



# Trade Hot Topics

## Fit for Purpose?: The Multilateral Trading System and the Post-2015 Development Agenda

Rorden Wilkinson\*

### Background

While aspects of the final shape of the post-2015 global development framework have yet to be determined, it is clear that trade will play a major role. Both the May 2013 High Level Panel Report (HLPR) and the July 2014 Outcome Document of the Open Working Group (OWG) on the Sustainable Development Goals (SDGs) rely, to varying degrees, upon increased trade as a vehicle for driving forward the next phase of global development; and both see the successful conclusion of the Doha Round as key, albeit that subtle differences exist between the HLP and the OWG as to what precisely a successful conclusion to the round might constitute.

However, for all of the store held in trade it is not clear that the ambitions laid out in either the HLPR or the Outcome Document and the vehicle chosen for pressing forward that trade-led growth are commensurate with one another. For instance, significant questions exist as to whether: (i) the multilateral trading system led by the World Trade Organization (WTO) can act as a vehicle for substantially opening up trade; (ii) a successful

conclusion to the Doha Round can ever be brought about; and (iii) the WTO can serve as an effective partner in pressing for the kind of economic transformation that will produce the greater employment opportunities and more inclusive growth envisaged by both the HLP and the OWG.

This issue of *Commonwealth Trade Hot Topics* highlights some fundamental challenges pertaining to the multilateral trading system being an integral part of the post-2015 development agenda to generate the desired impact.

### The WTO and the post-2015 development agenda

Since its establishment in 1995 the WTO has yet to oversee the conclusion of a trade round. The closest members came to agreeing a multilateral deal—a provisional agreement concluded at the December 2013 Bali ministerial conference—was thrown into the breach at the end of July 2014 when yet another breakdown in discussions saw members fail to adopt the protocol on trade facilitation. Best guesses now suggest that if the round fails to produce a multilateral outcome, members will accelerate the negotiation of a series

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**Table 1: Trade Negotiation Rounds Under the GATT and WTO**

Date	Round	No. of contracting parties exchanging concessions
1947	Geneva	23 out of 23
1949	Annecy	33 out of 33
1950-1951	Torquay	29 out of 33
1956	Geneva	22 out of 39
1960-1961	The Dillon round	22 out of 42
1964-1967	The Kennedy round	37 out of 76
1973-1979	The Tokyo round	44 out of 84
1986-1994	The Uruguay round	123 out of 123
2001 on	The Doha Development Agenda	n.a.

of limited agreements—known as ‘plurilaterals’—that are sector and issue specific, and which involve only a limited subset of countries. These agreements may then be bound together into an overall package and called a ‘deal’.

Such a piecemeal conclusion to the Doha Round would not be without precedent. Plurilateral agreements were a defining feature of the Tokyo Round accords; and limited—that is, mini-lateral—concession exchanging formed the basis of four of the six bargains concluded prior to Tokyo (see Table 1). Indeed, in hindsight it may well be that the Uruguay Round with its universal single undertaking is the anomaly. Yet, the conclusion of a limited agreement that does not bind all members together in a development-focused trade-led growth agenda—precisely what the HLP and the OWG have in mind—would be suboptimal, perhaps deeply so.

#### Joined up global economic governance

It is not just the seeming inability of the WTO to oversee a successful multilateral trade deal that is problematic, however. It is the lack of any relationship or framework for action between realising globally agreed development goals (e.g. MDGs) and the multilateral trading system’s effective response. The WTO has not been centrally engaged in (what have turned out to be rather weak) efforts to forge a global partnership for development as had been envisaged by MDG 8.<sup>1</sup> What exists instead is: (i) a second order relationship wherein hope rests in the capacity of the multilateral trading system to deliver trade gains which may, in extension, help reduce poverty; and (ii) a strong

resistance within and beyond the organisation to the WTO being seen as a development institution.

The inevitable result might just be that in passing the trade baton to the WTO the HLP and the OWG may have consigned trade to the kind of ‘business-as-usual’ activity that the HLPR seeks to avoid precisely because it might not have utilised ‘the most effective tool to increase the development impact of trade’ as it had intended (HLPR, 2013: 1, 54). Indeed, unless a dramatic change occurs in the way trade openings are negotiated as well as in what deals comprise, the existing multilateral trade machinery will not enhance the chances of success of the post-2015 agenda.

