

# WTO AT THE END OF ITS FIRST DECADE: THE POLITICAL ECONOMY OF ASYMMETRIC INTERDEPENDENCE

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*The article attempts to provide a balanced assessment of the WTO regime during the first decade since its inception. It sets out several criteria to assess whether the current international trade order satisfies the requirements of an “effective international regime”. The verdict appears to be mixed. While the current institutional structure has certain strengths and the overall regime has certain achievements to its credit, the shortcomings are also quite striking. The WTO regime has contributed to a process of asymmetrical interdependence from which the developed countries have disproportionately benefited. The serious questioning of this pattern of asymmetrical interdependence by the developing world and especially by more powerful states of the “South” have been at the heart of the recent stalemates in Cancun and Hong Kong.*

Key words: WTO, international regimes, development, global institutions, global inequality

## **I. Introduction**

The World Trade Organization (WTO) has replaced the General Agreement on Tariffs and Trade (GATT) as the major institution at the center of the international trading order following the successful conclusion of the Uruguay Round in 1994. The objective of this article is to provide a balanced assessment of the performance of the WTO during the first decade since its inception. Our central argument is that the WTO as an institution represents an improvement over the GATT, which essentially constituted a loose, intergovernmental negotiating forum with weak disciplinary powers and enforcement capabilities. Nevertheless, the recent stalemate at the Cancun Ministerial Meeting and post-Hong Kong negotiations, together with the failure to bring the Doha Round into a successful conclusion, highlight

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certain fundamental weaknesses of the current international trading order with the WTO at its very center. Hence, we argue that the difference between the GATT and the WTO should not be overexaggerated. Nation-states and especially the more powerful nation-states continue to be the primary actors in terms of drawing up and implementing the rules of the game in spite of the fact that the WTO appears to be more democratic, in principle, in comparison with its key counterparts in the financial realm, namely the IMF and the World Bank. The recent stalemate highlights the limits of the autonomy of the WTO in an environment where deep disagreements exist among key nations which increasingly include powerful “southern” states such as India, Brazil and China as central actors in their own right in the negotiating forum. A central argument is that the strengthening of the institutional capacity of an organization such as the WTO is a necessary, but not a completely sufficient, condition for a well-functioning international regime. One of the major problems during the current era is that the most powerful states fail to display the degree of flexibility and commitment needed for the establishment of an open and “fair” international trading order.

The rest of the article is organized as follows: Section 2 addresses the requirements of a well-functioning international regime and evaluates the effectiveness of the WTO regime on the basis of these principles. Section 3 identifies the principal strengths and weaknesses of the WTO regime. Section 4 highlights the major concerns of developing countries,<sup>†</sup> which are very much at the heart of the recent stalemate. Finally, the main conclusions are presented in Section 5.

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<sup>†</sup> With the obvious qualification that terms such as “developing countries” or the “global south” become increasingly problematic given the very diversity that exists within this bloc itself. Indeed “global south” which has emerged as a key bloc in recent WTO negotiations contains powerful and potentially hegemonic states such as Brazil, India and China which means that it becomes increasingly difficult to draw sharp lines of demarcation between the “global north” and the “global south”. Moreover, divergence of interest is not unique to developing countries. Considerable tensions exist among the developed countries, particularly between the EU and the U.S. Indeed, the underlying tensions have become much more explicit in the aftermath of Hong Kong negotiations. They were able to present a united front during the previous Ministerial Conferences and meetings as a result of which they were able to exert greater pressure on the developing countries. It is perhaps the least developed countries of the south with the least negotiating power which are the real losers of the WTO-based international trading order.

## **II. Does the Current International Trading System Satisfy the Requirements of a Well-Functioning International Regime?**

We identify seven basic principles required for a well-functioning international regime and examine the extent to which these underlying principles are applicable in the case of the current international trading order.

Our first major criterion concerns the *existence of a strong autonomous institution with strong enforcement capacity and certain level of transparency and accountability*. A strong institution at the center of the system is needed to override the narrow interests of individual members of the system for the benefit of the system as a whole. An organization that enjoys considerable autonomy even from the interference of the most powerful nation-states and even from the global hegemon, the United States, would enjoy the opportunity space needed for a fair and balanced regulation of the overall system. At the same time, an organization of this nature would need to be highly accountable and transparent in its operations. Perhaps, the term “embedded autonomy” that Peter Evans has introduced in the context of the “developmental state” debate would also be relevant in this context (Evans, 1995). The notion of embedded autonomy implies that the autonomy enjoyed by a global institution such as the WTO, rather like the autonomy of the developmental state at the national level, would need to be based on a high degree of institutionalized interaction with the other key actors involved. Furthermore, autonomy needs to be constructed around a certain consensus concerning the key objectives. Hence, what appears to be critical for fair and balanced regulation is an organization which enjoys not only autonomy in an absolute sense but also a delicate mixture of autonomy and accountability at the same time. This naturally leads us to the remaining conditions necessary for an effective international trade regime.

In terms of fulfilling our first criterion of *a strong autonomous institution at the center with strong enforcement capabilities*, the establishment of the WTO in 1995 was a major step forward in comparison to the previous GATT regime. The GATT was essentially a loose contractual agreement, as opposed to a regime built on a strong and centralized institutional framework, and its rules were not as enforceable as the rules of the WTO regime (Cohn, 2002). Consequently, contracting parties had the right to opt out of particular agreements or to ignore rules and decisions perceived to be against their national interests. The emergence of the WTO appeared to solve the institutional deficiency at the very center of the world trade system. The organization enjoyed considerably more power than its predecessor in enforcing rules that were binding for all members, and as a result problems such as free-riding, opting out of particular agreements or ignoring decisions and rules have appeared to decrease significantly. At the same time, however, developments from Seattle onwards have clearly highlighted the limits to the degree of autonomy or sovereignty enjoyed by the WTO. Clearly, the nation-states, and especially the more powerful states, are very much in the driving seat and continue to take an active part in the negotiating process. Hence, there is no doubt that the institutional framework has improved under the WTO and that the WTO enjoys a greater degree of institutional autonomy than the GATT did (Blackhurst, 1998). Yet, the difference should not be exaggerated -- the difference is a matter of degree rather than of form -- and recent events at Cancun and Hong Kong clearly illustrate the limits to the WTO's real or effective autonomy. Nation-states continue to shape the globalization process, and in retrospect, the establishment of the WTO represented less of a rupture and more of continuity with the previous GATT regime than was initially anticipated.

