

Chapter 1: Introduction

1.1. Introduction

The world faces many problems and challenges. Experts and economists have on several occasions attempted to figure out which that are most important to deal with and in what order. In this context, the case of trade liberalisation is highly scored. Whereas the costs of introducing free trade reforms would be rather modest, the benefits however would be massive¹. It is therefore largely agreed that the multilateral trading system (MTS) should be based on free trade market forces, which in more than one way would benefit developed as well as developing countries. In addition, trade liberalisation may imply greater means and resources to cope with other crucial problems and challenges of the international agenda².

However, free trade may also imply consequences. Besides the difficult task facing the currently most protected industries, some critics claim that the introduction of free trade will increase social and environmental problems in particularly harming the poorest countries. If fair trade is not offered to the developing world in the form of industry protection and gradual liberalisation while the developed countries are forced to eliminate their trade barriers, it will once again be the elite that is to gain most from trade liberalisation and developing countries become the losers. A critical scenario reflecting the present status of international trade. In spite of the potential gains of free trade, governments of rich and poor countries continue to apply protectionist policies and intervene in markets, which may be economically as well as politically grounded. The challenge is therefore not only to convince governments of the economic benefits, which are rather obvious, but also to discover politically attractive ways to phase-out tariffs and subsidies³.

There exist different practices to implement trade liberalisation. First of all bilateral free trade agreements (FTAs) as well as regional FTAs such as the North American Free Trade Agreement (NAFTA), the Asia Pacific Economic Cooperation (APEC), the European Union (EU), the African Union (AU), which may be considered important steps toward multilateral trade reforms. On the contrary, FTAs may be viewed as blocking for multilateral trade agreements. Secondly, a non-reciprocal preferential trade agreement may be enforced, which allows market access to developed countries. Some of the former EU-colonies have gained market access to some EU-markets on the basis of past events. Thirdly, the international community could introduce free trade in its purest form by removing all trade barriers. However, such scenario seems rather unlikely at this point. Last but not least, the world could impose trade liberalisation by successfully concluding the current trade negotiations in the framework of the World Trade Organisation (WTO)⁴.

The positive outcome of trade liberalisation is not a new discovery. Following WWII, governments of major industrial nations considered entering free trade negotiations, but a political fear for an unpopular

¹ Anderson, Kym (2006). "How to spend 50 billion dollars to make the world a better place", New York: Cambridge University Press, Edited by Lomborg, Bjorn, ISBN: 978-0-521-86679-8, Chapter 9: Subsidies and trade barriers, p. 148-149.

² Lomborg, Bjorn (2006). "How to spend 50 billion dollars to make the world a better place", New York: Cambridge University Press, Introduction, pp. Xi – xxi.

³ Anderson, Kym (2006), p. 148.

⁴ Anderson, Kym (2006), p. 147-153.

redistribution of wealth, income and jobs refrained governments from taking such actions. The General Agreement of Tariffs and Trade (GATT) was the outcome of the failure to establish an international trade organisation in the framework of Bretton Woods. In 1947, 15 countries signed up to negotiate tariff reductions under GATT. Although the increasing number of participators as well as the poor set-up of GATT resulted in a general acknowledgement that the GATT-arrangement was not sufficient to handle global trade. As today, the world has managed to create an international trade institution, the WTO, which came into existence as successor of GATT in 1995. WTO accounts for more than 95 % of global trade with 152 members. The focal work of the WTO is to promote free trade on fair trade conditions⁵. The comparatively recent creation of WTO as well as the fact that some of its features remain from GATT has been a significant and critical challenge in the age of globalisation.

In November 2001, WTO introduced a new round of trade negotiations; the Doha Development Agenda (DDA). Unlike former rounds under GATT, the Doha-Round (DR) was first and foremost launched to boost economies of developing countries while the developed countries abolish their trade distorting measures. The Doha-Negotiations (DN) have turned out to be more problematic than expected. The deadline for completing the DN has repeatedly been put off because the WTO-countries have not been able to reach consensus and in this connexion the rich and poor members have acted as rivals. The DN have therefore experienced little progress and many delays.

The main areas being negotiated in the DR concern the so-called Singapore Issues (investment, competition, transparency in government procurement and trade facilitation), Non-agricultural market access (NAMA), services (GATS), development (Special and Differential Treatment) and most importantly agriculture. However, it is not exclusively the areas of the negotiations that have determined the process of the DN. New strong attitudes of emerging markets have come forward on a larger scale and challenged the dominant positions of the US - as the world's only hegemony – as well as the EU. The actors have throughout the process formed different groupings and alliances, which have made a common cause with proposals in the negotiations.

As to world affairs outside the framework of WTO, such factors have also directly or indirectly influenced the Doha-process. The global community has reached a crisis of increased demand for oil and food inconsistent with unaltered supply, which has resulted in record high world prices. Additionally, a critical point relating to the international trade negotiations is that some developing countries suffer from civil wars, poor governance and corruption. These circumstances may exclude developing societies from the likely gains of free trade. Moreover, 9/1 marked a beginning of new era for many people. On that day the West experienced the power of Islamic fundamentalism and the world was shook to its very foundation. The DR was launched only a few months after the first terror attack of the World Trade Centre. Consequently, the US and NATO have declared war on terrorism and invaded Afghanistan to fight the Taliban and Al Qaeda.

⁵ WTO (16 May 2008). "Ukraine becomes WTO's 152nd member", http://www.wto.org/english/news_e/news08_e/acc_ukr_may08_e.htm.

Recently, the ongoing war and rebuilding in Afghanistan have implied disputes in the framework of NATO, which may spill-over and affect cooperation in other international institutions such as the WTO and vice versa. Further, the US and some EU-allies decided in 2003 to invade and “disarm” Iraq’s nuclear weapons, which however proved to be on false ground and without UN-mandate. This demonstrated that US unilateralism is still evident in the 21st century. As to the case of climate change, this has entered the world’s top-ten agenda. Whereas some developed countries have taken the lead in fighting climate change, others have been reluctant to accept that climate change is predominantly caused by human activity. The fact that a relatively large proportion of the international community puts a lot of work into dealing with climate change could imply environmental measures that may be considered as trade distorting and inconsistent with WTO-rules.

