



# *Reflections on Governance Adaptation by the South in Global Economic Institutions – Case Study of the WTO*

*Emerging Powers and Their Role in Global Economic Governance: Impetus for Reform*

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All statements are personal to the presenter and do not necessarily reflect the official position of the South Centre or its Member States.

## *The South Centre: Who we are*

- Intergovernmental organization serving as a think-tank for developing countries, based in Geneva, established in 1995 by treaty, currently 51 developing country Member States



Africa	Asia and the Pacific	Europe	Latin America and Caribbean
Algeria Angola Benin Burundi Cape Verde Cote d'Ivoire Egypt Gabon Ghana Liberia Libya Malawi Mali Mauritius Morocco Mozambique Namibia Nigeria Sierra Leone South Africa Sudan Tanzania Uganda Zimbabwe	Cambodia China India Indonesia Iran Iraq Jordan Korea D.P.R. Malaysia Micronesia Pakistan Philippines Seychelles Sri Lanka Vietnam	Serbia	Barbados Bolivia Brazil Colombia Cuba Guyana Honduras Jamaica Panama Suriname Venezuela
	=====	=====	=====
	<b>POLICY RESEARCH</b>	<b>OUTREACH</b>	<b>NEGO SUPPORT</b>
	=====	=====	=====
	Trade and development (WTO, RTAs)	Innovation and access to knowledge (WIPO, TRIPS)	Global governance (including FfD, environment, migration) (UN, BWIs, ILO, MEAs)



## *The South Centre: What we do and cover*

- Intergovernmental organization serving as a think-tank for developing countries, based in Geneva, established in 1995 by treaty, currently 51 developing country Member States

### What we do:

- policy research and advocacy (our thinktank role)
- policy-focused negotiating support for developing countries (our support the South role)
- “safe” venue for S-S informal and internal discussions on specific negotiating issues (our support the South role)
- outreach and dissemination of developing country perspectives (our South promotion role)

### What issues we cover:

- Trade for development – WTO, RTAs
- Innovation and access to knowledge – IPRs, TRIPs, WIPO, technology transfer
- Global governance for development – global institutional governance reforms (UN, BWIs, WTO); financing for development (including development cooperation, debt, tax justice); sustainable development and climate change



# Improving developing country participation in Global Economic Governance

*Calls to increase developing country representation and participation in:*

- Bretton Woods institutions
- United Nations (Security Council, ECOSOC, UNCTAD)
- International financial institutions (Bank of International Settlements)
- Standards-setting institutions (ISO, Codex Alimentarius)
- WTO

*Existing and new vehicles for global participation of developing countries*

- Institutions – G77 (economic, environment, political), Non-Aligned movement (security, human rights), G-24 (finance)
- Thinktanks - South Centre (intergovernmental); RIS, CASS, SAILA, agency thinktanks (national)
- S-S political/economic arrangements – IBSA, G-15, GSTP III
- S-S regional integration – ASEAN, Andean Community, SADC, ECOWAS, COMESA, CARICOM, SAARC, etc.
- Group-based action – informal coalitions and groups with regional, bloc-type, or issue-based characteristics (WTO, BWIs)



## **Stressing development perspectives and agenda in global economic institutions by developing countries:**

- World Bank – e.g. debate over development impact of Bank's assistance programs, quota reforms, management reforms
- IMF – e.g. debate over role in global surveillance of macro-economic financial imbalances, quota reforms, management reforms
- WTO – e.g. Having a development-oriented negotiated outcome – agriculture, NAMA, services, trade facilitation, special and differential treatment
- ECOSOC – e.g. strengthening oversight and coordination role of ECOSOC over global economic institutions, making development cooperation coherent and effective
- UNCTAD – improving negotiating and policymaking functions, critical policy analysis
- ISO and other standards-setting bodies – participation, consistency with and flexibility for developing country provisions
- BIS – participation of S in governance mechanisms

## Historical juncture - 2003 to 2008

- WTO – Cancun via Geneva and Hong Kong (Singapore issues, agriculture, NAMA, services)
- World Bank and IMF – quota and voice reform initiatives, debt payments allowed for release from conditionalities,
- WIPO – development agenda in IPRs
- ECOSOC – incremental strengthening with new functions (DCF and AMR)

