



## Introduction: making global trade governance work for development

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In a world where the vast majority of nations are developing countries and a significant proportion of their population lives in poverty, ensuring that international trade supports development is one of the greatest challenges for global governance.

Over the past decade, development issues have properly emerged as a central concern of international trade negotiations. Yet, considerable dissatisfaction remains with the degree to which development concerns, and broader issues of sustainable development, are addressed in practice. This dissatisfaction has two core dimensions.

On the one hand, developing countries complain of an enduring failure of trade liberalization and trade rules to adequately reflect their development priorities. The challenge of linking trade and development has spurred a vast literature by researchers in universities, think tanks, business associations, intergovernmental organizations (IGOs) or non-governmental organizations (NGOs) around the world. Their contributions range from grand theorizing on development strategy, to assessments of the development impacts of trade, and technical briefings on development-friendly options for specific topics of trade negotiation.

On the other hand, there are persistent complaints about how the global trade agenda and the content of trade rules are forged and implemented – that is, about how the work of governing global trade is conducted. This book takes up this second challenge – how to make the *governance* of global trade work better for development.

The motivation for this edited volume is that scholarly discussion of the governance of global trade and institutional reform of the World Trade Organization (WTO) (and indeed of the global economy more broadly) is dominated by developed country scholars and opinion-makers, with too little attention to developing country perspectives.

To address this shortfall, *Making Global Trade Governance Work for Development* has a unique focus on developing country priorities and

perspectives. It draws together views from twenty-eight scholars and practitioners, who offer empirical evidence, theoretical explorations and practical insights about the trade policy-making process. Whether radical or pragmatic in their critique of the trading system, four perspectives unite the contributors.

First, the contributors concur about the importance of international trade and effective trade policy for economic development. Second, they affirm that *how* global trade is governed matters for developing countries and specify key problem areas. The contributors all emphasize the need for governance and regulatory frameworks that are structured to better account for development needs and the voice of developing countries. Third, the contributors demonstrate a common willingness to provide constructive, concrete proposals for how global trade governance could work better for development. Their proposals range from a focus on incremental improvements to calls for a more fundamental overhaul. In so doing, the contributors reflect on political strategies for achieving change and what this requires of rising powers, weaker countries, social movements and developed country governments. Fourth, the volume's contributors acknowledge the changing dynamics in the global economy and in trade decision-making, and explore what this means for how developing countries should organize themselves to better influence the governance of global trade.

## 1 Origins of this book and methodology

This volume is an output of the project on Global Trade Governance at the Global Economic Governance Programme (GEG) at the University of Oxford.<sup>1</sup> The goals of the project's work on trade are to reframe the research agenda on the governance of global trade so that it better addresses development and sustainability; respond to research priorities voiced by policy-makers from developing countries; and improve the profile of developing country perspectives. Within this framework, GEG's activities have included substantive new research as well as iterative engagement with developing country experts, scholars and policy-makers through lectures held in Geneva and Oxford, research seminars, brainstorming meetings,

<sup>1</sup> GEG's work on trade has been supported by the Ford Foundation, the Geneva International Academic Network (GIAN), the Macarthur Foundation, the International Development Research Centre (IDRC), the Old Members of University College and the Commonwealth Secretariat.

interviews, and regional seminars co-hosted with research institutes in China, India and Brazil.<sup>2</sup> This book represents the culmination of an effort to identify core problems and priorities, and to build a research and policy agenda on global trade governance on that basis.

In choosing contributors for the book, the emphasis was on combining scholarly expertise and real-world knowledge of the global politics of trade policy-making. Many of the ‘big names’ on the political economy of trade and development devote only occasional attention to governance issues, often in favour of providing strategic guidance or practical advice on the immediate technical dimensions of negotiations. Scholars engaged in ‘big-picture’ conceptual discussions of global governance often lack practical understanding of the trade arena. I wanted to avoid the peculiar and irritating tendency for trade negotiators and lawyers to assume that only they are sufficiently versed in the technical minutiae of trade to offer a credible view on the challenges trade governance faces and on the desirability and possibilities of reform. Indeed, the reification of the ‘complexity of trade rules’ and technocratic thinking that prevails among trade experts make trade an unwelcoming terrain for many of the brightest thinkers on global governance and North–South politics.