1.2. Problem formulation

How has the Doha-Round developed and what factors have been significant or critical in determining the progresses and delays in the Doha-negotiations, and are these factors primarily economically or politically related?

1.3. Method

The thesis will primarily make use of a qualitative research method to grasp an in-depth understanding of the behaviours of actors as well as the underlying reasons of the attitudes and positions evident in the WTO and the DR. The project is a combination of an empirical and theoretical research. A thoroughly empirical study has been carried out in order to recognise the central issues of the DR causing progresses and delays in the negotiations. These are further developed and explained by theoretical interpretations, which determine the relation between the empirical and theoretical analysis of the thesis.

Empirically, I found it very essential to cover more than one of the most important factors influencing the DR in order to demonstrate a more complete picture of the negotiations as well as an in-depth insight. This would not have been possible in the same manner if merely focusing on one or two factors. It has from my extensive empirical research become clear and possible to narrow down the most influential factors. These concern the *WTO* as an intergovernmental institution, the *areas* being negotiated; the *attitudes of the actors* as well as different *world affairs* directly or indirectly influencing the DR. I have investigated and included all four perspectives in order to get a more comprehensive analysis of the DN. The analysis is based on an extensive groundwork consisting of reports, books, articles, speeches, inside reports and information from Doha-specialists and diplomats of the Danish Foreign Ministry and the Danish Embassy in Washington D.C. as well as interviews with key figures in the DR. The comprehensive material collected presents several diverging perspectives of the issues analysed in the thesis. It has thereby been possible to present different views on a large scale in order to go deeply into the subject as well as attempting to cover the most important aspects of

the cases in focus. This empirical approach has made it possible to determine the process of the DR and clarify some of the most significant or critical factors determining the progresses and delays in the DN.

First the paper will include an introduction to the theoretical framework and secondly an analysis of the WTO and the MTS are presented, which contains a discussion of how WTO as an intergovernmental organisation may be responsible for some of the progresses and delays in the DN. In addition, this section includes the main characteristics of the WTO such as basic fundamentals and principles, organisational structure, decision-making and dispute settlement procedures as well as a discussion of the future prospects and extensive critique of the WTO.

Thirdly, the progresses and delays in the DN will be analysed in regards to the areas and actors of the negotiations. As to the most significant *areas* of the negotiations, the dissertation will examine agriculture, non-agricultural market access (NAMA), services (GATS), Singapore Issues (SI) and the case of the development agenda. The analysis of the five different areas will attempt to demonstrate the purposes of including the specific areas in the DR, the different proposals and demands evident in the DN, the actors' positions, the main obstacles, interactions between the areas (spill-overs), the process of the bargaining as well as a status of the negotiations June 2008 and future perspectives. As to the *actors* of the DR, the report will analyse the main actors obvious in the DR. In most cases, the actors have been classified as developing versus developed countries. Moreover, the actors of the DR do not only concern the countries per se, but to a large degree groupings and alliances. The actors will be analysed in terms of their roles, attitudes, powers, relations, interplays as well as (possible) changes in positions caused by current events as well as domestic and regional circumstances. It may be assumed that the areas of the negotiations and the attitudes of the actors are based on purely economic interests in the liberalisation talks. However, it appears that if merely including economic perspectives, it will not be possible to understand the DN. In this respect, political grounds have also determined the process of the DR. Therefore the areas and actors causing progresses or delays in the DN will further be analysed in terms of being mainly economically or politically related.

Fourthly, the paper will look into some of the *world affairs*, which to some degree have influenced the process of the DR directly or indirectly. The paper will therefore explore relevant and current world affairs such as the oil and food crisis, civil wars, poor governance and corruption, terrorism and climate change as an attempt to illustrate their interactions with the international trade. Lastly, the fifth section contains a conclusion as well as future perspectives of the WTO and the DR.

Theoretically, the assignment will use different economic and political theories of international trade and relations, which have been scrutinized and proven relevant and useful to develop and explain the various scenarios analysed. In this connexion, the paper applies opposing theories to the fields analysed in order to explain the subjects from diverging perspectives. Overall, the thesis operates with three economic theories and three political theories.

The economic grounds of the WTO and the DR are explained and supported by three different economic theories, which to some extent cover contrasts of economic thinking. The *(neo-)classical liberal economic theory of international trade* is exercised in the thesis in order to illustrate the theoretical economic rationales of free trade. In this connexion, economic market liberalism is specifically applied to explain WTO's supposed long-term goal of complete trade liberalisation of the MTS with free market forces non-governmental interference. On the contrary, the *Listian infant industry protection theory of international trade (neo-protectionism)* will be employed to account for the development prior of the DR. In spite of the free trade objectives of the WTO, neo-protectionist measures are offered to developing countries to boost their industries and to become competitive in the MTS. Neo-protectionism in the DR is meant as a step towards free trade as in a fair way to obtain trade liberalisation. However, whereas the infant industry protection theory allows for neo-protectionist instruments of developing countries, it does not support the use of protectionism in developed countries⁶. In the economic analysis of free and fair trade, the theories of transition – *shock therapy* and *gradualism* – are included in the discussion of the pace of trade liberalisation. Moreover, the *neo-Ricardian comparative advantage theory of international trade* will be incorporated to demonstrate the static gains of free trade. More specifically, how countries as an outcome of trade liberalisation tend to specialise in productions in which they are most efficient and less in productions in which other countries are most efficient⁷. In the lack of economic theories accounting for the developed countries' continuation of trade protection of industries with limited trade and economic significance although of vital importance for the developing world, political theories are applied to comprehend these tendencies.

