Making Global Trade Governance Work for Developing Countries

Setting the context:
An overview of debates on governance and reform of the multilateral trading system

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Debates on reform of WTO governance

- Literature on institutional reform and governance of WTO is dominated by lawyers, economists, policy practitioners and NGOs.

- Political scientists and IR theorists less present in the literature

- With a few exceptions, developing country scholars have relatively low visibility in debates on governance/institutional reform matters

- Recent scholarly debate on institutional reform prompted by Sutherland Report (e.g., special issues of *World Trade Review* and *Journal of International Economic Law*) and Warwick Commission but there has been relatively little subsequent policy debate.
Broad scope of literature on WTO governance and reform

Proposals related to:

- The appropriate scope, funding, staffing and internal organisation of the WTO Secretariat
- Negotiating process
  - Formal reform of WTO decision-making procedures
  - Growth of coalitions
  - Informal process
  - Transparency
  - Civil society participation
- The reform of the DSU
  - Transparency and amicus curiae
  - Remedies
  - Developing country use of the system
Key debates on reform of WTO and trade governance

- ‘Trade and- linkages’ and the introduction of ‘non-trade’ issues at WTO
- The relationship of the WTO to other multilateral agreements
- The relationship of the WTO to other international organisations
- The relationship between the WTO and regional/bilateral agreements
- Reform of national trade policymaking processes
- Role of non-state actors
Is reform of WTO governance possible?

- Different views in the literature about whether institutional/governance reform is necessary or possible.

- Many different objectives and concerns driving the literature on WTO reform:
  - i.e., efficiency, legitimacy, accountability, participation, transparency, development, environmental sustainability, labour, human rights, coherence, etc.

- The prescriptions for WTO reform vary depending on the particular objectives and questions posed.

- To date, some formal reforms, but largely incremental adjustments and adaptations.

- Rise of developing country powers and coalitions in trade negotiations alters balance of power.
The development literature on WTO reform

Four broad strands:

- Ensuring content of WTO agreements advance development issues (e.g. in ag, NAMA, mode IV, reform of TRIPS)
- Improving decision-making relationships and procedures
- Accountability of negotiators to citizens with respect to development objectives in their international trade deals
- Maximizing potential of developing country coalitions
- Improving institutional arrangements for capacity building and Aid for Trade
What development challenges and power imbalances should governance reforms address?

Developing countries...
- have different economic sizes and varying capacity to participate in WTO decision-making
- belong to WTO in part because it helps them to manage power asymmetries in their trade relations
- Face power encounter power asymmetries in respect of each of the WTO systems’ functions

Power asymmetries manifest themselves in many ways:
- Asymmetric negotiation processes
- Asymmetric outcomes of negotiations
- Unequal capacity to take advantage of international trade rules and opportunities
- Unequal capacity to solve problems at the national level
- Unequal capacity to monitor and enforce compliance with agreements by larger powers
- Vulnerability of developing countries to bilateral pressures (including bilateral FTAs)
Types of power in play

Power takes several forms:

- **Coercive, material**: Size of markets, control of TACB

- **Discursive**: Certain ideas may frame and dominate discussion and what is considered appropriate behaviour. Beyond states, NGOs and corporations may acquire and use discursive power through research, lobbying, framing, media, etc.

- **Institutional**: International bureaucracies may reflect the interests of some states and actors over others, may have a preference for particular theories and ideas. There may be institutional path dependence, a dominant internal culture and internal career/financial incentives. Member-driven IOs may acquire autonomy and authority in their own right.

- **Structural**: Place of some countries in the structure of international economy may limit their options, including their ability to see alternatives.
A new research agenda

- A governance audit that focuses on the functions of the WTO system yields new insights into opportunities for institutional reform that would benefit developing countries.

- An approach that analyses the WTO as a system, in which a range of actors conduct relevant work on many of the functions, including the Secretariat, members states, IOs, NGOs, industry and academic experts.