#### Doha and the changing global economy

Certainly, as a forum for negotiating greater trade openness the WTO has fallen short. The Doha Round—now almost a decade and a half old—has staggered from one crisis to another and has resulted in little that is genuinely trade encouraging, particularly for the poorest and least developed. This has happened at the same time that profound changes in the nature of economic activity have taken place that have seen more goods and services traded up and down global production chains—many of which bypass the poorest—and wherein tectonic shifts in global economic geography have altered the power dynamics in the WTO. Not only have these changes cast doubt over the continued relevance of the original Doha mandate, dramatic differences of interpretation among WTO members threaten the very consensus on which the round was based.

## Self-interest and the multilateral trading system

Yet, the problems with the WTO are more than just about the problems members have had in negotiating meaningful trade openings—whether that is because of fundamentally different ideas about what the Doha Round was supposed to accomplish, the difficulties of pursuing greater liberalisation in markets wherein protection has already been significantly removed or where there is little political will (as in agriculture), or the innate complexity and difficulty of negotiating ‘behind the border’ (i.e. domestic) as opposed to ‘at the border’ (i.e. traditional point of entry) measures. The organisation is not a technocratic machinery that manages the flow of world trade to the gain of all involved. Rather, it is a fundamentally political institution the character of which is determined by the interactions of its member states. Certainly, the organisation has three other distinct ‘personalities’: an international bureaucracy comprising a dedicated secretariat; a body of international law and a quasi-judicial apparatus designed to interpret and enforce that law; and a centre-point for a collection of private actors concerned with trade (business groups, law firms, public intellectuals, think tanks and non-governmental organisations and the like). Yet, it is the nature of the interactions that occur among the member states and the bargains they produce that lend the organisation its essential character.

These interactions are not mere instances of co-ordination, collaboration and mutual assistance. They are at root adversarial encounters designed to leverage trade advantages that are of greater benefit to domestic rather than foreign interests. This is a somewhat obvious but nonetheless important feature to point out because it helps us see that the WTO is a forum in which competition among member states over trade advantages takes place and wherein the outcome of that competition forms the basis of the way trade is governed globally. It is not, as a result, a forum intrinsically designed to promote trade co-operation for redistributing gains in favour of the poorest.

Why does this matter? It matters because under such circumstances the global trading system will be unlikely to realise the kind of systemic transformations that the HLP and the OWG envisage, among others, to make a major contribution to the elimination of extreme poverty. Pitching member states against one another in

strategic games wherein few hard-and-fast rules exist, where all manner of strategies are deployed in pursuit of a deal, and where the bulk of negotiating takes place away from the scrutiny of others, inevitably produces asymmetrical bargains. These bargains, in turn, produce trade opportunities, rules governing the conduct of negotiations, and procedures for the administration of the system that affect all aspects of the system’s operation but which inevitably favour the interests of the strongest and most powerful.

Other aspects of the system are undoubtedly important—such as the dispute settlement system, trade policy review mechanism, and the technical and support services offered by the secretariat—but in themselves these are not going to drive forward the kind of trade opportunities the poorest, smallest, and least developed need. It thus remains the case that the primary means of governing global trade and of distributing trade opportunities is through the striking of bargains among 160 members all of which seek at a minimum to maintain their advantages and preferably to extend them.

## The consequences of bargaining among unequals

It is worth bearing in mind that organising a system of trade governance in this way has two effects. First, it ensures that negotiations will always be highly contested affairs and exude a propensity towards crisis and collapse. Second, in the absence of a clear preponderance of power, or a capacity to bring members together around specific and shared issues, negotiations will tend towards stasis—as they have in the Doha Round.<sup>2</sup>

Understanding that this is a system that generates outcomes and systems of rules that result from contestations between and among members varying dramatically in size, economic significance and negotiating capacity immediately calls into question suggestions that fair and equitable bargains can, or could ever be produced; and that

<sup>1</sup> Rorden Wilkinson, ‘The WTO, the UN, and the Future of Global Development’, *Future of the United Nations Development System Briefing*, No. 15, March 2014. Available at: <http://www.futureun.org/en/Publications-Surveys/Article?newsid=35>. See also Rorden Wilkinson and David Hulme (eds.), *The Millennium Development Goals and Beyond: Global Development after 2015* (London: Routledge, 2012).