The political motives apparent in the DN will be developed and explained by theories of international relations in order to explicate the behaviour of the members in the DR. In this respect, the three following political theories will be included; *Neo-realism (NR)*, *Neo-Liberal Institutionalism (NLI)* as well as the *theory of Hegemonic Stability (HS)*. NR will mainly be exerted to give an explanation of the delays in the DN in terms of actors essentially safeguarding national interests and not following their Doha-commitments because one country's gain is another country's loss. As oppose to NR, NLI will be used to explain how the actors in the framework of the WTO may be willing to give up some areas in order to gain in others benefiting all parties involved. Additionally, NLI is adopted to clarify if and how national interests may converge in international forums to represent collective interests. The NLI-approach is consistent with the basic principles and assumptions of the WTO. From this point of view, NLI may be useful to explain the progresses in the DN, but also the setbacks in the negotiations because the members obviously have not acted in accordance with the theory of NLI in all respects. The theory of HS is taken into account as an attempt to examine the international world order as a unipolar system. Further, the HS theory will be used to explain how the powers of the US have been challenged and the effects it has had on the DR and the WTO.

⁶ Slaughter, Matthew J. (2004). "Infant Industry Protection and Trade Liberalization in Developing Countries", Research report submitted to USAID/Washington, Submitted by Nathan Associates Inc. Support for Trade Capacity-Building Activities, US: Arlington/Virginia, PCE-I-00-9-00016.

⁷ Suranovic, Steven M. (2007). "International Trade Theory and Policy", Chapter 40: The Ricardian Model of Comparative Advantage Theory", by Associate Professor of Economics and International Affairs at the George Washington University Steven M. Suranovic, International Trade online textbook, <http://internationalecon.com/Trade/Tch40/Tch40.php>.

Last but not least, the integration theory of *Intergovernmentalism (IG)* is applied to elucidate the current organisational structure of the WTO. In contrast, the integration theory of *Neo-functionalism (NF)* is used to illustrate an alternative to how the WTO could develop as an international institution as well as a body of global governance in order to deliver the results needed if a liberalised MTS is to be actualised. Whereas IG holds that governments are the solely decision-makers of the WTO, the theory of NF argues for further concede of authority to the WTO creating powerful supranational institutions, which are better suited to handle global trade. Moreover, political theories of democracy – as in *Direct democracy, Deliberative (consensus) democracy and Supranational democracy* - are encompassed in order to evaluate the democracy model of the WTO and the heavy criticism this has been exposed to. The political theories of democracy and integration will be elaborated on in the analysis of the current decision-making procedure of the WTO as well as presenting contrasting structures. However, since these theories are only involved on a small scale – more specifically in the related analytical part of the WTO – they are not included directly in the theoretical framework.

1.4. Limitation

There may in some cases exist a problem in identifying the real reasons and motives causing progresses and delays in the DN because of the fact that all WTO-meetings are held behind closed doors. The WTO Doha-documents are published, but still only the representatives attending the meetings have a complete insight of the negotiations. Further, the participants have to some extent been careful in regards to making public statements about the negotiations. In spite of the possibility for using these statements in the analysis, one has the bear in mind that all of these are subjective and might lack in terms of objectivity and giving a complete picture. If perceiving a more factual explanation for the progresses and delays, the original records of the negotiations should be published, but that is not the case. The analysis emphasises that there exist numerous subjective and objective reasons and conditions for the progresses and delays in the DN. Some reasons may be obvious and open. Others may be discovered and concluded through in-depth analysis. Finally, some reasons are never identified partly due to the closed-door meetings causing a lack of transparency.

As to the choice of theories, it has been necessary to select a few out of many suitable theories. The inclusion of an empirical as well as theoretical analysis has implied that merely the most obvious and relevant theories are applied. Moreover, it has not been possible to include and analyse all the plausible grounds for the progresses and delays in the DN. However, the paper includes the most important factors, which have become evident from the comprehensive empirical research. Additionally, it has been necessary to exclude drafts of already prepared sections as well as in general restrict the number of ideas for sections. However, the background literature used for these eliminated sections still appears on the list of references and bibliography as a part of the curriculum of the thesis. Moreover, it has not been possible to cover all aspects of the WTO. Alternately, the most important characteristics in this context are included as well as the most essential shortcomings of the WTO, which may prove to have been decisive for the problematic process of the DR.

Additionally, it has obviously not been possible to cover all areas negotiated in the DR and narrowly the thesis includes the main areas of the negotiations. Further, the analysis of the different areas is also limited in regards to the technical details and substance of proposals and modality drafts because that type of information is not the key point in focus. In addition, the actors of the DR have been limited as to focusing primarily on developing countries versus developed countries as two (opposite) groups in the negotiations. This approach may weaken the understanding of the DR as well as limit the grounds for the progresses and delays in the DN. For example many of the problems in the negotiations have in particular related to the least developed countries (LDCs). However, this approach makes it possible to focus on the so-called power game between the developed and developing countries (emerging markets) evident in the DR, which may be considered one of the most crucial aspects to cover in this connexion. Although to some extent, the project does consider the economic and political disparities between emerging markets and LDCs. Hence if all the actors and areas of the DR were included on a larger scale, the extent of such approach would imply that the thesis merely dealt with these factors. Since that is not the case, this limitation has been necessary to carry out.

As to world affairs influencing the DR, only the most crucial factors are closer examined in the thesis. These have in some cases already or may within nearest future affect the DN causing advances or setbacks in the negotiations. Much more global events have taken place, which to some degree have had an impact on the DN. However, the point with this section is not to include all relevant interactions of world affairs, but rather to illustrate how and why international affairs outside the framework of the WTO may cause for progresses or delays in the DR because the WTO does not hold the power or ability to control these spill-overs.

1.5. Introduction to theoretical framework

This section is an introduction to the theories applied in the theoretical analysis of the thesis. It is therefore only the main points and critique, which appear from the following section.