As emphasized before *autonomy per se* is not enough and ought to be complemented by *transparency and accountability*. The WTO has certain achievements to its credit with respect to the issue of *accountability* over time. According to the "Global Accountability

Index”, which evaluates accountability in terms of member control and access to information (excluding the IMF), the WTO emerges as the second most accountable international organization after the OECD, and it is more accountable than the World Bank (2003). The WTO has managed to improve its profile in terms of its accountability by publishing up-to-date documents and providing access to information to all interested parties through its highly effective web page. Moreover, the Director General and the Secretariat appeared to pay particular attention to the visibility of the WTO in public. Hence, representations of the WTO in public fora, interviews with the WTO staff, and their attendance in other international organizations’ meetings increased markedly over time (WTO, 2005). One cannot be equally optimistic, however, when it comes to the issue of transparency. The lack of transparency of the WTO seems to be particularly evident in the agenda setting and decision making processes. Although all the decisions are made through multilateral negotiations that are open to all members, in reality informal negotiations have a crucial and critical role in the decision making and agenda setting processes. Consequently, a number of powerful developed countries, as well as some powerful developing countries, shape the rules of the game in the name of the other members, and thereby the multilateral character of the system is heavily undermined. The practice of behind-the-door politics in the WTO decreases the transparency of the system and represents a major blow to its credibility in the eyes of a large number of its stakeholders.

Our second major criterion for a well-functioning international regime involves the existence of *well-defined and credible set of rules based on the principles of fairness and justice*. A system built on credible and fair rules would increase the confidence of the members in the system which would, in turn, enhance its effectiveness as well as its sustainability over time. In this respect, one of the achievements of the WTO has been to extend the principle of non-discrimination to the growing number of WTO members which

has clearly contributed to the overall increase in world trade. At the same time, major questions can be raised against the set of rules developed in the three major spheres involving the elimination of trade barriers, implementation of non-discrimination principles and effective settlement of disputes. In these three realms, the framework constructed under the WTO appears to be poorly designed and reflect the asymmetries of power that exist between the various stakeholders involved (Stiglitz and Charlton, 2005).

Clearly, it would be unfair to blame the WTO as an institution for the asymmetric structure of the rules given that the members are very much in the driving seat when it comes to devising rules and implementing them. While the decisions have been made through consensus and all members have the right to participate in negotiations, the disproportionate weight of informal negotiations and the political bargaining in the actual decision-making process tends to create major asymmetries leading to serious disputes and stalemates as a result (Narlikar, 2002). There is also need to underline the fact that the existing world trade regime contains many loopholes which increase the relative bargaining power of advanced nation states by providing them with additional maneuvering space. The widening of maneuvering space for developed countries, in turn, leads to the shrinking of the opportunity space for developing countries. Anti-dumping rules, for example, are not clearly defined, and most of the time, developed countries use anti-dumping rules as protection mechanisms for their sensitive industries such as textile and agriculture (Hoekman and Kostecki, 2001).

Our third criterion involves *an element of flexibility that takes into account differences in the development levels, and the domestic political concerns and national priorities of individual participants*. A knife-edge equilibrium situation can be identified in this context if the regime is based on rules which are too rigid. This may be costly in terms of undermining the effectiveness of the regime over time. At the same time, too much flexibility may also create problems in terms of enforcement, also leading to a loss of commitment on the part of

the key participants towards a multilateral approach to problem solving. There is no doubt that in spite of the ever increasing pace of globalization and the integration of markets, domestic politics of individual countries and national priorities continue to be extremely relevant in the eyes of key decision makers. Consequently, the multilateral system of trade governance should make an allowance for differences in development levels as well as national interests (Stiglitz & Charlton, 2005). A natural corollary of this argument is that the position of developing countries in the overall world trade regime needs specific attention and the regime should be more flexible in terms of providing opportunity spaces for pro-active development-oriented interventions by the individual states. Dani Rodrik rightly argues that the main controversy in the governance of the world trade is the misinterpretation of the ultimate goal of the world trade system. His central point is that trade liberalization should not be considered as an end in itself but as a means of accomplishing the ultimate goals of development, economic growth and poverty alleviation. Therefore, the system ought to provide space for national policy making rather than binding the hands of all countries with the same rules, some of which clearly represent a threat to the active pro-development policies of the developing world (Rodrik, 2001).

In the context of the current international trading regime, the situation is rather ironic in the sense that there exists too much flexibility in some areas and too little flexibility in others. To be more precise, one can detect a considerable element of flexibility when it comes to trade liberalization in agriculture and textiles or the implementation of decisions associated with the dispute settlement mechanisms. The apparent “flexibility” of the system in a rather paradoxical fashion works in the interests of the developed countries. As far as TRIPs and GATS are concerned, however, the implementation of rules and regulations become rather rigid, clearly placing developing countries in a disadvantageous position (Wade, 2005). Furthermore, the attempts by developed countries to broaden the agenda of the WTO through

the inclusion of “Singapore Issues” and labor standards will inevitably increase the adjustment costs of developing countries, rendering trade liberalization under the WTO a rather challenging and lopsided process for the developing world (Baldwin, 2006).

It has been argued by some analysts that developing countries get enough flexibility thanks to special and differential treatment (SDT) policies. For instance, industrial tariffs in the developing world are still higher than the tariffs applied in the developed world, and developing countries enjoy longer transition periods to comply with the new rules and regulations on world trade. Yet, in the absence of sufficient access to developed country markets and lack of technical and financial support, most developing countries fail to derive advantage from the existing opportunity spaces and generate resources needed to finance the industrialization process. Consequently, flexibility in applying higher tariffs *per se* becomes a limited involvement in terms of promoting growth and development. Another possible criticism in this context is that the rules on SDT are designed on the basis of a “one size fits all” principle. However countries differ significantly in terms of their development levels and priorities; therefore, the rules should be flexible enough to reflect these differences.

As a fourth basic element of our idealized notion of an effective international regime, there is a need for *effective redistribution mechanisms in the system*. The very absence of such mechanisms, combined with the lack of flexibility in certain key areas of concern, increases the cost of adjustment and adaptation of developing countries to the liberal trade order. The WTO as an international organization does not have the necessary resources, both financial and technical, at its disposal. The assistance capacity of the WTO, as a result, is considerably limited. Admittedly, the number of committees that aims to provide technical assistance to less developed countries in order to decrease their costs of adjustment has increased markedly, facilitating the effective participation of LDCs in the WTO as a process. For instance, the policy of building trade clinics in LDCs in order to provide technical

recommendations on trade policy issues was a serious attempt to increase the adaptation of LDCs to liberal trade policies with minimum costs (Panitchpakdi, 2005). Although these developments constitute promising signs for the future of the world trade regime, redistributive mechanisms such as aid for trade and further assistance during the transition periods are conspicuous by their absence. Moreover, the lack of commitment on the part of developed countries to provide aid related to trade raises serious questions and points towards one of the major weaknesses of the current global trading order from a developing country perspective.

