

Trade Policy Briefing

The SAIIA Trade Policy Briefing Series is intended to elicit debate on critical issues relating to South Africa's overall trade strategy. The broad focus of the series is on the political economy of the international trading system and South Africa's strategic responses to it. This covers the full spectrum of our trade strategy, from the multilateral trading system, to strategic regional and bilateral partnerships, and particular issues within the trade agenda.

Anyone wishing to respond to or contribute articles should contact:

The South African Institute of International Affairs (SAIIA)

Tel: +27 (0)11-339 2021 (General)

Fax: +27 (0)11-339 2154

Email: info@saiia.org.za

www.saiia.org.za

VINCENTE PAOLO B. YU III, Programme Coordinator, Global Governance for Development Programme, South Centre, Geneva. For more information regarding this article, please e-mail: yu@southcentre.org or see www.southcentre.org.

The views expressed in this article are the author's and do not necessarily reflect the official views or positions of the South Centre, its Member States, or any other developing country.

This briefing forms part of SAIIA's research programme on the role of emerging powers in a changing world, funded by the Konrad Adenauer Foundation and SIDA.



ISSN Number: 1729-5815

No 19 January 2008

Reflections on Governance Adaptation by the South in the WTO

by Vincente Paolo B. Yu III

The South and Calls for Global Economic Governance Reform

Cognisant of the difficulties and imbalances that they face in participating effectively in various global economic institutions, developing countries have consistently called for governance reforms that would allow for their increased participation and representation in such institutions. These calls have been made in the context of, for example, the World Bank and the International Monetary Fund vis-à-vis voice and quota reforms, the UN Security Council with respect to its permanent membership, international financial institutions such as the Bank of International Settlements (BIS), international standards-setting organisations such as the Codex Alimentarius and the International Standards Organization (ISO), and in the WTO itself.

Parallel to these initiatives, developing countries have also been active in establishing mechanisms designed to improve both their ability to cooperate and coordinate with each other in these international institutions and to bolster their substantive capacity to participate. These include the long-standing institutions such as the Group of 77, the Non-Aligned Movement, and the Group of 24; the establishment of domestic non-governmental and intergovernmental think tanks (such as the Research and Information System (RIS) in India, the South African Institute of International Affairs (SAIIA) in South Africa, the South Centre in Geneva); the creation of South-South high-level political and economic arrangements such as the Group of 15,

the India-Brazil-South Africa (IBSA) Forum; the strengthening of regional integration mechanisms, such as ASEAN, SADC, Mercosur, etc.; and engagement in group-based action in negotiating forums (such as in the WTO).

In all of these initiatives, developing countries have been consistent in stressing that development should be the main focus for international cooperation and global action. The past few years of robust (although unequal) growth among many developing countries, especially among the big emerging economies of Brazil, India, China, and South Africa, have spurred an increasing sense of confidence, self-reliance, and optimism not only in terms of national prospects for development but also regarding enhanced South-South cooperation and the utility of working together in different institutions, such as the WTO.

WTO Governance and the South: Innovation and Adaptation

The WTO's institutional decision-making process, individual negotiating capacity limitations, and information asymmetries are, among others, constraints to the actual effectiveness and mode of participation by developing countries in the WTO's decision-making system. In response to these constraints, developing countries have increasingly turned to forming informal groupings or coalitions and to strengthening existing groupings with other developing countries. This response has been particularly evident since the launch of the WTO's Doha negotiations in late 2001.

Ideational Shift – Promoting a Development Agenda in the WTO

Today's coalition-building by developing countries in the WTO goes beyond being a mere behavioural change in response to their historical experiences or marginalisation in the GATT/WTO system. It can be argued that a fundamental ideational shift has indeed taken place in terms of how developing countries view the WTO, its role in their respective development processes, and their role as participants in its governance system. This shift underlies the basic negotiating positions of today's WTO developing country coalitions.

Developing country coalition-building in the WTO Doha negotiations is helped by the fact that the negotiating mandate established at Doha and further clarified in the July 2004 framework package provided them with both the moral and political basis for stressing the need to ensure that the negotiating outcomes support their articulated development priorities. The Doha negotiation's mandate on promoting developing countries' needs and interests gave developing countries the flexibility to establish a basic level of commonality of interests in many of the negotiating areas that later formed the basis for their groups' negotiating positions.

More than simply viewing the WTO as an international forum where trade concessions may be negotiated and exchanged, developing country coalitions now view the WTO as a forum in which the development implications of trade concessions will need to be considered as part and parcel of the philosophical moorings of and values underlying the multilateral trading system. This developing country insistence on viewing the WTO as not merely a trade institution but as a development and trade institution has been clearly evident in all of the ministerial conferences since Seattle in 1999, and indeed was instrumental in ensuring that the mandate of the Doha negotiations was a developmental one.