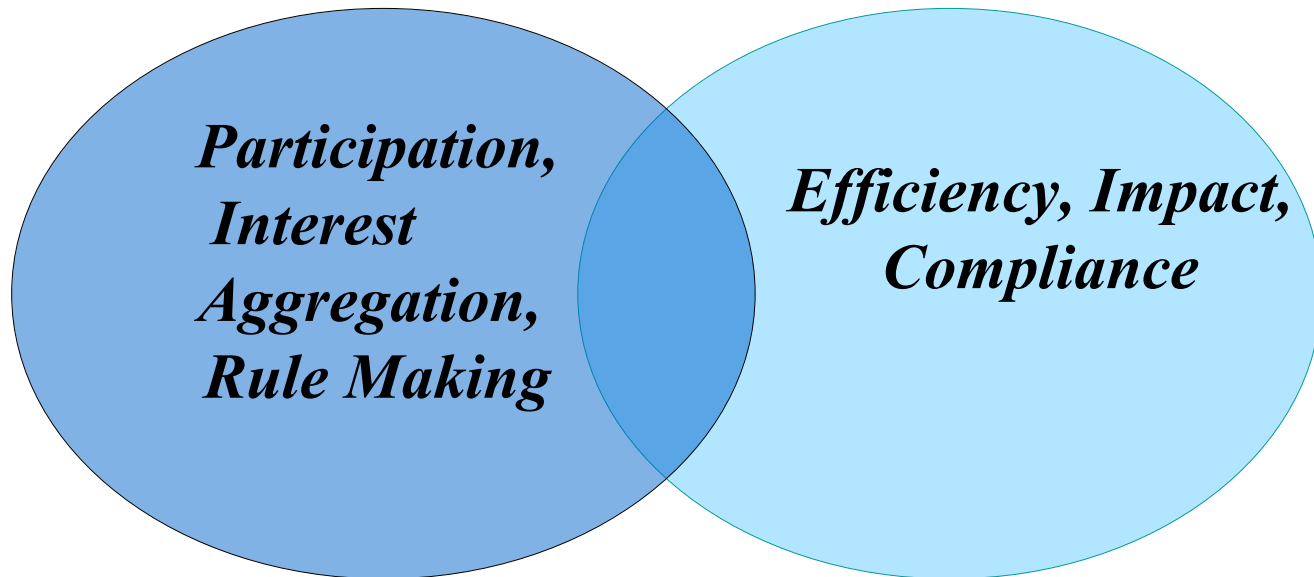
Recognition in official discourse of need to reflect developing countries in global economic governance and decision-making

Stronger sense of confidence and self-reliance by developing countries – BICSA as drivers and promoters of regional growth, alternative sources of development --> powered by strong economic growth

Developing country assertiveness backed up by:

- economic confidence
- increased S-S political solidarity on some issues
- confidence in utility of group participation

## *Governance, the WTO, and Developing Countries*



*Manfred Elsig, HEI/WTI, 5 Oct 2007*

Input Side

Output Side

## Imbalances militating against effective representation and participation of developing countries in WTO

- perceived and actual power imbalances
- negotiating capacity and resources – presence
- access to information and technical support
- substantive content of the negotiating agenda
- formal and informal process and governance failures – DG, Sect, chairs, rooms (E, F, Green, etc), mini-minis



## **Governance adaptation in the WTO: Developing country group action**

### **ideational shift**

- strong development policy-oriented thrust of the negotiating positions of the various developing country coalitions
- trade negotiations not simply about trade liberalization but also about development policy choices and flexibilities as part of the negotiated outcomes
- trade concessions are being linked to longer-term strategic development objectives and ideas

### **rational adaptation**

- Working together and forming coalitions is a rational adaptation response by developing countries to both the issue of negotiating constraints and the issue of being better able to advance their development agenda.
- increase their power and consequently their ability to influence outcomes despite the complexity of the issues and the political dynamics that occur in the negotiations



## shift in the ideational framework

The **increased use of group action** as a governance adaptation mechanism by developing countries in the WTO has **led to much more consistent, cohesive and clearly articulated shift in the ideational framework** with which developing countries view the WTO

--> WTO is an institution that is not simply about trade liberalization for trade liberalization's sake but more about putting in place the appropriate international trade policy regime that provides for sufficient development policy space and flexibility where needed.