The fifth element underlying our idealized schema involves the necessity to *elicit the co-operation of, and act in coordination with, non-state actors and civil society*. The importance of non-governmental organizations in global governance has been increasing in recent years. Indeed, more and more NGOs have been demanding greater access to key decision making mechanisms. In this respect, it is a well-known fact that the WTO has become a central target for NGO activity ever since the Seattle meeting. The organization has been subjected to severe criticisms regarding lack of transparency in negotiations as well as its allegedly unfair policies that cause poverty and developmental problems in developing world. What is important to emphasize, however, is that the NGOs involved do not have a common or unified position relating to the WTO. Some NGOs have a positive view of the WTO and see the organization as a necessary condition for effective governance in the realm of international trade. Others, in contrast, have a negative perception, arguing that the policies of the WTO damage the material and moral resources of the world; as a result, they advocate that the scope and influence of the WTO should be minimized as much as possible. The very diversity of these civil society organizations and their conflicting interests vis-à-vis the WTO tend to place definite limits on the process of constructive interaction between the NGOs and the organization itself. To give an example, environmentalist and labor rights organizations in

the North aim to tighten the WTO rules in these areas whereas Southern pro-development NGOs demand more policy space and flexibility in many areas, including the environment and labor rights (Williams, 2005).

Despite the growing involvement of the non-state actors in the policy space of the WTO and their demands for active participation in WTO mechanisms, the existing rules and the structure of the WTO provide limited access to the NGOs at the international level. The Sutherland report stated that WTO is a forum for intergovernmental negotiations, and non-state actors' involvement primarily should be at the national level unless these NGOs have an ultimate vision and mission directly related with governance of global trade (WTO, 2005). However, there appears to be one mechanism which is more effective, namely influencing the policies of individual states in terms of the policy proposals developed for adoption at the WTO. At this point, a sharp distinction needs to be made between the transnational corporations (TNC)s and the rest of the NGO community. The influence of business groups on WTO policies constitutes a clear and striking example of how non-state actors can be influential by using national channels and mechanisms. The TNCs, and to a lesser extent, labor unions operating as key economic actors with considerable structural powers actively participate in the formulation of WTO policy proposals at the national level, particularly in the developed world. They have at least an equal, and sometimes superior standing, as compared to their respective government officials and politicians, in the formulation of WTO policies (Coen & Grant, 2005). It is fair to say that the rest of the NGO community fails to utilize opportunities to lobby their governments as effectively at the national level. In spite of these qualifications, NGO participation in the WTO has expanded over time, with the number of NGOs attending Ministerial Conferences increasing from 108 at the Singapore meeting to more than 900 in Hong Kong. However, most of these NGOs enjoyed observer status, and hence, could not be involved in the actual decision-making mechanism. There is certainly a

need for more and effective consultation with NGOs as a necessary counterpart to a well-functioning international trade regime (WTO, 2005).

The final two principles on which a well-functioning international regime rests are of particular significance in the present context. Our sixth basic criterion is that there should be *strong commitment of the hegemonic and near-hegemonic powers to the international regime concerned*. Developed countries are the backbones of the international regimes concerned with diverse policy areas. In the absence of their technical, financial and ideological support, it is impossible to establish an effective and well-functioning international regime. The structure of the international trading system makes a sharp contrast with the international financial order, which have the IMF and the World Bank as the two key institutions at its very center. The World Bank and the IMF have large staffs and considerable financial resources at their disposal. Furthermore, developed countries are strongly committed to the rules and policies of these two institutions and support the policies promoted and implemented by them. Arguably the degree of commitment displayed by major industrialized countries to the WTO regime has been on the whole more lukewarm, particularly on issues relating to agricultural and textile trade liberalization. Furthermore, there has been a considerable element of intra-developed country conflict (notably involving the US and the EU) on the top of an underlying conflict of interest between the developed and the developing world which has clearly been absent in the financial realm. Such conflicts have been at the heart of recent stalemates observed at the Trade Negotiations Committee meeting in Geneva in June 2006 (Bridges, 2006). These elements, in turn, have clearly undermined the effectiveness of the trade regime centering on the WTO.

In addition to using WTO mechanisms to promote their own interests, developed countries often resort to unilateralism or bilateralism outside the WTO framework when they face developing country opposition during negotiations (Maswood, 2006). The increasing

orientation of developed countries towards regional and bilateral agreements intensifies the debate over the regionalism-multilateralism dichotomy. Thus, the idea that regional trade agreements strengthen the multilateral trading system becomes controversial and subject to serious criticism, and this also intensifies the debate concerning the sustainability and effectiveness of the multilateral trading order.

Our final requirement for a well-functioning international regime involves *the degree of commitment displayed by, and the effective participation of, weaker members of the system*. During the early decades of the GATT regime, the level of developing country participation was very low because of inward-oriented ISI policies, although 13 out of 23 founding members were developing countries. The passive role followed by developing countries in the GATT negotiations provided significant opportunities for developed countries to form policies and set the agenda to support their own interests (Cohn, 2002). Since the Tokyo Round negotiations, developing country participation in the international trade regime has increased, and developing countries have become particularly active, vocal and powerful during the last two Ministerial Conferences in Cancun and Hong Kong.

The central point to emphasize in this context is that developing countries make up two-thirds of the WTO membership, and they can, in principle, dominate the negotiations in a system where each member has one vote. However, divergence of interests and limited institutional and professional capacities prevent developing countries from building strong bargaining coalitions to adopt strong and coherent positions during the Ministerial Conferences. Moreover, divide-and-rule policy tactics of developed countries at bilateral and multilateral levels weaken the hands of developing countries, leading to their generally passive stance in the negotiation process (Narlikar, 2002). Comparatively weak developing country participation results in a rather unbalanced structure of governance in the trade arena, with the developed countries exercising a disproportionate degree of power and influence on

what appears to be, on paper, a rather democratic and egalitarian form of governance structure, especially when compared to the institutional set-up in the global financial order.

### **III. The Performance of the WTO: A Balance Sheet of Achievements and Failures**

In evaluating the performance of the WTO over the course of the past decade, we introduce a distinction between *the strengthening of institutional or organizational capacity* and *policy performance or policy effectiveness*. We should state from the outset, however, that the ultimate test of the organization's success is policy performance, especially taking into account the already emphasized point that the global trading system, in spite of its institutional strengthening in recent years, continues to be a member-driven regime with powerful nation states exercising disproportionate influence.