As a result, developing countries in the Doha negotiations now participate both directly – as individual members – and indirectly – as members of various groups or coalitions. In the major negotiating issues of agriculture, Non-Agricultural Market Access (NAMA), and trade facilitation, this trend is much more evident. The G-20, the G-33, the Non-Agricultural Market Access, the Core Group on Trade Facilitation, the

African Group, the ACP Group, the LDCs Group, the Small Vulnerable Economies Group, all have distinctly pegged their positions in the WTO to a clear ideational preference for linking negotiated concessions to their respective longer-term strategic development objectives and ideas.

Rational Adaptation – South-South Coalitions in the WTO

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.

Coalitions enable developing countries to pool together resources, find strength in numbers, be represented (directly or indirectly) in various negotiating formats, and have a vehicle through which they can influence the negotiating outcome. In essence, by working together in coalitions, developing countries in the WTO can 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. As one author has pointed out, a function of coalitions in multilateral negotiations 'is to give power to their members to help them achieve their objectives. A common platform, incorporating the minimal demands of each separate coalition member, is easier to handle and negotiate than the sum of individual items.'¹

There are studies on the kinds of collective action-focused coalition building that developing countries have undertaken in the WTO.² These have looked at the mechanics, internal dynamics, and the role that these coalitions play in WTO decision-making.

These studies all point to the same overall conclusion – developing country coalitions are becoming an integral part of WTO decision-making. They have 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. They help harness the power of numbers in favour of those who join the group, and help improve the negotiating ability of their members by allowing them to put together a more proactive and defensive negotiating position.⁴ As such, they are becoming the vehicles through which some of the worst aspects of such imbalances may be remedied on an operational basis

and through which developing countries can enhance their role in shaping decision-making.

They also represent a clear recognition on the part of developing countries that negotiating success in the WTO lies in improved levels and modes of coordination with other developing countries in order to secure more effective and active participation in the WTO decision-making process. Thus, developing countries have improved in their ability to establish and maintain their coalitions in the context of the WTO negotiations, and they have become more strategic in doing so.

Of the 112 WTO members who are commonly recognised as, or who ascribe to themselves the designation of, 'developing countries', 99 (or 88.4%) are members of one or more developing country groups or coalitions. Sixty-seven developing countries (or 59.8% of developing WTO members) have joined one or more informal issue-based developing country coalitions. Sixty-one developing countries are members of a regional group (including 35 which are also members of one or more issue-based groups and 37 which are members of one or more common characteristic groups). Fifty-one developing countries have joined one or more common characteristic group. Nineteen countries have membership in all three types of developing country groups or coalitions.

As can be seen, while 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 have now become the primary means for group-based action by developing countries.

These informal coalitions tend to be more proactive, making specific proposals instead of general statements towards negotiated issues. However, 'formal' groups such as the African Group and LDC Group were also very proactive on negotiations that dealt with special and differential treatment or on specific interests such as transit trade for landlocked developing countries.

The use of both formal and informal coalitions by developing countries as vehicles for their participation in the negotiations naturally leads to overlapping memberships. For example, all members of the African Group and the CARICOM are