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## **developing country groups and coalitions as negotiating cooperation vehicles in the WTO (1)**

- clearly defined substantive agenda as common basis for action
- improved intra- and inter-group day-to-day functional coordination and sharing of resources
- more strategic and improved tactical use of media and public projection
- more conscious linkage between political objectives (S-S solidarity) and negotiating practice

## **developing country groups and coalitions as negotiating cooperation vehicles (2)**

- becoming an integral and important part of current WTO governance
- become the de facto preferred response of developing countries to imbalances in power, process, and participation that existed in the GATT and which persisted into the WTO
- region-based or common characteristic-based groups (such as the African or ACP Groups for the former and the LDC Group for the latter) continue to be major vehicles for coalition-based action by many developing countries
- informal issue-based groups or coalitions such as the G-20, the G-33, and the NAMA-11 also now becoming the primary means for group-based action by developing countries

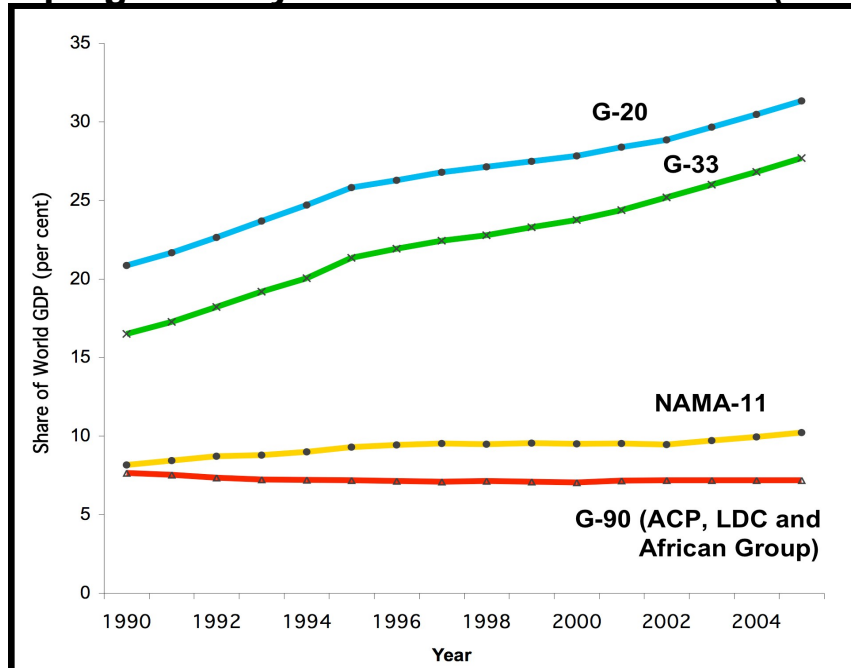
## **developing country groups and coalitions as negotiating cooperation vehicles (3)**

- Need for clearer operational articulation of substantive agenda --> G-20, G-33, NAMA-11, CGTF good with this; LDCs, African Grp, ACP Grp still having difficulties
- Need to be ready with pro-active alternative solutions and formulation that promotes substantive agenda – e.g. Ideas about SDT, NAMA tariffs, agriculture disciplines, etc.
- Need to improve capital-Geneva linkage on substantive issues
- Need to improve capacity of capital and other support institutions to support negotiating teams on real-time, day to day basis

