mounted by these coalitions has not been accompanied by a call to replace the WTO with an alternative organization. Their mission is to inject momentum when it is lacking and to advance proposals for negotiations (in contradistinction to the attempt in the 1960s to establish the UNCTAD as a counter-alternative to the GATT). They have not fully advanced a vision of development alternative to the neo-liberal one; and the change that they have demanded is change within the WTO regime rather than radical restructuring. Members emphasize the importance of interests and the production of knowledge to press for these. (Tussie, 2009) The tactics, nonetheless, still show a strong policy commitment to distilling the issues of development and economic justice along North-South lines. There is actually no strong reason to dismiss these softer forms of associations as fickle because they allow members freedom of action and multiple allegiances from the onset. To press the point just a bit further, in the world of negotiations coalitions continue their tasks. But coalitions are not a matter of principle. They are formed for specific contextual reasons, in this case, the need to open up and to an extent democratize the WTO decision-making process. In such settings, coalitions play a major regulating role through movement as much as through existence. But framing and defining problems, questions and issues does not translate neatly into a full development strategy. Such issue-specific trade alliances are restricted to the liberalization of certain products or, alternatively, to the concern not to give away policy space in exchange for market access, a necessary but insufficient condition for development, as witnessed by the 2001 Doha Declaration on Public Health. In view of the massive transfer of rents from developing countries to multinational drug companies, awareness that patent protection may now be too strong has increased. At the same time that countries accept intrusive disciplines over an ever widening scope of development policy areas by virtue of the North South free trade agreements, they use the WTO to resist the continuous un-leveling of the playing field, and are bent to obtain a more balanced treatment of domestic needs. And it is here that much of the remaining value of the WTO may remain, regardless of the fate of negotiations.

This proactive posture has been also present in a number of areas. Paraguay and Bolivia have been active in raising the special needs of landlocked countries. Chile, Colombia, Mexico, Argentina, Brazil form part of the group to promote tighter practices on the use of antidumping, either of a free trade or defensive variety. Whatever the eventual outcomes of Doha Round, coalitions have introduced a semblance of limited pluralism in the WTO, and have led to the limbo in which the round now lives.

Certainly, the entry of China into the WTO has shaken policies as well as beliefs. While China's low labour costs and strong competitiveness pose risks to manufactured exports, China's appetite for raw materials and foodstuffs has favored commodity producers. China is the major exporter of textiles and now concentrates almost 40% of world trade in clothing. At the same time, by 2003, China had become the world's largest importer of cotton, copper, soybean and the fourth largest importer of oil. China has become the fastest-growing export market for a number of countries across the globe. Trade with China is, however, very concentrated on a small basket of commodities, copper, oil, iron ore, soybeans and wood. The

new engine of growth may deepen the historical trade specialization toward commodities – goods usually characterized by strong price volatility. Unless an effort to deepen specializations is mustered, and over reliance on a single engine of growth is tempered, dependence on a few commodities will intensify; countries will remain over exposed to trade shocks and the inequality generating forces of international asymmetries will hardly be tamed. This scenario poses even more questions on the current stalemate that the Doha development round currently faces and tears apart old North-South dichotomies opening a space for a wider debate about what role development should play in the multilateral sphere .

Conclusions

All told , the important point in the new scenario is that for the most part it has been the *tecnicos* that have held centre-stage, either hired experts and consultants or professional policy-makers working for national governments. By definition, *tecnicos* work within the established political parameters of an era. *Tecnicos* strive for a compromise between the concerns of policy space and the technical power of institutionalized ideas; without the aspiration of delivering a new paradigm, they are smart, alert and industrious. In the real world of negotiations this was a door that needed opening; it was not a leap across boundaries to a new development paradigm but it has managed inroads into the processes of global governance.

If we are to take up the development approach to trade we need to look at the complexities of international economic institutions and the negotiations that ensue from them. At the core of these negotiations, lies the question whether the current trade regime enable developing countries to design policies that promote development This is not an easy subject, and many of the studies have shown that appropriately designed trade reforms have the potential to make a significant contribution to development, and, with appropriate parallel measures, can do so in a socially sensitive or sustainable manner. It has, however, proved extremely difficult to realise these goals through the existing trade negotiating process. For one, the Doha agenda did not change the multilateral process, only its stated goals. Multilateral trade negotiations are not designed to deliver development. Their purpose has always been to maximise gains, and through a process of give and take, move towards freer trade. To give real life to the development component, it may be necessary to reform the foundations of the negotiating process itself. Most trade agreements have adopted development as a goal, but the bodies which negotiate them are not responsible for development, do not have the competence to define what sustainable development means, and are not subject to the requirements of any other authority except as provided through international law and other mechanisms of regional and global governance.

Moreover, most of the literature reflects about the correct sequence of policies and the timing for liberalising trade. Negotiations are not paced or shaped in such a way as to allow timing and sequencing nor do they take account of the concentration of economic power within countries . So academic knowledge is systematically disregarded by the realpolitik of world trade negotiations. Trade policy choices are path-dependent and that is why a long-term approach to development is so important. The implications for domestic bureaucracies are paramount since development should be an integral long-term process in all phases of the decision making process, and not an isolated goal stuck on an agreement. There is a disconnection between those in government that deal with the adjustment process and those in charge of trade decision-making process. Attention

needs to be paid to the decision-making process itself in order to better address the most significant regional and global issues that have been identified in the trade and development linkages

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