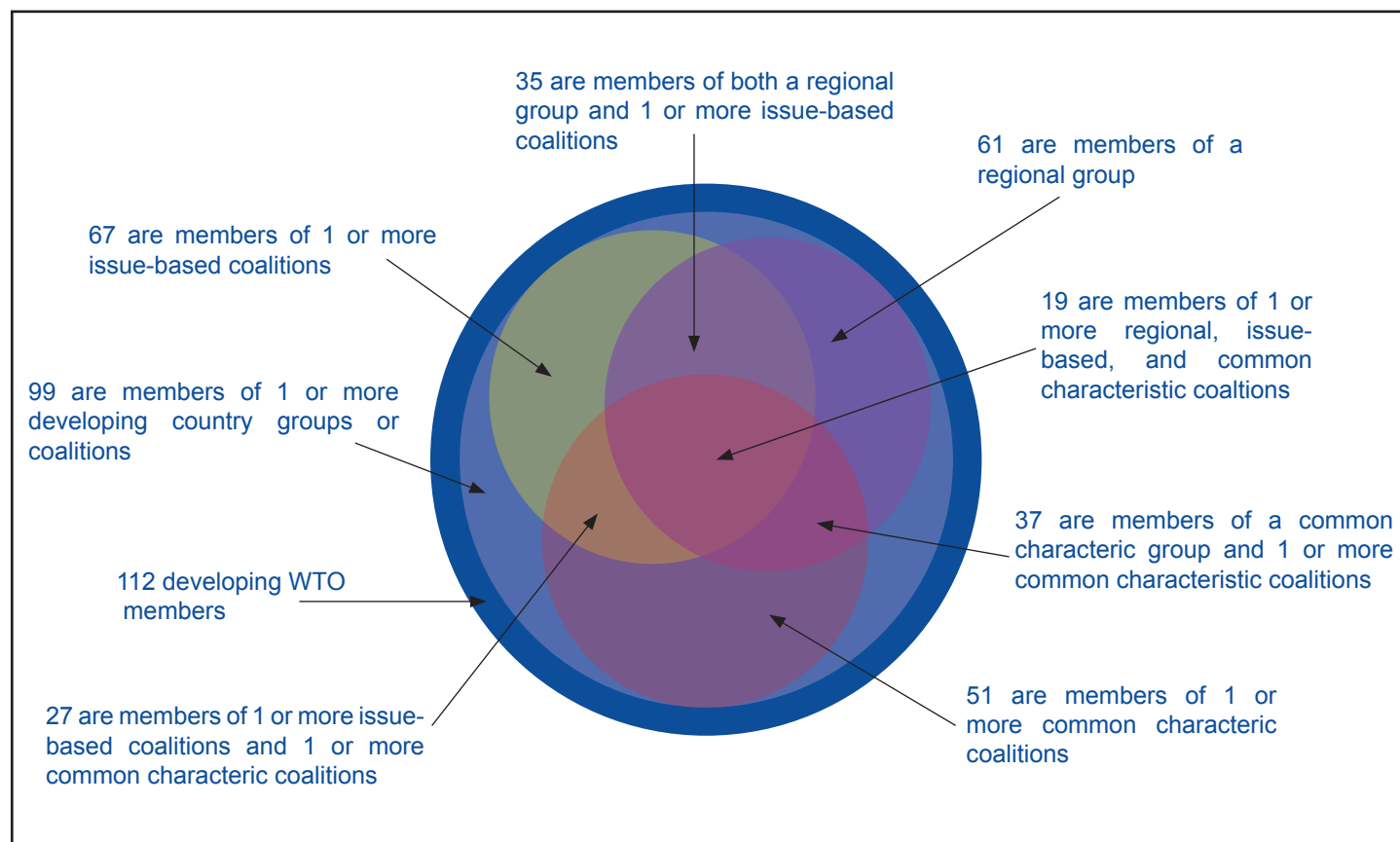
members of the ACP Group. All 32 LDC WTO members, except for Bangladesh, Cambodia, Haiti, Maldives, and Nepal, are also members of the ACP Group. Overlapping membership among the various developing country coalitions is prevalent as can be seen below:

into the WTO. The utility and effectiveness of developing country coalitions lie not simply in the result of the combined market power of their members but also in the political weight of the group.

Of course, problems continue to persist for many of these coalitions.

development implications of the policies that are negotiated under its auspices. The current stalemate reflects the impact of increased South-South cooperation and coordination in putting forward a development agenda.

This has created a situation significantly



As negotiating cooperation vehicles in the WTO, developing country coalitions now show, to one degree or another, the following characteristics:

- a clearly defined substantive agenda as their 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; and
- more conscious linkage between political objectives (e.g. South-South solidarity) and negotiating practice.

As such, they are becoming an integral and important part of current WTO governance mechanisms, having become the *de facto* preferred response of developing countries to imbalances in power, process, and participation that existed in the GATT and which persisted

While in many ways they have defined the broad parameters of their substantive development-focused negotiating agenda, there is still a need for clearer operational articulation of this agenda. Furthermore, more proactive alternative solutions and formulation that promotes their substantive agenda on various aspects of the WTO negotiations need to be crafted. There also continue to be challenges in improving the capital–Geneva linkage on substantive issues, and the capacity of capital and other support institutions to support negotiating teams on a real-time, day-to-day basis.

What we are now seeing in the WTO is a clash of ideas between developed and developing countries over what the WTO and its rules should be about – i.e. is it an institution purely about trade liberalisation or is it an institution that should also be concerned about the

different from that which existed during the Uruguay Round and up to the early years of the WTO – developed countries now no longer dominate WTO governance but rather, they have to engage seriously with the developing country membership. At the same time, change often breeds resistance, and this happens in the WTO as well. The current stalemate also reflects to a great extent continued developed country resistance to the South's development agenda and to improved and more effective Southern participation in the institution.

Governance Adaptation Lessons: WTO and Developing Country Coalitions

The rise and use of informal developing country coalitions in WTO negotiations can be seen as an informal innovation in

institutional governance in the absence of formal reforms. It is a necessary first step towards improving developing country participation and reshaping WTO governance. The lessons that can be learned from the WTO experience of developing countries with respect to agenda articulation, substantive preparation, group coordination, and common action, can be exported to help improve developing country group action in other global economic governance institutions such as the United Nations (G-77 and NAM), the Bretton Woods institutions (G-24), and other global economic institutions.