The contributing authors to this volume include senior officials and experts from international organizations (such as the WTO, the United Nations Conference on Trade and Development (UNCTAD), the UN’s regional economic commissions, the World Bank and the Commonwealth Secretariat), government (including former Ministers and Ambassadors), international NGOs and academia. Their experience includes assisting developing countries in trade negotiations, advising the private sector on trade matters, facilitating civil society engagement in trade policy-making and supporting developing country engagement in trade-related litigation. No other book on trade governance brings together such a diversity of expertise and analytical perspectives, from Marxist scholars and heterodox development economists to committed

<sup>2</sup> In this work, we benefitted from partnerships and informal interactions with a range of research centres and organizations, including the Center for Trade and Economic Integration at the Graduate Institute of International and Development Studies, the South Centre, the Institute for Governance and Sustainable Development (IGSD), the International Centre for Trade and Sustainable Development (ICTSD), the Commonwealth Secretariat, Third World Network (TWN), the Latin America Trade Network (LATN), China State Council’s Development Research Centre (DRC), the Center for International Governance Innovation (CIGI), the Evian Group, the EDGE Network, Brazilian Centre for International Relations (CEBRI) and the Indian Council for Research on International Economic Relations (ICRIER).

free traders. A further aim was broad geographical diversity. The contributors gathered here thus hail from Latin America and the Caribbean (Colombia, Venezuela, Argentina, Brazil, Mexico, St Lucia, Jamaica), Africa (South Africa, Uganda), the Asia-Pacific region (Hong Kong/China, South Korea, the Philippines, India, Pakistan), Europe (United Kingdom, Ireland, France, Germany), North America (Canada) and Australia.

This book offers a broad definition of global trade governance as comprising the set of processes, principles, norms and institutions through which rules and practices for managing global trade are generated and implemented. The subject matter treated in this book includes multi-lateral, regional and bilateral trade agreements as well as their dispute settlement provisions, and the work of international institutions like the WTO and UNCTAD. Within that framework, the contributors to this volume were asked to consider the following four sets of questions:

1. What are the challenges that developing countries and sustainable development face in the governance of the global trading system? How are these linked to the broader problems of global economic governance?
2. How do the challenges and priorities in respect of global trade governance differ among and within regions, and between developing countries? What are the roles and responsibilities of rising powers in global trade governance?
3. How could the governance of the global trading system work better to address the constraints developing countries face?
4. What are the political obstacles to making global trade governance work better for development, and what strategies would progress require?

For each of these questions, I proposed specific chapter topics based on the practical concerns and proposals that emerge in policy debates on trade reform. Each chapter was peer-reviewed by at least one scholar and policy practitioner.

This book is intended for policy-makers, stakeholders, scholars and commentators engaged in debates on global economic governance, the WTO, international political economy and development. It will be of interest to students in the area of political science, global politics, international law, international development, sustainable development and geography. In the global policy community, the analysis in this book also addresses staff of international organizations, negotiators based in

government missions to the WTO and the United Nations, NGOs, as well as capital-based policy-makers and stakeholders.

This introduction continues in three parts. Section 2 outlines the place of this book within scholarly and policy debates on trade governance and development (my concluding chapter provides a fuller exposition of this context and the relevant scholarly literature). Section 3 provides a brief note on the scope of the book and Section 4 introduces the book's structure and each of its chapters.

## 2 The state of debate on global trade governance and development

This book is published at a time of renewed interest in how the global economy is governed and the need for a greater say on the part of developing countries. The push for greater developing country influence is not novel. Interest in the relationship between trade and development – and the challenge of ensuring that the architecture and processes for global trade governance support development – has its roots in long-standing developing country efforts at the UN, the Bretton Woods Institutions and the General Agreement on Tariffs and Trade (GATT) to forge a more equitable international economic order. Developing countries have long argued that current trade arrangements are skewed toward the needs of developed countries with inadequate attention to developing country priorities. They have argued that decision-making is dominated by large powers, marginalizing the majority of developing countries, and that power asymmetries frustrate their efforts to devise rules that would help them reduce poverty and achieve the economic growth that developed countries also rely upon for their prosperity.

As global economic dynamics change, the context for debates on global trade governance is evolving. The publication of this book comes at a time when the developing country share of global trade is expanding. Collectively, developing countries contributed 50 per cent of global growth in 2010, and represented the fastest growing share of international trade, especially due to the growth rates of China, India and Brazil. Developing country demand for imports, for instance, is rising twice as fast as that of high income countries. The proportion of global trade that takes place among developing countries (i.e. South–South trade) is also growing and now accounts for one-third of global trade. The importance of trade – both imports and exports – to developing country economies means, however, that their trade interests were particularly heavily impacted by

the 2008–10 global economic crisis, most notably by the worst collapse in trade in seventy years, the contraction of affordable trade finance, protectionist pressures fuelled by macroeconomic imbalances and tensions over exchange rates. And, developing countries as a group remain faced with vast challenges of poverty, income inequality and the impacts of intersecting crises in the areas of food security, energy, climate and the environment.