There is no doubt that the institutional structure of the world trade order has improved considerably in the context of the WTO regime. The WTO has emerged as a powerful organization with strong enforcement and dispute settlement capabilities following the end of the GATT regime. Furthermore, the WTO's role became far more comprehensive, with the range of issues falling under its umbrella expanding considerably (see Table 1). A major strength of the organization concerns the size of its membership. Currently, the organization has 150 members, and more than 20 countries, including Russia and Syria, are keen to join and are at present involved in the process of accession negotiations. It is estimated that the WTO will approximately have 180 members within the next two decades, and more than 95 percent of the world trade would be under its direct regulation (WTO, 2005). The expanding nature of WTO membership demonstrates that, although the regime continues to be confronted with major challenges, it still constitutes the most suitable ground for integrating with the world economy and maximizing the benefits from international trade. The very size of the WTO membership underlines the fact that there is an implicit consensus that without

this kind of institutional framework, things would be considerably worse for individual countries and for the system as a whole. This existence of such an implicit consensus makes one more optimistic about the future of the international trade regime in terms of overcoming the kind of stalemates encountered in the recent Ministerial Conferences.

Despite the increasing membership and widening scope of the WTO rules, however, the bureaucratic and technical structure of the WTO tends to display certain weaknesses. The number of WTO staff in Geneva amount to 635, which is significantly lower than the IMF, for example, which has some 2693 employees. Limited staff size clearly constitutes one of the major challenges regarding the institutional capacity of the organization. Similarly, the WTO's budget is rather minimal in comparison to the resources at the disposal of the IMF and the World Bank. The budget available to the WTO Secretariat is around 200 million dollars, and this very lack of financial resources prevents the WTO Secretariat from performing certain functions, particularly in terms of providing financial and technical assistance to LDCs and effective monitoring of WTO rules (see Table 1). Limited resources and staff of the WTO also raise questions concerning its credibility among its members, particularly those in the developing world. There is no doubt that the enforcement capacity of the WTO is also negatively affected under this relatively weak institutional structure. What is also striking is that WTO officials are unable to play a pro-active role in the dispute settlement mechanism. The dispute settlement mechanism has been designed in such a way that WTO officials are not empowered to bring a case before the WTO judicial body; indeed, it is only the member countries that can raise an issue before WTO Dispute Settlement Bodies. Moreover, in a case of non-compliance with the Appellate Body decision, the power of the WTO to apply sanctions is constrained by the actions of other member countries. Consequently, developed countries sometimes opt to not implement the Appellate Body decision, if they consider such a decision to have significantly negative political or economic consequences. The decision of

the U.S. administration to continue to subsidize cotton, even though Brazil won the lawsuit over the U.S. subsidization of cotton in the WTO dispute settlement mechanism, constitutes a clear example of limited enforcement power of the WTO as an international organization (WTO, 2006a).

The institutional weaknesses outlined, however, should not detract from the fact that the WTO has emerged, at least in principle, as one of the most democratic international organizations. The application of the “one country, one vote” principle and decision-making through consensus building constitute the key pillars of the democratic structure of the WTO (Chimni, 2006). The former prevents the full domination of decision-making mechanisms by developed countries, because a weighted vote principle would effectively marginalize developing countries in the decision-making processes (as in the case of the IMF). The latter principle, in addition, provides policy space for each member country, and consequently an individual developing country enjoys certain safeguards in terms of preventing the introduction of a rule that is likely to impose a major damage for its own economy and domestic politics. The formally democratic structure of the regime has been gradually enhanced over time through measures aimed at increasing transparency and accountability. Prevention of “green room negotiations” has accentuated the importance of consensus-based decision making in line with the increased transparency (Stiglitz & Charlton, 2005). Although sub-group meetings still take place, they are announced to all members before the meeting occurs (see Table 1). In addition, the effective use of the WTO web page to publish official documents, particularly Ministerial declarations and proposals, World Trade Reports, Trade Policy Reviews of individual countries and news releases have been instrumental in terms of increasing transparency of the organization. Hence, interest groups, such as NGOs and business associations, find more space to influence their national government over trade policies. Furthermore, the increase in the number of development-oriented committees and

programs in the developing world provide the opportunity to come more to the Ministerial Conferences better prepared and to actively participate within the democratic participation mechanisms (Panitchpakdi, 2005. see Table 1).

Among the WTO's recent accomplishments, one can also cite its contributions towards the establishment of an interdependent and coherent global governance structure. Under the previous GATT regime, the only reference to institutional co-operation was with the IMF. The foundational charter of the WTO, on the other hand, clearly recognized the need to cooperate and consult with other international organizations (WTO, 1995). In this respect, cooperation and communication among the WTO, the IMF and the World Bank have expanded over time. Besides participating in each others' meetings, these three institutions actively cooperate in the preparation and activation of various development policies for the LDCs. For example, for the introduction of the IMF's Trade Integration Mechanism, WTO officials actively contributed to the process, providing direct assistance in terms of information as well as advice. The scope of the cooperation is not only limited to the IMF and the World Bank. The WTO also engages in certain policy dialogues with other international organizations such as the International Trade Center, UNCTAD, UNDP, and World Health Organization (WHO). In addition to the increased cooperation with other international institutions, achievements in the increasing dialogue with non-state actors, discussed in the previous section, also constitute promising developments in the direction of creating a coherent and effective world trade regime, although there are still problems in terms of NGO participation in the WTO system (Panithcpackdi, 2005, see Table 1).

Having highlighted the institutional strengths of the WTO, one needs to draw attention to a major difference of the world trade regime from its financial counterpart and associated institutions -- the IMF and the World Bank. The WTO, especially in recent years, has acted as a negotiation forum for member countries, and its duties in terms of policy formulation and

implementation have remained quite restricted. Thus, simply highlighting the organizational strengths of the institution fails to provide sufficient information in terms of evaluating its overall contribution. What needs to be focused on, in this context, is the overall performance of the trade regime during the period of the WTO's existence.

The increase in the volume and value of world trade, and the increasing importance of international trade in national economies, arguably constitutes a major achievement of the WTO. The average growth in the world GDP has been around 3 percent since 1995, but exports have been growing much more rapidly at 6 percent per annum (WTO, 2006b). One of the major factors underlying this positive trend concerns the widening scope of trade rules. The scope has been enlarged to include not only trade in goods but also trade in services, intellectual property and investment. Among these three new areas, liberalization of trade in services has critical importance in world trade, and the share of service trade in overall world trade has been expanding significantly. Nevertheless, it would be unfair to argue that extension of trade toward services, investment and intellectual property represents a fully positive development. The tight implementation of trade-related intellectual property rights (TRIPs) and trade-related investment measures (TRIMs) rules in the developing world increased their adjustment costs in trade liberalization and exposed their domestic industries to a costly adjustment process (Wade, 2005). The inherent lack of flexibility of the regime increasingly prevented the developing countries from protecting their key infant industries and damaged the prospects of those countries in terms of progressing towards more advanced stages of industrialization. Moreover, the benefits of trade liberalization in services are not shared evenly between the developed and the developing world. On the one hand, the TNCs in developed countries are actively promoting the opening of markets in services such as health, banking and infrastructure in developing countries. On the other hand, free movement of "the services of labor" is excluded from the agenda thereby creating a lop-sided pattern of liberalization in trade involving services (Wade, 2005, see Table 1).