## developing country groups and coalitions as negotiating cooperation vehicles (4)

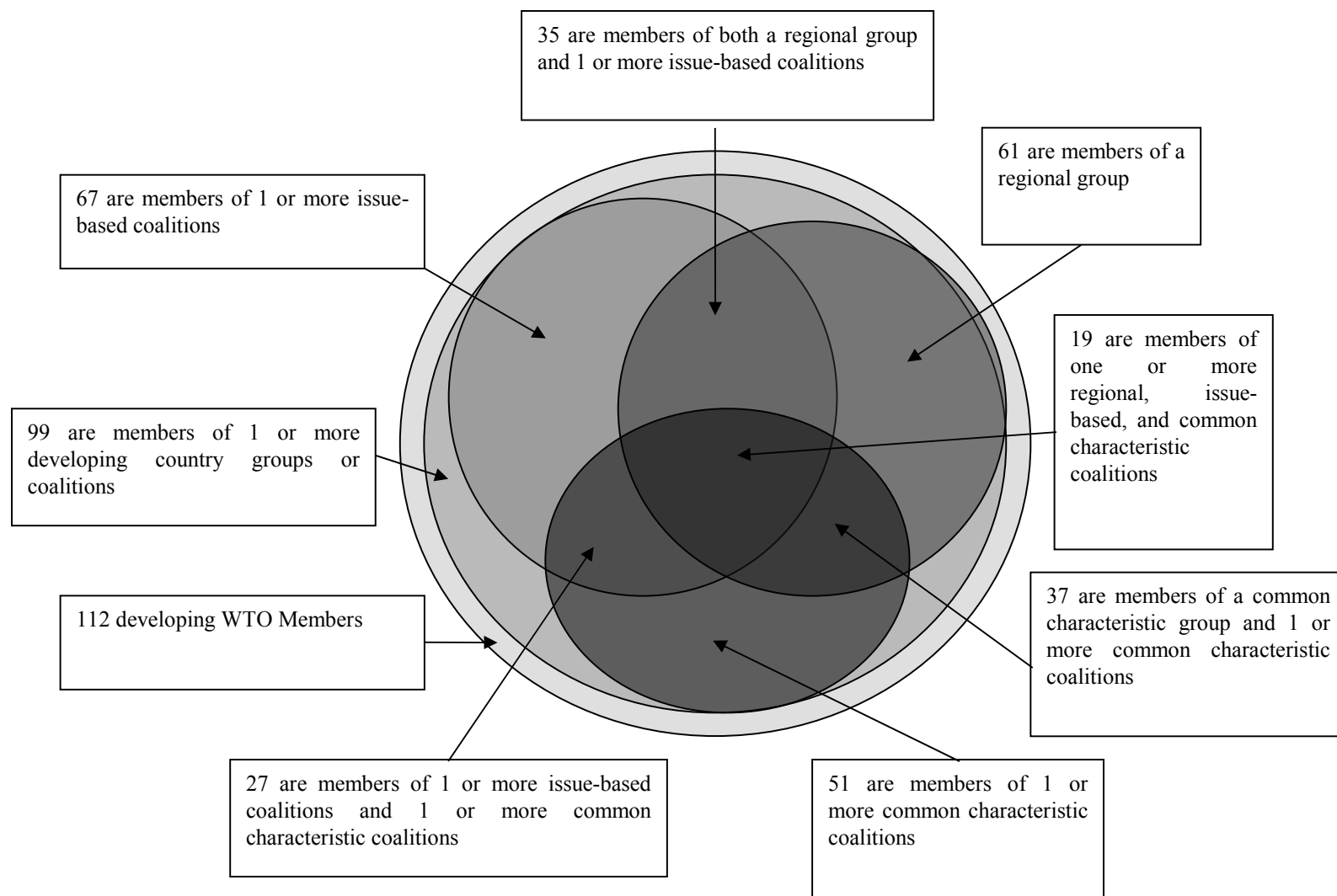
- utility and effectiveness not simply the result of combined market power but also by the political weight of the group – stemming from the WTO's consensus system

### Developing Country Coalition Market Shares (1990-2005)



Source: Patel (2007) compiled from World Bank Development Indicators, Sept 2006 edition

## Developing Countries in the WTO: Groups and Overlapping Memberships



## Developing Countries in the WTO: Selected Groups

A. Regional Groups or Coalitions	B. Issue-Based Coalitions	C. Groups or Coalitions Based on Common Characteristics
<ul style="list-style-type: none"> <li>• African Group</li> <li>• African, Caribbean, Pacific (ACP) Group</li> <li>• Association of South East Asian Nations (ASEAN)</li> <li>• Caribbean Community (CARICOM)</li> <li>• Pacific Islands Forum (PIF)</li> </ul>	<ul style="list-style-type: none"> <li>• Cotton-4</li> <li>• Core Group in Trade Facilitation (CGTF)</li> <li>• G-20</li> <li>• G-33</li> <li>• NAMA-11</li> <li>• Paragraph 6 NAMA countries</li> </ul>	<ul style="list-style-type: none"> <li>• Least-Developed Countries (LDCs)</li> <li>• Landlocked Developing Countries (LLDCs)</li> <li>• Small Vulnerable Economies (SVEs)</li> </ul>