1.5.1. Neo-classical liberal economic theory of international trade

The economist Adam Smith first introduced the free trade approach in the 18th Century with his ‘invisible hand theory’. Governments must not intervene in the economy and world trade must be based on pure market forces in a free market capitalist economic system⁸. This was later adopted as a universal principle by the laissez-faire economists of the 19th Century⁹. The end of the 19th century and early 20th century set the liberal economic theory out of practice. In the mid-20th century social and collectivist thought were mixed with the classical idea of liberal economics¹⁰. In this respect, the Austrian-British neo-classical economist and Nobel Prize winner Friedrich August von Hayek continued to defend the classical liberalism and free market capitalism against socialist and collectivist thoughts. Hayek was one of the leading critics of collectivism and socialism. Hayek stressed that socialism would require central planning as oppose to decentralization, which might lead to totalitarianism. In addition, Hayek emphasised that collectivism would call for a central

⁸ Smith, Adam (1776). “An inquiry into the Nations and Causes of the Wealth of Nations”, London, Vol II.

⁹ Brebner, John Bartlet (1948). "Laissez Faire and State Intervention in Nineteenth-Century Britain". *Journal of Economic History* 8: 59-73.

¹⁰ Horwitz, Steven. "Friedrich Hayek, Austrian Economist." *Journal of the History of Economic Thought* 2005 27(1): 71-85. ISSN: 1042-7716.

authority. Despite the spread of social and collective thoughts, many countries adopted Hayek's economic liberalism from the 1970ties. For instance Hayek inspired the market policies of Margaret Thatcher and Ronald Reagan¹¹. The reviewer, George Orwell, has been one of the main critics of Hayek among others stressing that: *"But he does not see, or will not admit, that a return to 'free' competition means for the great mass of people a tyranny probably worse, because more irresponsible, than that of the State. The trouble with competitions is that somebody wins them. Professor Hayek denies that free capitalism necessarily leads to monopoly... Capitalism leads to dole queues, the scramble for markets, and war!"*¹². In spite of this critique, the paper's inclusion of the neo-classical liberal economic theory of international trade will retain its classical meaning corresponding with the work of Hayek. Neoclassical liberalism of international trade is more specifically used in the dissertation to explain the argument of international trade being based on pure free market forces eliminating subsidies and tariffs as government protectionist instruments in a liberalised MTS, as in the long-term goal of the WTO.

1.5.2. Neo-Ricardian comparative advantage theory of international trade

The benefits of free trade may be divided into so-called dynamic and static gains. Whereas dynamic gains relate to the economic gains, the static gains arise from countries specialising in productions, which they can provide most efficiently, and less of what others can produce more efficiently¹³. The static gains are explained and supported by the *Neo-Riparian comparative advantage theory of international trade*, which stresses that a country should specialise in products or services in which they have a comparative advantage¹⁴. In addition, the comparative advantage theory explains how outsourcing to countries with low production costs is economically beneficial not only for the multinational corporation (MNC) moving their productions overseas, but also for the countries that are outsourced to. If a country, like some of the developing countries and LDCs, has none absolute advantage in any product, it may instead specialise in producing and exporting products or services for which it has the lowest production costs¹⁵.

Critics of the comparative advantage theory have stressed that the doctrine no longer holds in the global economy. In the 18th century it was assumed that the factors of production such as capital and labour were not easily moved across international borders, which to a large degree is a matter of fact in the age of globalisation. If factors of production can relocate to wherever they are most productive and if only few countries hold cheap labour, it will imply that some countries win and others lose and the comparative advantage is thereby undermined¹⁶. This critique has come forward as a consequence of the latest development in which new emerging markets and economies of developing countries have emerged on a larger scale. Among others some former US officials have supported this critique as an opposition to e.g. China.

¹¹ Birner, Hack, and Rudy van Zijp (1994). "Hayek: Co-ordination and Evolution: His legacy in philosophy, politics, economics and the history of ideas".

¹² Orwell, George (1994). "The Road to Serfdom by F. A. Hayek, The Mirror of the Past by K. Zilliacus", London, 1944.

¹³ Anderson, Kym (2006), p. 147.

¹⁴ Ricardo, David (1817). "On the Principles of Political Economy and Taxation".

¹⁵ Suranovic, Steven M. (2007). "International Trade Theory and Policy", Chapter 40: The Ricardian Model of Comparative Advantage Theory", by Associate Professor of Economics and International Affairs at the George Washington University Steven M. Suranovic, International Trade online textbook, <http://internationalecon.com/Trade/Tch40/Tch40.php>.

¹⁶ Schumer, Charles and Poul Craig Roberts (2004). "Exporting jobs is not free trade", International Herald Tribune, January 2004, by US Senator Charles Schumer and former Reagan administration official Poul Craig Roberts, <http://www.iht.com/search/index.php>.

1.5.3. The Listian industry protection theory of international trade

The *infant industry protection theory of trade* - referred to as neo-protectionism – was first presented by the first American Secretary of the Treasury Alexander Hamilton in the end of the 1700ties followed by Friedrich List a German and American economist in the mid-1800ties. As Hamilton, List was not a supporter of free trade in its purest form and questioned the industrial countries' strong wish to introduce free trade. List denied Adam Smith's theory of the significant and equal gains of free trade, which he argued individual private interests within a nation would obstruct. He also criticized Smith's theory of a liberalised international trading system, which he claimed would be a mercantile system. List argued that free trade between two nations, which were not on the same level of industry development, would result in unequal gains mostly benefiting the industrial countries: "...I saw clearly that free competition between two nations which are highly civilized can only be mutually beneficial in case both of them are in a nearly equal position of industrial development, and that any nation which owing to misfortunes is behind others in industry, commerce, and navigation... must first of all strengthen her own individual powers, in order to fit herself to enter into free competition with more advanced nations¹⁷". In this respect List claimed that special treatment of countries in the international trading system would be decisive for their economic growth and development. More specifically, a country's circumstances and economic status should be taken into consideration. Further, List argued that industry protectionism would boost a country's economy more than liberalised trade would offer¹⁸. List would most likely have been against an international institution as the WTO since he considered independent nations as the most important actors. Nations that at all time would promote welfare, gain strength and power, protect themselves - also in terms of trade - at the expense of other nations: "...a nation would act unwisely to endeavour to promote the welfare of the whole human race at the expense of its particular strength, welfare, and independence. It is a dictate of the law of self-preservation to make its particular advancement in power and strength the first principles of its policy. A country should not count the cost of defending the overseas trade of its merchants...the manufacturing and agricultural interest must be promoted and protected even by sacrifices of the majority of the individuals, if it can be proved that the nation would never acquire the necessary perfection ... without such protective measures¹⁹".