The growing economic significance of developing countries in global trade also has political implications. As the developing country share of trade and the degree to which their economies depend on trade increase, whether in goods, services or knowledge, their interest in shaping the rules and processes of the trade system is reinforced. The rise of the emerging trade powers and the strategic use of coalitions by developing countries has yielded new power dynamics in trade negotiations, and fuelled debates on the voice and responsibilities of emerging powers in global governance, including to poorer developing countries. For the weakest and smallest developing countries, which often rely on a narrow set of goods and services for export, preferential arrangements for market access, and/or are heavily dependent on selected imports, concerns about the representation of their interests in trade rules and negotiations persist.

The analysis offered in this book builds on a large body of literature and many years of intense broad-ranging policy debate at the UN and the WTO and among stakeholders on how to improve the global trading system. A diversity of civil society groups, scholars and governments has raised concerns about global trade governance and voice frustration with the efficiency, transparency, fairness and inclusiveness of decision-making processes. While there is considerable developing country interest in trade global governance (as we will see throughout this book and especially in its concluding chapter), the visibility of their perspectives in scholarly debates on trade governance has been relatively weak. There is, however, a growing body of research on trade governance from IGOs, NGOs, developing country research centres and a number of developing country think tanks and universities, as well as from developing country negotiators and senior international officials reflecting on their own experiences.

Importantly, the trade governance debate is far broader than development issues, which have not traditionally been the major focus of most of the literature on trade governance matters.

Beyond broad treatises on the political economy of the global trading system and international trade negotiations, the governance discussion has focused on the proliferation of bilateral and regional trade and investment agreements, and their relationship with the multilateral trading system; the interplay between the key international institutions involved in global trade governance (e.g. the WTO, UNCTAD, the International Financial Institutions (IFIs) and various UN bodies); and the complex intersections between trade agreements and a range of international legal regimes and instruments (on issues ranging from the environment to human rights and labour standards). Debates on the 'trade-and' issues have been supplemented by concerns about the transparency of trade agreements and opportunities for public participation in trade policy-making, which in turn have spawned a vast literature on the concepts of democracy, legitimacy and sovereignty in the trade arena and critical concerns about the influence of larger multinational corporations on trade policy-making. There has been focused interest on particular functions of the international trading system, including proposals for new approaches to trade negotiations; improvements to the WTO's dispute settlement system; better monitoring and transparency of national implementation of international trade rules; greater attention to assessment and evaluation of the impacts of trade agreements; and for strengthening the 'missing middle' of trade governance – those spaces for policy deliberation and strategic thinking – and for the regular work of administering international agreements. There is also interest in the appropriate scale and role of the WTO and UNCTAD Secretariats. The political salience and public attention to particular items on the 'reform' agenda have waxed and waned over time as have debates about how much and what kind of change is necessary, desirable or possible.

A considerable focus of debate on global trade governance has been the WTO, the leading multilateral institution for global trade. In the fifteen years since the WTO was established, the issue of institutional reform or 'strengthening' – whether it is needed, in what form, and through what kind of process – has been an ever-present issue for the organization and its Member States.

At the WTO, and beyond, there have been significant evolutions in how the trading system is governed (see, for instance, Box 21.1 in the concluding chapter to this book). The WTO has demonstrated that it is a dynamic institution – the approach to negotiations has changed as the political leadership of the Secretariat and of delegations has been replaced. Endeavours such as the Aid for Trade initiative have significantly altered



the governance landscape as it deepens the formal engagement of UN agencies and IFIs in trade governance and strengthens what was formerly a far narrower function of the multilateral trading system. Beyond the WTO, the trade governance arena is not static. In addition to FTAs (Free Trade Agreements), regional integration efforts among countries, partnership agreements and cooperation efforts abound.

Of course, the degree of satisfaction with such changes varies widely, as do political analyses of the motivations behind and impact of these changes. As Doha fatigue and exasperation have mounted, interest in trade governance has increased. The WTO's 2009 Ministerial Conference illustrated considerable interest across the WTO's 153 members in more systematic discussion of how to strengthen the institution. Further, with the emergence of the G20 Leaders' Summits, questions about the intersection of the varying intergovernmental organizations, such as the WTO, and questions between them and smaller-group innovations, have also emerged in the trade arena.