- To conclude presentation, next slide briefly reviews the range of functions and then, time-permitting, I review the capacity building function.
The WTO System and its Functions

- Monitoring
- Negotiation and problem-solving
- Disputes settlement, mediation & arbitration
- Technical assistance, capacity building & Aid or Trade
- Research
- Outreach
- Cooperation with international organisations
- Outreach
- WTO Member States
- DSU
- Secretariat
- Non-State Actors
Governing the WTO System:

The Capacity Building Function
The scale and scope of trade-related assistance and capacity-building (TACB) is expanding.

- Training
- Technical Assistance
- Capacity Building
- Institutional Reform
- Infrastructure
- Assistance with Adjustment Costs

Trade Policy & Regulation

Trade Development

Aid for Trade
The number of donors and initiatives has increased
The scale of multilateral initiatives is growing
Donor commitment to *multilateral* initiatives varies

<table>
<thead>
<tr>
<th>Donor</th>
<th>Combined contributions to multilateral TACB Trust Funds <em>(2001-2006) ($US millions)</em></th>
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<td>Switzerland</td>
<td>38.69</td>
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<td>Sweden</td>
<td>31.0</td>
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<td>Norway</td>
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<td>Germany</td>
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<td>Canada</td>
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<td>United Kingdom</td>
<td>15.8</td>
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<tr>
<td>United States</td>
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<td>Japan</td>
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<tr>
<th>Donor</th>
<th>Contributions to the WTO Global Trust Fund (2005-2007) (SFr millions)</th>
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<td>Germany</td>
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<td>Australia</td>
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<td>France</td>
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<td>Luxembourg</td>
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<td>Korea</td>
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<tr>
<td>European Commission</td>
<td>.80</td>
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<tr>
<td>Other bilateral donors</td>
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<td><strong>Total</strong></td>
<td><strong>48.81</strong></td>
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* These trust funds include those for the International Trade Centre, JITAP, the Integrated Framework, and WTO Trust Funds.
Developing countries face the challenge of managing many donors

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<tbody>
<tr>
<td>Bangladesh</td>
<td>Japan, US, Korea, Australia, Canada, EC, Norway, Netherlands, ADB, UNESCAP, UNCTAD, UNIDO, WCO, WTO, IMF, AITIC, IDA (World Bank)</td>
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<td>Cameroon</td>
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<td>France, Italy, Belgium, US, Korea, France, Japan, Canada, Germany, EC, Switzerland, UNIDO, ITC, FAO</td>
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<td>Myanmar</td>
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<td>Peru</td>
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<td>Uganda</td>
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The scale and focus of support to individual developing countries fluctuates over time.


*Partial data for 2006, Source: WTO/OECD Database
A sample of trade policy making capacity in the poorest countries

Limited input from non-trade government ministries or from non-government actors
The trade policy making capacity: A simplified sketch of the U.S. process

Agriculture  Services  Manuf  PhRMA

Industry

Industry Advisory Committees

U.S. Congress

Non-Industry

NGOs  States  Experts

Unions

Inter-agency Process of govt departments

Geneva Negotiators

Civil society & research community

NGOs  Academics  Think tanks  Scientists

USTR

White House

Ag, Interior  State  EPA  Commerce

Scientists

White House

Unions

Industry

Civil society & research community

Geneva Negotiators
Priorities for Future Debate

- Supporting TACB activities that build durable processes, institutions, and capabilities inside and outside governments

- Strengthening development-oriented, not neutral, TACB

- Improving independent monitoring and evaluation of TACB
Conclusions

- Considerable scope for academic and policy discussion of governance and institutional reform of WTO

- Much has changed over the past decade in the practice of the WTO system and in each of the functions it serves

- A functional approach to the question of governance and reform may serve to reinvigorate discussion and yield new prospects and proposals for reforms that would benefit developing countries

- Next presentation will take up one of a further one of these functions by way of example: the monitoring function