The criticism of the infant industry protection theory argues that protection is likely to be the second-best policy rather than a first-best policy, which would be elimination of all trade barriers²⁰. Further, sceptics argue that if an industry is to be protected until it is good and ready to compete in the MTS, its success is as likely as its failure. Protectionist programmes, as incorporated in the Doha Development Agenda, are thereby unreliable in practice²¹. Despite the arguments against protectionism of industries, the WTO has found it necessary to allow for in order for the developing countries to have a chance to survive and might even succeed in the MTS.

¹⁷ List, Friedrich (1841). "The National System of Political Economy", translated by Sampson S. Lloyd M.P., "The Politics," 1885 edition, 4th Book Author's Preface, Page xxvi.

¹⁸ List, Friedrich (1841). "The National System of Political Economy", translated by Sampson S. Lloyd M.P., "The Politics," 1885 edition, 4th Book, Chapter 33.

¹⁹ List, Friedrich (1856). "National System of Political Economy", Philadelphia: Lippincott, pp. 102-103.

²⁰ Suranovic, Steven M. (2007). "International Trade Theory and Policy", by Associate Professor of Economics and International Affairs at the George Washington University Steven M. Suranovic, International Trade online textbook, pp. 100-104, <http://internationalecon.com/Trade/Tch40/Tch40.php>.

²¹ Kaneda, Mitsuhiro (2000). "Warranted Scepticism: A Dynamic Model of Infant Industry Protection", Department of Economics at Georgetown University, US: Washington D.C., April 2000.

1.5.4. Neo-realism (NR) and Neo-liberal Institutionalism (NLI)

Neo-realists (NR) find that the international system is anarchically and the behaviours of states within an international institution such as the WTO are primarily affected by the all-time protection of self-interests. States will not subordinate their self-interests to international institutions' collective interests. The international structure is thereby decentralized with sovereign states rather than holding a central authority. Neo-realists recognise international institutions as the WTO, but such international forums are basically power plays in which countries cooperate against a background of national interests. An international institution as the WTO has no importance or power in itself; it is the states set the agenda²². Further, NR focuses on the potential of conflicts in international cooperation and relative gains in which one country's gain is another country's loss – referred to as 'relative gains' and 'prisoners dilemma'²³. States are concerned about other countries gaining more from the cooperation²⁴. NR finds that scholars, who ignore the matter of relative gains, will fail to identify a major source of states' understanding of and actions in international relations²⁵.

In this respect, NR considers international politics as reflecting power politics. States seek to maximise their relative powers resulting in 'balance-of-power' within international institutions affecting international relations. It is thereby the most powerful states that control international regimes²⁶. NR concentrates on these great powers, which determine the actual results of international cooperation. The American professor Stephen Walt has commented NR's balance-of-power approach, which he has renamed 'balance-of-threat'. The most threatening states are not necessarily the most powerful. States' behaviours are to a larger extent influenced by threats than powers of other states²⁷. NR claims that power is determined by a country's military and economic status, as in 'hard power'. NR has much focus on security and stresses that states secure themselves by offensive military means against potential enemies, which increase their relative power. Conflicts arise from international relations and are resolved by war²⁸. States can never predict the intentions of other states creating an atmosphere of distrust. They have to be protective in regards to possible loss of power and thereby other states are considered a threat to their survival. This lack of trust, as argued by neo-realists, is referred to as the 'security dilemma'²⁹.

Neo-realist Kenneth Waltz has stressed that a bipolar system – as evident during the Cold War with the Soviet Union and the US – is much more secure and reliable than a multipolar or a unipolar system as evident today with the existence of one hegemony - the US. The risk of a unipolar system is the lack of great powers to form alliances. A hegemony is also derived from self-interests and only supports the system as long as it

²² Jackson, Robert and Georg Sørensen (1999). "Introduction to IR", Oxford University Press, US: New York, ISBN: 0-19-878195-4, Chapter 3.

²³ Jackson, Robert and Georg Sørensen (1999). "Introduction to IR", Oxford University Press, US: New York, ISBN: 0-19-878195-4, Chapter 3.

²⁴ Waltz, Kenneth (1979). "Theory of International Politics", McGraw-Hill, US: New York.

²⁵ Grieco, Joseph M. (1993). "Anarchy and the limits of cooperation: A realist critique of the newest liberal institutionalism", in Baldwin, pp.116-143.

²⁶ Waltz, Kenneth (1979). "Theory of International Politics", McGraw-Hill, US: New York.

²⁷ Vasquez, John (1997). "The realist paradigm and Degenerative versus Progressive Research Program", in American Political Science Review, No. 39 (December), 899-912.

²⁸ Jackson, Robert and Georg Sørensen (1999). "Introduction to IR", Oxford University Press, US: New York, ISBN: 0-19-878195-4, pp. 126-135.

²⁹ Waltz, Kenneth (1979). "Theory of International Politics", McGraw-Hill, US: New York.

looks after its specific interest. If the powers of hegemony decline, the system will fall apart and create instability³⁰.

The main critique of NR has uphold that the theory is narrowly focused and that NR does not take into consideration that international politics is based on discussions and negotiations with different voices and perspectives³¹. NR has in general been criticised for its pessimistic view on international relations; especially in regards to the positive effects of the presence and widespread of democracies. In defence Waltz has stressed that potential wars between democratic states have been avoided due to other reasons than the very existence of democracy³².