**Table 1: Ten years of the WTO regime: Achievements and Failures in Perspective**

<b>Institutional Capacity</b>		<b>Policy Performance</b>	
<b>Achievements</b>	<b>Failures</b>	<b>Achievements</b>	<b>Failures</b>
<ul style="list-style-type: none"> <li>• Stronger institution in comparison with the GATT</li> <li>• More democratic structure than IMF/WB through one member-one vote and consensus based decision making</li> <li>• Cooperative stance towards other international organizations</li> <li>• Evidence of increasing dialogue with NGOs</li> <li>• Special emphasis on sustainable development and trade related aspect of development</li> <li>• Increase in the number of committees and programs for technical, policy and financial assistance to LDCs</li> <li>• Increasing transparency through prevention of green room negotiations and effective use of web page</li> <li>• Rise in monitoring capacity through World Trade Report and Trade Policy Review</li> </ul>	<ul style="list-style-type: none"> <li>• Limited staff and limited resources for effective regulation and enforcement capacity</li> <li>• Limited enforcement capacity with respect to powerful members, especially in Dispute Settlement cases</li> <li>• NGOs are still not perceived as integral part of world trade governance</li> <li>• Democratic nature is in question; continuing problems in terms of transparency and accountability; decision making through informal meetings</li> <li>• Limited institutional autonomy in the context of a member driven regime</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in the volume and value of trade</li> <li>• Removal of trade and non-trade barriers such as VERs and MFAs</li> <li>• Widening of the scope of trade governance from trade in goods to trade in services, intellectual property and investment</li> <li>• More enforceable rules and mechanisms relating to dispute settlement</li> <li>• Bringing agriculture and textiles under the WTO umbrella</li> <li>• Extension of the scope of rules from border management to within border management in trade</li> <li>• Inclusion of developmental policies on the WTO agenda</li> </ul>	<ul style="list-style-type: none"> <li>• Weakness in terms of facilitating the implementation of development-oriented policies</li> <li>• Inability to achieve full liberalization of trade in agriculture and to some extent textiles</li> <li>• Partial and unbalanced implementation of services agreement: failure to include free movement of services' labor</li> <li>• Increasing the burden on developing countries through rather limited transition periods in TRIPs, TRIMs and GATS</li> <li>• Failure in effective implementation of special and differential treatment (Swiss formula in NAMA agreement)</li> <li>• Absence of policy relating to environmental protection and labor rights</li> <li>• Overloading of the WTO agenda; turning the institution towards a forum for discussion rather than a forum for solution.</li> <li>• Shrinking of policy space for national governments with negative implications for their future development trajectories</li> </ul>

The WTO has also facilitated the expansion of world trade by introducing binding rules on non-tariff barriers. It is a well-known fact that the GATT regime, during the course of the 1970s and 1980s, was associated with the growth of “new protectionism” as developed countries like the United States and many European economies resorted to unconventional protectionist instruments in order to curb intense competition from Japan and the newly-industrialized countries of East Asia. “Voluntary export restraints (VER)”, in particular, emerged as a major form of non-tariff barrier (NTB). The Multi-Fibre Agreement aimed at protecting the developed countries’ textile industries also became more restrictive during this period (Cohn, 2002). The WTO rules have made a major impact in terms of phasing out non-tariff barriers in world trade. Yet, NTBs continue to exist. They are particularly pronounced in the context of bilateral or regional dealings involving individual countries; the WTO so far has been unable to completely phase out these negative forms of protectionism in practice (see Table 1). Persistence of the VERs and the inability to completely phase out the Multi-Fibre Agreement reflect the underlying asymmetry of the international trade regime given the fact that the developed country bloc is the major beneficiary of these protectionist instruments.

Bringing agriculture and textile under the WTO disciplines constitutes a major step forward on the road to eliminating asymmetries in the world trade, and making trade fair for all. Arguably, the degree of success in the realm of textile trade liberalization has been comparatively more impressive, although many countries continue to protect their textile industries, especially through their bilateral dealings. China can be singled out as a good example in this respect (Liang, 2002). Much more than textiles, however, agriculture continues to be the major problem area. Indeed, it constitutes the core of the multilateral trade negotiations of the Doha Development Agenda. Although agriculture has strategic importance for many developing countries on the path to development, developed countries still continue

to subsidize their farm industries and protect their domestic market. Consequently, many developing countries that have a comparative advantage in agriculture are unable to fully capitalize on the benefits of free trade, and in a way they become the losers in the trade liberalization game (Clapp, 2006).

Admittedly, an important step forward on the path towards establishing a balanced and fair trade regime was the inclusion of a 'sustainable development' phase into the establishing agreement of the WTO, and the launch of the Development Round in 2001. Starting from the early years of the WTO, developing countries have been confronted with serious implementation and adjustment challenges. The attempt to convert the development clause of the WTO Preamble into a reality was a positive step forward. However, many of these attempts only remained on paper and the implementation of development-related policies are perhaps still the weakest component of the world trade system. Despite the launch of the Doha Development Round, countries have failed to agree on many development-related policy areas including agriculture, assistance to the least developed country group, and special and differential treatment of developing countries as a whole (ICTSD, 2005).

#### **IV. Dilemmas of the World Trade Regime: The Principal Concerns of Developing Countries**

Given the asymmetries in the way that the international trade regime is currently organized, it is not surprising that developed countries are the principal beneficiaries while the developing world emerges as a relative loser from this process. Hence, inevitably the concerns of developing countries over the structure of the world trading system have become the focal point of trade negotiations in the WTO. The principal concerns of developing countries fall under five broad areas: agriculture, intellectual property rights (TRIPs), services, non-agricultural market access (NAMA), and agenda setting in the Ministerial Conferences.