For those interested in trade governance and development, a number of questions are on the agenda. Are we seeing a fragmentation of developing country solidarity in global trade negotiations? To what extent does the rise of developing country coalitions solve the much-maligned representation deficits? How significant are the opportunities for greater South–South cooperation and what are the governance implications? What is the role of developing country citizens in the global trading system? How far can global challenges related to the environment and social justice be addressed in the trading arena? To what extent can the WTO be a development institution? How can greater coherence between the finance, development assistance, debt and trading components of the international system be fostered around development goals?

Broadly speaking, development-oriented contributions to the governance reform debate fall into four areas. A summary of the existing literature in each of these areas is provided in the conclusion to this book. Briefly, the first emphasizes the importance of placing global trade governance in the context of broader debates on global economic governance and socio-economic development, and ensuring a coherent approach grounded in an appreciation of development strategy. It examines opportunities for developing countries in a range of different trade arrangements, including those of the WTO and UNCTAD as well as South–South cooperation, international commodity agreements, bilateral FTAs and regional integration initiatives.



The second area of study explores expectations about roles and responsibilities of developing countries in trade governance, as well as the diversity in their priorities and strategies depending on their size and levels of development. Here, a vast number of cross-cutting issues emerge ranging from concerns about the links between trade and poverty alleviation, industrial strategy and competitiveness, to issues related to labour standards, migration, exchange rates, the food crisis, climate, fisheries, access to trade finance and capacity-building for trade.

The third theme focuses on proposals for strengthening multilateralism in global trade and priorities for WTO reform. Here, core concerns have been the operationalization of the principles guiding the WTO (such as special and differential treatment) and a review of its functions, to boost developing country engagement in negotiations and dispute settlement, as well as improve the usefulness of WTO monitoring and capacity-building to developing countries.

Fourth, considerable attention has been devoted to the vexed issue of fairness in the trade negotiating process, complaints about power asymmetries and inadequate representation of developing countries, and the difficulties poor countries face in securing benefits from their participation in the global trading system.

In each of these areas, proposals for improvement – and sometimes radical change – have been offered. A cross-cutting theme has been reflections on strategy in terms of ultimate objectives and approaches to achieving change. In addition to sometimes very detailed technical proposals for improvements to processes and institutions, pessimism among some critics about the prospects for progress in the face of overwhelming power dynamics is matched by the determined optimism of others about the potential to harness the collective political power of developing countries. For some, progress will only be possible with a substantial increase in the scope for political debate within international processes on trade governance. For others, hope lies beyond developing country governments with social movements, civil society groups, the poor and the marginalized pushing ‘from the bottom up’ for more radical changes.

### 3 Scope of this book

While the emphasis of this book is on governance rather than the rules of trade, individual topics of trade policy or negotiations under way in the Doha Round, these distinctions can be blurred. For many analysts, the

question of *what* is on the global trade negotiations agenda (i.e. the scope of agreements and negotiations) is a core governance issue (in addition to questions of *how* that agenda is formed and advanced). In practice, the institutional and procedural aspects of how rules should be made, implemented and adjudicated are often difficult to separate from discussion of the substance of trade arrangements – the principles and norms they should uphold, the goals they should advance (e.g. sustainable development) and the form they should take. For instance, many authors in this book emphasize the importance of key trade principles such as SDT for developing countries – and their operationalization in trade agreements – as an integral part of trade governance. Further, some topics covered in this book are simultaneously the subject of the Doha negotiations (e.g. reform of the WTO's Dispute Settlement Understanding (DSU) and rules related to Regional Trade Agreements).

The discerning reader will find gaps in the coverage of the book and missing issues. The book is weaker on non-Anglophone and on African perspectives (despite efforts to include such contributions), and within each region perspectives or emphases may differ from those offered here. The book does not purport to capture or address comprehensively the full range of issues or perspectives that emerge in discussions of global trade governance and development. Indeed, such an endeavour would require many volumes. Rather, the intention is to offer a 'reader' that provides a taste of the diversity of developing country views and priorities and that compiles a representative spectrum of proposals on the table. In the concluding chapter, I place the contributions in the context of the broader literature, including works on several key issues and perspectives otherwise missing from this book.

## 4 Overview of this book

The book is divided into four parts, which follow the themes outlined in Section 2 above. A summary of the content and sequencing of the chapters follows below. The concluding chapter of the book summarizes the core recommendations that emerge from these contributions.

### 4.1 *Enduring development challenges and new agendas for global trade governance*

In Part I of this compilation, the contributors argue that the challenges of global trade governance must be considered in light of broader dynamics