Neo-liberal Institutionalism (NLI) finds that international regimes arrive through a convergence of national interests, as in collective interests. NLI supports establishments and maintenance of international institutions, which are launched to manage challenges of globalisation. International institutions have an important role in many respects. As an international organisation, the WTO plays a vital role in promoting, mediating and coordinating international cooperation between states. States are still the key actors in international relations, but there are also other important actors such as international organisations in which states pursue their interests through cooperation. NLI considers international organisations as forums in which countries concentrate on 'absolute gains' as the benefits of international cooperation. States are willing to give up on some areas in order to gain in others as in the possibility of mutual wins, which can be realised in the framework of international institutions³³. The states merely focus on gaining something rather than if other countries gain more. The most important thing in international cooperation is common interest between states, which move the focus away from relative gains³⁴.

As oppose to NR, NLI stresses that power is influenced by 'soft power' means in terms of strong ideological or cultural measures spread by the media and other efficient forms of information technology. NLI does not deny the importance and existence of hard power, which however should be combined with soft power. In addition, NLI does not deny anarchy. In fact a positive anarchic system with security and peace among democracies as well as emergence of cooperation through international institutions is possible to obtain³⁵. Moreover, NLI considers anarchy as lack of international institutions to adopt international rules against the greatest threat to international cooperation, which basically is free-riding and cheating. International institutions may limit the risks of states cheating by transparency. International institutions thereby reduce the lack of trust and fear³⁶.

³⁰ Waltz, Kenneth (1993). "The emerging structure of international politics", *International Security*, 18/2:44-79.

³¹ Jackson, Robert and Georg Sørensen (1999). "Introduction to IR", Oxford University Press, US: New York, ISBN: 0-19-878195-4, pp. 96-101.

³² Waltz, Kenneth (2000). "Structural realism after the cold war", in *International Security*, Vol. 25.

³³ Keohane, Robert (1988). "International Institutions: Two Approaches", in *International Studies Quarterly* 32 1988.

³⁴ Keohane, Robert and S. Hoffmann (1993). "After the Cold War: International institutions and State Strategies in Europe, 1989-1991", Cambridge, Mass.: Harvard University Press, p. 240.

³⁵ Jackson, Robert and Georg Sørensen (1999). "Introduction to IR", Oxford University Press, US: New York, ISBN: 0-19-878195-4, Chapter 4.

³⁶ Jackson, Robert and Georg Sørensen (1999). "Introduction to IR", Oxford University Press, US: New York, ISBN: 0-19-878195-4, pp. 126-135.

According to NLI-theorist Keohane, a hegemony is characterised by its economic, military and technological dominance and a hegemony has the will and power to make and implement international norms. The existence of a hegemony is in the best interest of all states creating stability within international institutions. If a hegemony's powers decline, it will not imply the end of international institutions, which somehow will create their own life³⁷.

The main critique of NLI is focusing on the assumption that NLI overlooks the risk of wars as well as the case of security, which cannot be solved by liberal progress, as history is evidence of³⁸. Liberal conditions such as economic interdependence is not a new phenomenon and has not been a successful condition in the past to prevent wars³⁹. In response NLI has expressed that such statement reflects that NR ignores the fact that the world has become globalised - "*NR manages to leave most of the substance of the field outside the straitjacket*⁴⁰" - in which a global economy with close economic interdependence is a matter of fact⁴¹. If a country chooses not to be a part of the global system, it would most likely have a negative effect on its economy⁴². World politics is changing from a solely state system to a global political system. Robert Keohane is considered one of the founders of NLI and has in this respect stated that: "*...the insistent of neo-realist that institutions have only marginal effects leaves neo-realism without a plausible account of the investments that states have made in such international institutions as the WTO, NATO and regional trading organisation*⁴³". Neo-realists do not argue that there have been no developments, but the changes have not influenced the existence of anarchy and the self-help system⁴⁴. Moreover, NLI points out that many countries have developed democracies, which has positively affected international cooperation. It seems rather unthinkable that these would return to authoritarian conditions⁴⁵.

1.5.5. The Hegemonic Stability theory (HS)

One of the founders of the HS theory Charles P. Kindleberger has claimed that there must exist a hegemony, one dominant state, for an international system of trade to function: "*...for the world economy to be stabilized, there has to be a stabilizer – one stabilizer*⁴⁶". The reason that a hegemony is necessary is because of the problems in convincing all states of institutionalising and regulating the international trading system. Therefore, a hegemony must take the lead. However, a hegemony is also acting from self-interests. As the most dominant actor, a hegemony is often to gain the most from creating international institutions and cooperation, but it is also willing to pay the possible costs⁴⁷. A hegemonic state may be convinced that a liberalised system will imply more relative benefits for the hegemony and its businesses, while offering benefits of absolute gains to the other participating states. Market liberalism is the main interest of the hegemony, but other states must

³⁷ Keohane, Robert (1984). "After Hegemony: Cooperation and Discord in the World Political Economy", Princeton: Princeton University Press.

³⁸ Layne, C. (1994). "Kant or Cant: The Myth of the Democratic Peace", *International Security*, 19/2:5-49, p. 10.

³⁹ Jackson, Robert and Georg Sørensen (1999). "Introduction to IR", Oxford University Press, US: New York, ISBN: 0-19-878195-4, pp. 126-135.

⁴⁰ Hoffmann, S. (1990). "International Society", in "Order and Violence: Hedley Bull and IR, by J.D.B. Miller and R. J. Vincent (eds.), Clarendon: Oxford University Press, pp. 13-17.

⁴¹ Jackson, Robert and Georg Sørensen (1999), pp. 126-135.

⁴² Holm, H. H. and G. Sørensen (1995). "Whose world order? Uneven Globalization and the end of the Cold War", Boulder: West view Press.

⁴³ Keohane, Robert and Lisa L. Martin (1995). "The promise of Institutional Theory", in *International Security*, No. 1, Summer 1995, p. 47.

⁴⁴ Waltz, Kenneth (1979). "Theory of International Politics", McGraw-Hill, US: New York, p. 113.

⁴⁵ Jackson, Robert and Georg Sørensen (1999), pp. 126-135.

⁴⁶ Kindleberger, Charles P. (1986). "The World in Depression 1929-1939". University of California press, Revised and Enlarged edition.