Agriculture is of key importance for developing countries; since the Uruguay Round negotiations, trade liberalization in agriculture has emerged as one of the major demands of developing countries. Even though many of the developing countries are net exporters of agricultural goods, they could not maximize their benefits from trade liberalization due to developed countries' protectionist policies in agriculture. Agriculture has a large share in developing country exports, and liberalization of trade in agriculture and further access to developed country markets would directly increase the foreign exchange revenues of the developing world. With a more liberal trading environment for agricultural products, developing countries would have greater opportunities and the financial resources needed to deal with their pervasive problems of poverty. Since developing countries have obvious economic interests in agricultural trade liberalization, developed countries, in turn, have political interests in protecting their agricultural sector and supporting their farmers (Ingco & Nash, 2004). Although the share of agriculture in developed countries' economies, particularly the EU, the U.S. and Japan, is marginal in comparison with industrial goods and services, farmers retain considerable lobbying capacity in these countries. In addition to the lobbying power of farmers, politicians' interest to remain in power and their desire to satisfy the expectations of a crucial segment of society are at the heart of their decision to continue to protect agriculture (Clapp, 2006).

The battle on agriculture between these two sides constitutes the core of the trade negotiations at the WTO. Since the Uruguay Round, developing countries have entered into a bargaining process with their developed counterparts in order to force them to open their markets to their own products. However, the promises that the developed world has made in this context have not been translated into concrete practice. Although reciprocal concessions have been extracted from developing countries, trade liberalization in agriculture has remained a partial and incomplete process (see Table 2). During the Uruguay Round, the

agreed deadline for the elimination of agricultural subsidies for developed countries was 2003, yet this deadline has been periodically extended in later negotiations, and currently the final date agreed for the elimination of export subsidies in agriculture at the Hong Kong Ministerial Conference is 2013 (Wilkinson, 2006). It is ironic that the elimination of export subsidies *per se* would eliminate only a small part of trade-distorting activity in agriculture because domestic subsidies in the form of social welfare payments constitute the largest share of agricultural support. The EU, for example, as the most aggressive proponent of agricultural protection in the WTO, has officially pledged to remove the export subsidies by 2015 and replace them with financial assistance in the form of domestic welfare payments. The basic message here is that without the elimination of all forms of subsidies, the notion of “free and fair trade” would have limited validity (Maswood, 2006).

Recent developments at the WTO meeting, in the context of the Trade Negotiations Committee on June 2006, have changed the nature of negotiations in agriculture in a rather paradoxical fashion. For the first time, the conflicting interests between the U.S. and the EU officials became clearly apparent, and they failed to agree on the modalities of agricultural trade liberalization. The continuous disagreement between the two sides ended with the total collapse of negotiations; Director General Pascal Lamy, with the consent of G-6 countries (Japan, the U.S., the EU, Australia, Brazil and India), declared the suspension of the Doha Round talks (Bridges, 2006). Ironically, the conflict within the developed country bloc and the subsequent suspension of the negotiation process has helped to perpetuate the existing status quo in agriculture, which is clearly disadvantageous to developing countries. Admittedly, the previously agreed proposals for agriculture are still on the table and further negotiations would be built on the agreement reached at the Hong Kong Ministerial Meeting. Yet, the uncertain future of the Doha Round and the possibility of its total collapse inevitably amplify the costs likely to be incurred by the developing world.

**Table 2:** Analysis of Key Demands of Developed and Developing Countries in WTO Ministerial Conferences.

Conference	Key Demands of DCs	Key Demands of Developing Countries, particularly Least Developed Countries	Final Outcomes of Conferences
<i>Uruguay Round 1986-1994</i>	<ul style="list-style-type: none"> <li>• TRIPs, TRIMs, GATS</li> <li>• Full liberalization of trade</li> </ul>	<ul style="list-style-type: none"> <li>• Market access for agriculture and textile</li> <li>• Special and differential treatment</li> <li>• Longer transition periods for implementation of new rules</li> </ul>	<ul style="list-style-type: none"> <li>• TRIPs, TRIMs, and GATS came into force</li> <li>• Substantial reduction on export subsidies in agriculture was agreed but without clarifications about the form of subsidies</li> <li>• Technical and financial assistance on the principle of special and differential treatment principle without specifications on the types and amounts of assistance</li> </ul>
<i>Singapore Conference 1996</i>	<ul style="list-style-type: none"> <li>• Singapore Issues</li> <li>• Labor and Environmental rules</li> </ul>	<ul style="list-style-type: none"> <li>• More commitment on agricultural trade liberalization</li> <li>• Flexibility in implementation of TRIPs and GATs</li> </ul>	<ul style="list-style-type: none"> <li>• No real conclusion and agreement</li> </ul>
<i>Seattle Conference 1999</i>	<ul style="list-style-type: none"> <li>• Further liberalization of trade in new areas such as e-commerce</li> <li>• Effective implementation and expansion of existing rules on TRIMs and GATS</li> <li>• Labor standards</li> </ul>	<ul style="list-style-type: none"> <li>• Liberalization of trade in agriculture</li> <li>• Focus on the developmental problems</li> <li>• Increased market access to developed countries</li> </ul>	<ul style="list-style-type: none"> <li>• Ended in a total failure due to the increasing discontent between developed and developing countries</li> <li>• For the first time, civil society organizations influenced negotiations process through demonstrations and protests</li> </ul>
<i>Doha Round 2001-Present</i>	<ul style="list-style-type: none"> <li>• Labor and environmental standards in trade</li> <li>• Trade facilitation through rules on government procurement, transparency, and competition policy</li> </ul>	<ul style="list-style-type: none"> <li>• Particular focus on developmental problems</li> <li>• Issues arising from implementation problems of developing countries</li> <li>• Liberalization of trade in agriculture</li> <li>• More and free access to DCs markets, especially textiles</li> </ul>	<ul style="list-style-type: none"> <li>• Concerns of LDCs are recognized for the first time</li> <li>• No clear commitment to liberalization of agriculture</li> <li>• Concessions in TRIPs in the realm of public health</li> <li>• Environment, competition policy, government procurement incorporated into the agenda without any decision</li> </ul>
<i>Cancun Conference 2003</i>	<ul style="list-style-type: none"> <li>• Multilateral agreements on Singapore Issues: investment, government procurement, trade facilitation, and competition policy</li> </ul>	<ul style="list-style-type: none"> <li>• Liberalization of agriculture</li> <li>• Greater commitment for development</li> </ul>	<ul style="list-style-type: none"> <li>• Ended in total failure without reaching agreement on any of the existing issues</li> </ul>
<i>Hong Kong Conference 2005</i>	<ul style="list-style-type: none"> <li>• Singapore Issues</li> <li>• Expansion of transition periods in agriculture and textile</li> <li>• Additional steps for trade liberalization in services</li> </ul>	<ul style="list-style-type: none"> <li>• Elimination of all subsidies on agriculture</li> <li>• Developmental concessions on LDCs</li> </ul>	<ul style="list-style-type: none"> <li>• Trade liberalization in agriculture confined to elimination of export subsidies</li> <li>• Further liberalization in services and NAMA without special treatment of developing countries</li> </ul>

The burden on the developing countries has also become heavier with the broadening scope of WTO rules in new areas. Many of these new issues, however, were incorporated into the WTO agenda without effectively taking into account the implementation and adjustment costs for developing countries. During the first decade of the WTO, the rules on trade-related intellectual property rights reduced the opportunity space for developing countries. Indeed, the new rules of the game on technology transfer and the intellectual property rights have made life more difficult, especially for the least developed group with limited technological base and weak potential in terms of attracting long term foreign investment. Hence, the new rules have not only aggravated the asymmetries between the developed and the developing blocs but also the asymmetries that exist between different segments of the developing world itself (Finger & Nogues, 2002).