<sup>2</sup> See Rorden Wilkinson, *The WTO: Crisis and the Governance of Global Trade* (London: Routledge, 2006).

the system could be an appropriate vehicle for pursuing the trade-led component of any development framework.

This matters because if we are serious about a post-2015 development agenda that really does make a material difference to the lives of the global have-nots and which, at a bare minimum eradicates extreme poverty then we should take the opportunity presented by the expiry of the Millennium Development Goals to set in motion a process of reform of *all* of our multilateral institutions and not just the WTO. A first step in this process is to recognise the current system for what it is.

### Inclusion and exclusion in brokering trade deals

Yet, before we can think about how a trade machinery can best contribute to the realisation of a meaningful post-2015 development agenda there are several other features of the way the multilateral system works that compound rather than attenuate worries about a form of governance predicated on bargains struck among unequals and which underscore the need for fundamental reform. Member states do not just come to the negotiating table varying dramatically in size and negotiating capacity and ability. Rather, the way negotiations are organised ensures those that are significant players in world trade—as major exporters and/or significant importers—have a seat at the negotiating table, while those that matter very little in terms of their overall share of world trade (i.e. almost all of the Commonwealth's non-industrial members) are excluded.<sup>3</sup>

At one level this way of organising negotiations seems only prudent. Why would states that have no apparent interest in negotiations on, say, high value electronic goods be invited to, or wish to participate in the negotiations? And why should states with only a miniscule share of world trade be centrally involved in negotiations that affect the largest and most significant traders? At another level, however, this practice is highly exclusionary. While it was always intended that any beneficial outcome of these small group negotiations would be conveyed to the wider membership under the most-favoured nation (MFN) provisions (via a process known as multilateralisation), at least two problems present themselves. First, this is piecemeal process of passing what are often untailored and incongruous market openings on to smaller developing countries with little thought to

their specific economic make-up. Second, the lack of developing (particularly small and least developed) country involvement in setting the tone and content of the negotiations inhibits their capacity to negotiate areas of interest to them as well as crowds out their capacity to have a say in the way trade is governed.

### The trouble with rounds

Matters have consistently been made worse by the use of 'rounds' as a vehicle for negotiating market openings. The problem here is that rounds are not 'blank pieces of paper', 'fresh starts' or 'year zeros'. Rather, each new negotiation unfolds in relation to the outcome of a previous round or rounds. This means that delegations approach any new round mindful of what has gone before, cognisant of any inequities that had resulted therein, and determined to improve upon any previous deal *relative* to the gains—perceived or otherwise—of their competitors. It is precisely because of this 'iterated' nature that the outcome of one round necessarily shapes the way future 'games' are played. For both developed and developing countries this inevitably means pursuing openings in new areas and sectors in which a deal was not, or was only partially reached during a previous round. It also provides an opportunity to rectify anomalies and imbalances from previous deals.

This iterated form of bargaining predictably accentuates the degree to which members are placed at loggerheads with one another. For developing countries, the asymmetry of previous rounds has ensured that they approach any new negotiation seeking to rectify past anomalies (and as time goes by, more determinedly so). While this position has also been the case for a number of industrial countries—as it was for the USA during the Kennedy round vis-à-vis the European Economic Community—their primary position has been one of seeking to protect sectors of decreasing competitiveness and political sensitivity as well as to open up new areas of economic opportunity. The problem is that in approaching a new round those seeking some kind of rectification are encouraged to agree to new concessions in return for remedial action. This is the logic of any bargaining-based system. Yet, it is because of this requirement to offer something in return for that which is received, coupled with existing power inequalities between participating states, that asymmetries in outcome have inevitably been perpetuated and exacerbated in

successive GATT/WTO rounds. The Uruguay Round is a good example of just this and provides the backdrop to many developing country positions in the Doha Round.

The point here is that the use of exchange as the mechanism of liberalising (and governing) trade among states of vastly different capabilities in institutional confines that have traditionally favoured the industrial states over their developing counterparts has produced bargains that are of dramatically different value to participating states (i.e. they are asymmetrical). As negotiations take place in bursts over time, the inequities of one negotiation influences others; and, as it is only in reciprocating for concessions received that a round can hope to reach a conclusion, it is only through a process of exchange that past anomalies can be redressed. Yet, it is precisely because each exchange is asymmetrical that as negotiations take place the imbalance of commercial opportunities among participating states is exacerbated rather than attenuated. While it may be the case that the least developed are often relieved of the requirement to reciprocate, this itself is not unproblematic precisely because their lack of significance in world trade excludes them from influencing in any way the shape of the negotiations.