⁴⁷ Raphael, Chad (2003). "Theory of hegemony and ideology", <http://codesign.scu.edu/chad/120/heg.html>.

share these goals and common interests in order to realise a liberalised trading system. In spite of all states benefiting from the liberal hegemonic system, eventually the hegemony may experience a decline of its advantages leading to non-hegemonic states overtaking its position. This may threaten its survival as a hegemony and the unipolar world order⁴⁸. If such scenario occurs, HS finds that an international institution as the WTO may create its own life rather than taking the fall along with the hegemony.

Critics of the HS have stressed that other states are able to influence the hierarchy of the international system. It is thereby not merely the hegemony, which controls the world order, as evident in the DR. Moreover, history does not hold evidence of the international system breaking down primarily due to the lack of a hegemony and further a hegemony's power will always at some point decline⁴⁹. The question from this point of critique is if such scenario is about to come true in terms of the US's powers declining, as the world's only hegemony? Or are the powers of the US status quo or actually increasing? Either way, other states of the system may have challenged or taken advantage of such changes.

Chapter 2: The World Trade Organisation

2.1. From GATT to WTO

On 1 January 2008 the MTS celebrated its sixtieth anniversary. It all began with the establishment of the *General Agreement of Tariffs and Trade (GATT)* on 1 January 1948. As most of the world's international institutions, the US was the main founder of GATT, which was created in the framework of Bretton Woods and signed by 23 countries. However, as oppose to the other Bretton Woods institutions, GATT was only a cooperation forum since government failed to create a trade organisation per se. Under GATT the foremost assignment was to reduce and bind tariffs and abolish restrictions of trade in goods. GATT included eight rounds of trade negotiations in which considerable trade liberalisation and important trade rules were implemented.

At this point in history, the most significant trading round has been the *Uruguay Round (UR)* under GATT, which was in launched in 1986. Approximately 123 countries participated and the final draft - the Marrakech Agreement - was entered in 1994⁵⁰. UR included new areas, rules and agreements as well as specifically addressing the needs of the developing countries. Further, UR laid the ground for the WTO, which was created in 1995 as successor of GATT⁵¹. As under GATT, the political and ideological basis of the WTO is that there are beneficial gains and economic advantages of trade liberalisation. However, fair conditions for the poorest and badly positioned countries must be offered fair conditions. In this respect, the 'free-riding' that developing countries enjoyed under GATT, as in no demands for reciprocity (counter-offers) for

⁴⁸ Noble, Allan (2006). "US Hegemony, Global (In)Stability and IR theory", [http://www.allannoble.net/us_hegemony_global_\(in\)stability_and_ir_theory.htm](http://www.allannoble.net/us_hegemony_global_(in)stability_and_ir_theory.htm).

⁴⁹ Brühl, Tanja and Volker Rittberger (2002). "From International to Global Governance: Actors, Collective Decision-Making, and the United Nations in the World of the Twenty-first Century", in Volker Rittberger, ed., *Global Governance and the United Nations System*, Tokyo: United Nations University Press, pp. 1-47.

⁵⁰ WTO (2005). "Understanding the WTO", *The WYO Basics: The Uruguay Round*, Geneva: The WTO Information and Media Relations Division.

⁵¹ BBC (24 November 2005). "Profile: World Trade Organization", BBC News: http://news.bbc.co.uk/go/pr/fr/-/2/hi/europe/country_profiles/2429503.stm.

developing countries, has been reformulated to 'special and differential treatment' (SDT) of developing countries. WTO is the main international institution to promote free and fair trade in order to facilitate trade of goods and services boosting the world economy. WTO promotes free trade by persuading countries to abolish tariffs on imports (increase market access) and eliminate subsidies (reduce domestic and export support)⁵². WTO attempts to promote fair trade by enforcing different rules and agreements supporting reciprocity (counter-offers), dispute settlement, SDT of developing countries, etc. In this respect WTO serves as the basis for the global MTS in which ongoing negotiations – the DR - still are taking place⁵³.

The WTO is considered far more extensive than GATT because of the expansion of members, areas, agreements and rules: "*The MTS had a rocky beginning, but its focus of purpose proved to be its early strength. The system expanded inexorably over the years, both in terms of membership, issue coverage and institutional purpose, culminating in the establishment of the WTO in 1995*"⁵⁴. As a result, it may be argued that the power and importance of the WTO has correspondingly increased. Contrary to GATT, which was based on a treaty and set of rules, WTO is an international institution with the same international judiciary status such as the UN⁵⁵. As today, GATT works as an umbrella treaty for trade in goods under WTO. WTO agreements and rules are considered binding international formal and informal law. As the only global trade organisation, WTO handles trade negotiations and regulations, trade monitoring and trade disputes between countries on the basis of trade accords, which have been negotiated and agreed on by all WTO-members. The WTO can thereby influence world politics despite the fact that the member states are sovereign and decisions primarily made by consensus, however in some cases by unanimity. The WTO is thereby characterised as an intergovernmental organisation⁵⁶. In May 2008 WTO consisted of 152 members with Ukraine being the last country admitted⁵⁷ representing more than 95 % of world trade⁵⁸.

2.2. Fundamentals and basic principles of the WTO

The WTO is based on two trade policy principles: 1) the Most-Favoured-Nation principle (MFN), which implies that all WTO-countries must be treated equally and non-discriminatively. If a country grants any tariff or product benefit to another country, it must allow this to all countries – also non-members. There exists some exceptions in this respect such as regional trading blocs that are exempted from the MFN as well as special arrangements – trade and development programmes - between some developed countries and LDCs. 2) the National-Treatment principle (NT) implies that foreigners and locals must be treated equally. An imported product must not be less favoured than similar products that are produced domestically. In this respect a country must not impose higher internal taxes on an imported product than on a comparable domestic product.

⁵² "Profile: World Trade Organization" (24 November 2005), pp. 1-2.

⁵³ WTO (2005). "Understanding the WTO", Written and published by the WTO – Information and Media Relations Division, Geneva, pp. 9-18.