The TRIPs agreement concerns the protection of copyrights, data secrets, patents and trademarks. Since most of the technological innovation takes place in the developed world, the inclusion of the property rights rules directly favored firms in developed countries and they become the main beneficiaries of the TRIPs agreement. On the other hand, developing countries' direct access to technology is seriously restricted. Moreover, the cost of compliance with TRIPs standards damages the vulnerable economies of developing countries. Consequently, the TRIPs agreement creates challenges along the development path of developing countries and restricts the policy space for industries in developing countries under strictly defined rules on property rights (Correa, 2005). A critical problem associated with the TRIPs agreement is that many of the promises made by developed countries, in terms of providing technical and financial assistance, have failed to materialize. Furthermore, demands from developing countries to extend the transition periods on TRIPs compliance were rejected, a development in sharp contrast with the periodic extension of deadlines in the realm of agricultural trade liberalization. On the positive side, the TRIPs agreement provides

incentives for improving technological capacity and information networks of developing countries, as well as attracting larger volumes of foreign direct investment in a world of high capital mobility. It is fair to say, however, that only the most advanced among developing countries, such as India and Brazil, are likely to benefit from such incentives. Even this particular sub-group would have limited resources to allocate to domestic research and development activities with the obvious corollary that even their development paths would be disproportionately dependent on TNC investment (Correa, 2005).

The launch of the Doha Round as a Development Round brought partial, yet important, flexibility to developing countries in their compliance with TRIPs standards. One of the areas in which the TRIPS agreement had an immediate impact was the realm of public health. Many developing countries, particularly the least developed, were faced with problems in terms of their access to necessary medicine, and they encountered serious health problems in the form of HIV and AIDS. Not surprisingly, the deterioration of health conditions in the developing world emerged as one of the central issues in recent multilateral trade negotiations. In addition to pressures exerted by developing countries themselves, the demands of NGOs, both in the North and the South, were also important in articulating the demands of developing countries and drawing attention to the seriousness of the health problems that exist (Mayne, 2004). Thus, developed countries faced with multiple pressures have made certain concessions and have accepted the need for flexibility in developing countries' access to pharmaceutical products, despite the growing resistance of pharmaceutical industries in the developed world, particularly in the U.S (Maswood, 2006).

The inclusion of services in the WTO agenda also helped to generate resistance on the part of developing countries, both because of the adjustment cost that these new forms of trade liberalization involved and because of the uneven fashion such liberalization has been implemented. The General Agreement on Trade in Services (GATS), signed during the

Uruguay Round, is not as restrictive as the TRIPs agreement. According to the GATS agreement, it was up to individual members to define the sectors that are open to foreign firms, and interested parties had right to enter bilateral negotiations under this principle (Finger & Nogues, 2002). Hence, on paper, developing countries can take advantage of services liberalization by permitting access to firms that will provide services which are not properly provided in the countries concerned such as infrastructure, banking or education. In reality, however, the GATS agreement has placed enormous pressure on countries to open up many of their key services to intense competition from their superior developed country counterparts. Needless to say, in many areas, the developed countries' service sector dominates the world market, and national governments in the developing countries increasingly find themselves in the position of losing control and authority in the provision of many key social services. Moreover, service industries in the developing world, under pressure from developed countries and well-equipped TNCs, are faced with uneven competition in terms of attaining the necessary level of maturity and competitiveness in world markets (Wade, 2005).

The agreement reached in the Hong Kong Ministerial Conference on services liberalization has helped to create a confusing environment for developing countries. Intensified demands from the developed countries on the extension of services liberalization in new areas ended with a new formulation of the negotiation framework in services. The bilateral approach in services negotiations was replaced with a "plurilateral approach". According to the latter approach, a country has to be involved in the negotiations for the liberalization of a particular service's sector, if the interested parties request its participation. Consequently, developing countries would face further pressures from developed countries; governments and domestic firms in the developing world may well find themselves in a crisis

situation in terms of maintaining their control over highly sensitive areas of nationally provided services (Oxfam, 2005).

The failure to integrate “the free movement of services’ labor” phase into the WTO agenda clearly represents the unbalanced and unfair nature of the trade liberalization process in services. Unemployment constitutes an endemic problem in many developing countries. Hence, the free movement of labor in services would directly contribute to their development process, and the inclusion of services into the WTO agenda would be a mutual gain for all members. Yet, developed countries are reluctant to endorse any move on “free movement of labor in services” because they feel that this would create a large-scale migration to their own economies, causing both unemployment and deep sociopolitical challenges. This, again, represents a good case of what we call “asymmetric interdependence” in the sense that they take their own domestic sociopolitical constraints into account without showing the same degree of sensitivity to the more serious sociopolitical challenges confronted by the developing countries. Developed country negotiators are much better prepared and in a stronger bargaining position with respect to their southern counterparts; the implication of which is a pattern of asymmetric trade liberalization in services with costly consequences for the developing world.

During the negotiations in Hong Kong, the bargaining in informal meetings among the five interested parties in the area of services clearly reflected the asymmetric structure of the regime, in which least developed countries emerge as the real losers of trade liberalization under the WTO. Although Brazil and India took part in these informal negotiations as the representatives of their respective developing country coalitions, they conducted the negotiations based primarily on their own national interests. Free movement of highly skilled labor engaged in services is in the interest of India and, perhaps to a lesser extent, Brazil. Rather than pressuring for integration of free movement of labor into the contexts of trade

liberalization in services at the multilateral fora, India was engaged in a process of bilateral bargaining with the EU and the U.S. Consequently, the EU and the U.S. promised flexibility in the free movement of labor employed in services from India in exchange for India's acceptance of 2013 as the target date for the removal of export subsidies in agriculture and the application of Swiss formula in NAMA negotiations (Bello, 2005). As a result, the combination of the failure to integrate the "free movement of labor in services" phase into the WTO agenda and the inclusion of stricter rules in non-agricultural market access, as well as further "flexibility" concerning trade liberalization in agriculture, represented a negative outcome for the developing countries, particularly for the least developed ones.