The consequence is that one asymmetrical bargain has been produced after another. Yet, it is only when all of the negotiations are taken as a whole—that is, over the lifetime of the institution (and here we need to bear in mind that the WTO is a continuation of the General Agreement on Tariffs and Trade, GATT, *writ large* not a new institutional apparatus with substantively new ways of operating)—that the extent of the asymmetries of economic opportunity between developed and developing members can be appreciated. It is only when viewed in this way that we can appreciate how entrenched the imbalance in the distribution of trade opportunities has become.

### Where to from here?

If we are serious about the post-2015 development agenda then we need to begin reforming not just the WTO but also all of the institutions involved in ensuring that, as the HLPB puts it, we 'leave no one behind'. To do so requires a sixth transformation to add to the five that the HLPB outline (see Table 2). This transformation requires that we change our global mind-set and acknowledge we are all, as Thomas G Weiss puts it, 'in the same listing boat',<sup>4</sup>

**Table 2: The High Level Panel's 5 Big Transformative Shifts**

Leave no one behind
Put sustainable development at the core
Transform economies for jobs and inclusive growth
Build peace and effective, open and accountable institutions for all
Forge a new global partnership

Source: HLPB

that adversarial forms of business-as-usual governance wherein those that have the greatest and are the most able continue to predominate, while the rest scuffle for what opportunities they can muster are untenable, and that the negotiation of a post-2015 development agenda provides a unique opportunity to reform all of the institutions we have to govern the global economy.

If we eschew this task then we will be revisiting the same old questions in our discussions of the post-2030 development agenda, by which point what global economic governance we have will be 15 years older and even more entrenched and harder to reform as a result. More importantly the lives of countless millions will have gone unaffected at a time when we have the resources to make a difference but we choose not to do so.

<sup>3</sup> See Kent Jones, 'Green room politics and the WTO's crisis of representation', *Progress in Development Studies*, 9: 4 (2009).

<sup>4</sup> Thomas G Weiss, 'What happened to the idea of world government', *International Studies Quarterly*, 53: 2 (2009), p. 257.



# International Trade Policy Section at the Commonwealth Secretariat

This Trade Hot Topic is brought out by the International Trade Policy (ITP) Section of the Economic Policy Division of the Commonwealth Secretariat, which is the main intergovernmental agency of the Commonwealth – an association of 53 independent states, comprising large and small, developed and developing, landlocked and island economies – facilitating consultation and co-operation among member governments and countries in the common interest of their peoples and in the promotion of international consensus-building.

ITP is entrusted with the responsibilities of undertaking policy-oriented research and advocacy on trade and development issues and providing informed inputs into the related discourses involving Commonwealth members. The ITP approach is to scan the trade and development landscape for areas where orthodox approaches are ineffective or where there are public policy failures or gaps, and to seek heterodox approaches to address those. Its work plan is flexible to enable quick response to emerging issues in the international trading environment that impact particularly on highly vulnerable Commonwealth constituencies – least developed countries (LDCs), small states and sub-Saharan Africa.

## Scope of ITP Work

ITP undertakes activities principally in three broad areas:

- It supports Commonwealth developing members in their negotiation of multilateral and regional trade agreements that promote development friendly outcomes, notably their economic growth through expanded trade.
- It conducts policy research, consultations and advocacy to increase understanding of the changing international trading environment and of policy options for successful adaptation.
- It contributes to the processes involving the multilateral and bilateral trade regimes that advance more beneficial participation of Commonwealth developing country members, particularly, small states and LDCs and sub-Saharan Africa.

## ITP Recent Activities

ITPs most recent activities focus on assisting member states in their negotiations under the WTO's Doha Round and various regional trading arrangements, undertaking analytical research on a range of trade policy, emerging trade-related development issues, and supporting workshops/dialogues for facilitating exchange of ideas, disseminating informed inputs, and consensus-building on issues of interest to Commonwealth members.