The innovation in WTO governance arising from developing country action – i.e. having an ideational shift about the institution and coming up with adaptive group action on the basis of such ideational shift – has resulted in improved participation and governance changes in the institution. These participation and governance changes include, for example, ensuring that key *de facto* representatives of major developing country groups are present in small-group negotiating formats; and, most importantly, the recognition that no decision can be made unless all major developing country groups have been consulted and their agreement obtained. Whether this will suffice for the long-term is another question. However, the following lessons might be worthwhile to keep in mind for developing countries:

- Developing countries, individually, as regions, and as a whole, need to be clear about their strategic long-term development agenda and goals and the policies and institutions required to achieve these in the context of new challenges and opportunities such as the current global economic imbalance, climate change, the widening wealth gap between developed and developing countries, inappropriate or irrelevant institutions, and the search for economic and institutional alternatives. This means that a creative, proactive and strategic approach to negotiations, formed on the basis of a clear agenda and idea about what is important for developing countries' development prospects, is a requisite to effective action;
- The positive engagement of the 'big' developing countries – i.e. Brazil, India, China, and South Africa – with other developing countries (especially

within their respective regions) through adaptive group action has been crucial in the development of strong developing coalitions. The willingness of a broad range of developing countries to work together in various formats and on various issues despite often divergent interests is another crucial factor;

- Multilateral activism and engagement in global governance institutions (both formal and informal) need to be based on good coordination and substantive preparation among developing countries and their groups;
- Developing self-reliance in the design and implementation of domestic development policies, the identification of trade and economic interests, and engagement with other developing countries is important. There must be a consciousness to engage with developed countries only on an equal footing, and having one's own agenda, without co-optation, and only when one is ready to engage;
- Effective action can only be undertaken on the basis of good preparation and a sound understanding of the issues involved, the political process used, and the dynamics that form the context for the negotiations;
- The promotion of South-South cooperation and institutions, especially at the regional level, can lead to effective South-South group action. This means that developing countries should improve and enhance their existing groups in other institutions such as the UN and the Bretton Woods institutions as well as their regional mechanisms, and strengthen existing South-South policy institutions (e.g. the South Centre) and political initiatives (e.g. G-15, IBSA, etc.).

Conclusion

To conclude, there has been a distinct change in the negotiating dynamics among WTO members since the late 1990s. Developing countries are working together in cohesive groups or coalitions based on their self-identified interests in a much better and more coordinated way as compared to, for example, the way in which they interacted prior to the Seattle Ministerial Conference in 1999. The development of more cohesive regional, cross-regional, common characteristic,

and issue-based purely developing country groupings in the run-up to the 2003 Cancun Ministerial Conference was followed by greater efforts on the part of these coalitions to work together more closely and in a more coordinated fashion both internally and with other groups.

The result has been a marked improvement in the extent of overall developing country participation in the WTO negotiations, albeit indirectly. A greater ability to influence (but not yet to determine) WTO decision-making is evident from the fact that 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. Whether or not this content will be effectively reflected in the final negotiated outcome will depend in many ways on the extent to which developing countries are able to strengthen their coalitions and work together even more effectively and strategically.

Endnotes

¹ Christophe Dupont, 'Negotiation as Coalition Building', *International Negotiation*, 1, 7-64, 1996, p. 49.

² See e.g. Amrita Narlikar, *International Trade and Developing Countries: Coalitions in the GATT and WTO*, 2003; Robert Wolfe, *New Groups in the WTO Agricultural Trade Negotiations: Power, Learning and Institutional Design*, CATPRN Commissioned Paper CP 2006-2, May 2006; Peter Draper and Razeeen Sally, *Developing-Country Coalitions in Multilateral Trade Negotiations*, 2005; Luisa Bernal *et al.*, *South-South Cooperation in the Multilateral Trading System: Cancun and Beyond*, South Centre TRADE Working Paper No. 21, May 2004, (hereafter Bernal *et al.*).

³ See e.g. India Trade Minister Kamal Nath's response to a question about the role of the developing country negotiating blocs. He explained that 'India's responsibilities as a leader of the G-20 bloc of countries did not constrain it in negotiations. Rather, representing the G-20 has guaranteed that India pursues a balanced deal because the G-20 itself groups together a broad range of offensive and defensive interests across different sectors. The positions taken by the G-20 already represent a compromise between the interests of many developing countries.' See <http://www.carnegieendowment.org/events/index.cfm?fa=eventDetail&id=1016&prog=zg&proj=zted>.