Non-agricultural market access (NAMA) can be regarded as the final item on the WTO agenda that is of primary interest to developing countries. The basic objective in NAMA negotiations is to reduce border barriers in the goods that are outside the box of agricultural products. NAMA negotiations became an integral part of the Doha Development Agenda due to the persistent demands of developed countries. However, it should be stated at the outset that reduction or removal of tariff and non-tariff barriers will not necessarily place the developing world in a disadvantageous position if the rules of the game are fairly and effectively designed. The importance of South-South trade for developing countries is increasingly growing, and reduction in the trade barriers of non-agricultural goods would directly enhance expansion of South-South trade (UNCTAD, 2005).

Having this, however, as the current state of affairs in the NAMA negotiations raises the suspicions and objections of developing countries. Member countries have agreed on the application of the Swiss formula in NAMA negotiations at the Hong Kong meeting, but the method of coefficients was not clearly defined. Consequently, a difficult struggle will possibly take place between the developing and the developed countries in future negotiations on the modalities of NAMA agreement (Wilkinson, 2006). For instance, the application of the

simple Swiss formula would diminish the importance of special and differential treatment provisions for developing countries, particularly for the less developed ones, and for the first time, developing countries would be subject to equal tariff cuts with the developed countries. The final agreement on the NAMA modalities should show the direction of gains, and if the developed countries continue to preserve their existing stance, this will help to create an unfavorable environment for developing countries and the future trajectory of South-South trade. The collapse of negotiations at June/July meetings on the modalities froze the debate on coefficients, and this can provide further opportunity to the developing world in terms of preparing a more convincing set of proposals which would allow them to benefit from the overt clash of interests between the U.S. and the EU by forcing these two important parties to accept their own proposals in the application formula.

The final issue to draw attention concerns the process of agenda setting in the Ministerial Conferences. The unexpected results of the Uruguay Round decisions, and the growing burden of adjustment, created a discouraging environment for developing countries. Consequently, they persistently demanded a renegotiation of the problematic components of the Uruguay Round agreement (Finger & Nogues, 2002). At the same time, developed countries aggressively proposed new areas for inclusion to the agenda. In response to developed countries demands, developing countries strongly objected to discussion of new issues before solving the existing problems of the WTO regime, and the statement “no agreement is better than a bad agreement” became their main principle in trade negotiations. They have been successful in keeping labor rights and environment rules out of the WTO agenda, but the battle on Singapore Issues still continues. The so-called Singapore Issues consist of four pillars: transparency in government procurement, competition policy, investment and trade facilitation. During the Cancun Conference, the EU and the U.S. strongly pressed for the inclusion of the Singapore Issues in the WTO agenda, but the

collective standing of developing countries prevented the incorporation of these issues into the agenda, and the Cancun Conference ended as a total failure due to the failure of developed and developing countries to agree on these set of issues (Baldwin, 2006). The agreement in the context of the July 2004 package brought the conflicting parties into an implicit agreement on the Singapore Issues. With the exception of the trade facilitation pillar, the other Singapore issues were removed from the agenda of the Doha Round negotiations. From the perspective of developing countries, this was a considerable achievement in terms of influencing and shaping the agenda of trade negotiations. A successful conclusion of negotiations on trade facilitation that aim to decrease transactions costs in the movement of goods and to eliminate existing information barriers would generate considerable benefits to the developing world in terms of enhancing South-South trade and the advancement of technical and informational standards (ICTSD, 2005). Yet, there is still an ongoing clash between developed and developing countries with respect to the kind and the quality of technical and financial assistance to be made available in the context of trade facilitation. A continuation of a stalemate in this particular sphere of negotiations is likely to threaten the effective conclusion of Doha Development Agenda. Even though it was agreed to remove the negotiation of issues on investment, transparency in government procurement and competition policy from the Doha Round, these three issues will continue to constitute major possible threats in the aftermath of the Doha Round.

## **V. Concluding Observations**

Turning to the question of whether the current international trade order with the WTO at its center satisfies the requirements of a well-functioning international regime, our verdict is mixed. Certainly, the WTO is a much stronger institution than the GATT, which was primarily an intergovernmental negotiating forum with rather limited enforcement

capabilities. The current international trade regime contains a number of strengths which render a 1930s-style collapse extremely unlikely. Hence, the recent stalemates at Cancun and Hong Kong should not be seen as a sign of complete collapse since there is sufficient underlying consensus in the system to prevent a wholesale retreat from an open and multilateral trade regime. At the same time, however, the serious problems that the multilateral trade negotiations have encountered in recent years underline the fact that serious deficiencies exist and the current system tends to deviate significantly from a regime which would provide the basis for a broadly open, multilateral and at the same time fair international trade order.

Our analysis of the WTO regime in terms of our key criteria for effective international regimes points towards a number of weaknesses. In spite of the WTO's institutional strengths, the regime continues to be driven by the interests and actions of key nation-states raising considerable questions concerning the organization's autonomy as well as its accountability. The regime also suffers from the fact that there is too much flexibility in some areas, such as the continuation of agricultural protectionism in the North, with too little flexibility in others, such as the implementation of TRIPs agreement. This, in turn, creates a rather unbalanced structure of interdependence raising serious questions concerning the fairness of the current set of agreements. This also helps to explain the weak commitment on the part of the developing world to the WTO regime as it stands. Weak commitment, however, is not a problem which simply applies to developing countries. The United States in recent years has failed to display the kind of strong commitment to multilateralism that had been displayed previously during the early years of GATT in the immediate post-World War II period. Finally, the absence of explicit redistribution mechanisms is a serious problem in terms of establishing a fair and balanced international trade order. Transition periods are available; however, they tend to be applied in an uneven fashion. For example, transition periods have

been continuously extended for agricultural and textile protectionism while they have been implemented in a rather limited fashion in the case of intellectual property rights.

We would not predict a major change in the patterns of asymmetrical interdependence that we have outlined over the course of the next few years. Certainly, the international trade regime is likely to be characterized by considerable tensions and frictions involving not only developed versus developing countries but also intra-developed and intra-developing country conflicts. The emergence of powerful players from the South, such as China, India and Brazil, and their recent ability to present a coherent front is likely to aggravate the existing tensions. It remains to be seen, however, whether collective action on the part of the “Global South” will be sustainable and whether it will be able to address the underlying asymmetries of the system that we have identified.

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