## Selected Recent Meetings/Workshops Supported by ITP

5-6 May 2014: Regional Meeting on '*WTO and Post Bali Agenda*', held in Dhaka, Bangladesh

28-29 April 2014: Regional Meeting on '*WTO and Post Bali Agenda*', held in Accra, Ghana

24-25 April 2014: Regional Meeting on '*WTO and Post Bali Agenda*', held in Nairobi, Kenya

10-11 December 2013: Regional Workshop on '*South-South Trade and Regional Value Chains in Sub Saharan Africa*', held in Nairobi, Kenya

5 December 2013: WTO MC9 side event: *Panel Session on Integrating Trade Issues in Post-2015 International Development Framework*, held in Bali, Indonesia

4 December 2013: WTO MC9 side event: *Discussion Session on the Future of Aid for Trade*, held in Bali, Indonesia

3 December 2013: WTO MC9 side event: *UNCTAD-Commonwealth session on Reflections on Global Trade: From Doha to Bali and Beyond*, held in Bali, Indonesia

25-27 October 2013: International Conference on '*Upcoming Ninth WTO Ministerial in Bali: Securing the LDCs Deliverables*', held in Dhaka, Bangladesh

25-26 September 2013: *ACP Brainstorming Meeting on the 9th WTO Ministerial Conference and the Post-Bali Framework*, held in Geneva, Switzerland

2-4 September 2013: *6th South Asia Economic Summit (VI SAES)*, held in Colombo, Sri Lanka

## Selected ITP Publications

- Razzaque, M.A. and Te Valde (eds) (2013). *Assessing Aid for Trade: Effectiveness, Current Issues and Future Directions*. London: Commonwealth Secretariat.
- Jones E. (2013). *Negotiating Against the Odds: A Guide for Trade Negotiators from Developing Countries*. London: Palgrave MacMillan.
- Mayeda, G., Simons, P. and VanDuzer, J A. (2013). *Integrating Sustainable Development into International Investment Agreements*. London: Commonwealth Secretariat.
- Commonwealth Secretariat. (2011). *Potential Supply Chains in the Textiles and Clothing Sector in South Asia: An Exploratory Study*. London: Commonwealth Secretariat.
- Macrory, P. and Stephenson, S. (2011). *Making Trade in Services Supportive of Development in Commonwealth Small and Low-income Countries*, Economic Paper No. 93. London: Commonwealth Secretariat.
- Trepte, P. et al. (2011). *Trade effects of Rules on Procurement for Commonwealth ACP Members*, Economic Paper No. 92. London: Commonwealth Secretariat.
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- Cali , M., Razzaque, M. A. and Te Velde, D. W. (2011). *Effectiveness of Aid for Trade in Small and Vulnerable Economies*, Economic Paper No. 91. London: Commonwealth Secretariat.
- Cali , M with Kennan, J (2010). *The Global Financial Crisis and Trade Prospects in Small States*, Economic Paper No. 90. London: Commonwealth Secretariat.
- Milner, C., Morrissey, O. and Zgovu, E. (2010). *Policy Responses to Trade Preference Erosion: Options for Developing Countries*. London: Commonwealth Secretariat.
- Jones, E., Deere-Birkbeck, C. and Woods, N. (2009). *Manoeuvring at the Margins: Constraints Faced by Small States in International Trade Negotiations*. London: Commonwealth Secretariat.
- Razzaque, M. A. (ed) (2009). *Trade, Migration and Labour Mobility*. London: Cameron May.
- Srinivasan, T N (2009). *LDCs, Landlocked Developing Countries and Small States in the Global Economic System*. London: Commonwealth Secretariat.
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- Grynberg, Roman and Newton, Samantha (eds) (2008). *Commodity Prices and Development*. Oxford University Press.
- Milner, Chris (2008). *Trading on Commonwealth Ties: A Review of the Structure of Commonwealth Trade and the Scope for Developing Linkages and Trade in the Commonwealth*. London: Commonwealth Secretariat.
- Turner, L (2008). *Quantifying Aid for Trade: A Case Study of Tanzania*. Economic Paper No. 82. London: Commonwealth Secretariat.
- Qalo, Veniana (ed) (2008). *Bilateralism and Development: Emerging Trade Patterns*. London: Cameron May.
- Grynberg, Roman and Bilal, Sanoussi (eds) (2007). *Navigating New Waters: A Reader on ACP-EU Trade Negotiations*. London: Commonwealth Secretariat.

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- Multilateral trade negotiations – specific issues for LDCs, SVEs and SSA
- The development impact of the Doha Round on least developed countries (LDCs)
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- Implementation of the Istanbul Programme of Action for LDCs
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