## **Developing Countries in the WTO: Groups and BICSA involvement**

Brazil – G-20, NAMA-11

China – G-20, NAMA-11 supporter, G-33

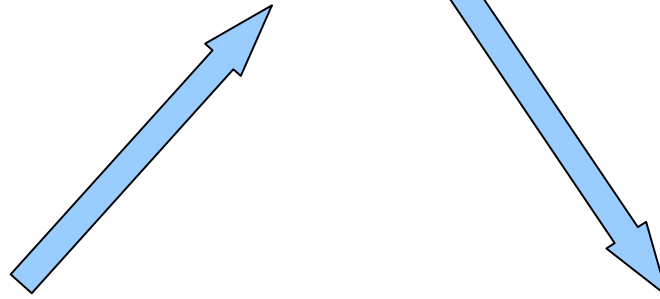
India – G-20, NAMA-11, G-33, CGTF

South Africa – G-20, NAMA-11, African Grp, ACP Grp, G-90

BICSA involvement in key developing country groups improves negotiating power and resources. LDCs and SVE groups also benefit as a result of inter-group supportv- e.g. G-90 + NAMA-11; G-90 + G-20; CGTF + G-90

## Result: Synergy between adaptive group action and shaping of substantive agenda in the WTO

- improvement in the extent of overall developing country participation in the WTO negotiations, albeit indirectly



- developing country issues relating to the need to have a strong development-oriented content now form part of the central negotiating agenda of the WTO

- a stronger ability to influence WTO decision-making on the part of developing countries

## **Current stalemate in WTO Doha negotiations**

- reflects clash of ideas between N and S over what the WTO should be about --> i.e. Trade liberalization vs. trade for development
- reflects impact of increased S-S cooperation and coordination in putting forward their own agenda --> developed countries no longer call the shots but developing countries also do not call the shots – not clear now who calls the shots in the WTO
- reflects continued developed country resistance to South agenda and improved South participation --> process and institutional failure to adapt quickly
- reflects need for more intensified S-S cooperation and coordination to have development-oriented impact on negotiated WTO outcome

## **developing country groups and coalitions as negotiating cooperation vehicles in the WTO**

- informal innovation in institutional governance in the absence of formal reforms
  - necessary first step in improving developing country participation and reshaping WTO governance
  - lessons learned can be exported to improve developing country group action in UN (G-77 and NAM), BWIs (G-24), and other global economic institutions --> agenda articulation, substantive preparation, group coordination and action
- > ideational shift + adaptive group action = improved participation and governance changes***

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**Where do we go from here?**  
**Developing countries in global governance (1)**

***ideational shift + adaptive group action = improved participation and governance changes***

- Need for developing countries, individually, regions, as a whole, to be **clear about their strategic long-term development agenda and goals and what policies and institutions are required** to achieve these in the context of new challenges and opportunities – global economic imbalances, climate change, widening N-S wealth gap, inappropriate or irrelevant institutions, search for alternatives
- BICSA **positive engagement with other developing countries** (especially within their respective regions) through adaptive group action crucial to generating legitimacy and support for BICSA actions – need to be sensitive to sovereignty concerns as well
- Multilateral activism and **engagement in global governance institutions (both formal and informal) needs to be based on good coordination and substantive preparation** among developing countries and their groups

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Where do we go from here?  
Developing countries in global governance (2)

***ideational shift + adaptive group action = improved participation and governance changes***

BICSA development experience, resulting in recognized role of BICSA as primary global governance actors, shows the way for other developing countries:

- **be self-reliant** - design and implement development policies according to what you need and using as much as possible your own resources; move away from dependency mentality; promote policy space
- **be strategic and pro-active** – know what you want to achieve and how to do it; be pro-active
- **be prepared** – understand what you need and prepare the groundwork for your actions and reactions; do in-country research and improve S-S collaborative research for cooperative solutions

## Where do we go from here? Developing countries in global governance (3)

*ideational shift + adaptive group action = improved participation and governance changes*

BICSA development experience, resulting in recognized role of BICSA as primary global governance actors, shows the way for other developing countries:

- **promote S-S cooperation and institutions, especially in own region** – S-S group action can be effective; improve and enhance existing groups in other institutions (G-77 – UN; G-24 – BWIs; regional mechanisms – ASEAN, SADC, etc.); strengthen S-S policy institutions (South Centre) and political initiatives (G-15, IBSA, etc.)
- **engage with developed countries on equal footing** – have own agenda; do not be co-opted; engage only when ready – do not be rushed
- **be creative, ready with alternatives and leadership** – alternative arrangements (especially S-S) should be considered and undertaken if needed



**THANK YOU**

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