⁵⁴ WTO (2007). "World Trade Report 2007: Six decades of multilateral trade cooperation – What have we learned?" Switzerland: Geneva, ISBN: 978-92-870-3401-4, Summary.

⁵⁵ Oatley, Thomas (2004). "International Political Economy – Interest and Institutions in the Global Economy, New York: Pearson Longman, pp. 18-25.

⁵⁶ Udenrigsministeriet (21 august 2006), p. 1.

⁵⁷ WTO (2008). "WTO welcomes new member Ukraine", 5 February 2008, http://www.wto.org/english/news_e/pres08_e/pr511_e.htm.

⁵⁸ WTO (2005). "Understanding the WTO", pp.1-20.

These rules of non-discrimination demonstrate that the WTO is not merely launched to introduce free trade, but in fact dedicated to open fair and undistorted competition gradually and transparently through negotiations⁵⁹. However, considering that these non-discriminative principles were adopted under GATT, the latter principle of NT has actually proven to be difficult to use on other areas than goods, as it was originally designed to. Additionally, it may be stated that the MFN is not working as intended: “...the MFN-principle is the centre of the GATT/WTO system of rules, but important exceptions exist and it is difficult to make a strong case for MFN from a pure efficiency perspective...⁶⁰”. The main reason that the MFN may be considered less efficient is the so-called free-riding problem, which implies that two countries have gone through considerable negotiations, but all countries will share the same benefits of the agreement, as a consequence of the MFN. In order to overcome free-riding, the ‘principle supplier rule’ has been implemented. This basically entails that an exporting country may request reductions in tariffs from an importing country for a product, but only if the exporting country is the major supplier of the product to the importing country. Despite the critical consequences of MFN, it is still argued by economists that it is necessary in order for countries to be willing to participate in the WTO and the free trade negotiations⁶¹. WTO serves as the basis for the MTS in which the four fundamentals are⁶²:

- *Trade without discrimination*
- *Open and free trade*
- **Reciprocity** – There exist two types of reciprocity: Intra-issue and Cross-issue. As in regards to the implementation of intra-issue reciprocity, this can be adopted by three different methods; A) Item-by-item and country-by-country - two countries agree on tariffs reduction of an item, which may increase the risk of free-riding since it will benefit all countries due to the MFN. This was the normal procedure under GATT. B) Linear-tariff-cut - all members agree on across-the-board tariff cuts for a broad range of commodities, which may increase the risk of higher-tariff countries maintaining higher tariffs due to the same percent of tariff-cuts. C) Harmonisation formula – is the opposite of the linear formula in which high-tariff countries are required to cut tariffs more than low-tariff countries referred to as the Swiss formula, which is supposed to result in a harmonisation of tariffs. There does not exist a useful implementation formula for Cross-issue reciprocity. However, cross-issue linkages are practical to break deadlocks in negotiations.
- **Domestic measurements** – This concerns member’s right to suspend tariff reductions agreed on in WTO, if compliance results in serious damages for the domestic industry or economy. Hence this principle was adopted under GATT, which recognised that countries might be forced to rely on protective measurements for different reasons. In such cases the members must only use tariffs for corrections and not quantity-based restrictions - though with some exceptions for the LDCs⁶³.

⁵⁹ WTO (2005). “Understanding the WTO”, pp. 10-15,

⁶⁰ WTO (2007). “World Trade Report 2007, Summary.

⁶¹ Ibid.

⁶² WTO (2005). “Understanding the WTO”, pp. 9-18.

⁶³ Oatley (2004), pp. 21-25.

Additionally, the WTO has implemented four principles, which work as the basis for the WTO:

- **Single undertaking:** Virtually every item of the negotiations is a part of a whole and indivisible packages cannot be agreed separately – Nothing is agreed until everything is agreed⁶⁴. This principle has proven to be an important reason for the lack of progress in the DN due to the fact that all members must agree by consensus and all areas must be included in a ‘one-package-agreement’.
- **Transparency:** The negotiations must be transparent⁶⁵. Transparency is considered significantly important in international cooperation in order for countries to trust and understand the system.
- **Special and Differential Treatment (SDT)**⁶⁶. WTO’s argument for the inclusion of SDT is that “...*developing countries are different from advanced economies and temporary exemptions from the general rules (otherwise considered economically beneficial) constitute an appropriate response to particular development challenges. Developing countries may suffer from market imperfections and distortions not found in more advanced economies that obstruct their diversification into non-traditional activities. Resource constraints make it harder to adjust to the impact of trade liberalisation, to take advantage of new trading opportunities and to shoulder the costs associated with reform. While trade measures rarely present a first-best policy response, their use may be appropriate under certain circumstances and for a limited amount of time*⁶⁷”. The SDT may be interpreted as neo-protectionism, which the infant industry protection theory sustains. In this respect the WTO must estimate the extent of industry protectionism of the developing countries: “*A core challenge for the system is to distinguish between legitimate public policy and protectionism in the design and use of domestic policies*⁶⁸”. If a protectionist domestic policy of a developing country is questioned, it is for the WTO to evaluate the legitimacy, or lack thereof, of the policy in question. In this respect it is only legitimate for the developing countries to adopt the so-called ‘first-best-policies’, which are considered: “...*policies that are the best remedy to correct a domestic market failures and imperfections*⁶⁹”. The question is if the WTO-system allows for such interpretation as well as the ability to estimate, which measurements that should be recognised as ‘first-best-policies’ if country-specific evaluations are to be considered. As the DR among others has illustrated, it is rather crucial for LDCs that country-specific evaluations are introduced on a larger scale to avoid that the not only developed and developing countries are treated equally, but also developing countries, if considering the large economic differences between the emerging market countries and LDCs.
- **Sustainable Development:** The Trade and Development and Trade Environment identify and debate developmental and environmental aspects of the negotiations to ensure that sustainable development is appropriately reflected⁷⁰. In this respect, sustainable development is WTO’s contribution to environment protection, as elaborated on in chapter 4, climate change.

⁶⁴ “Doha Declaration” (2003). Published by the WTO – Doha Development Agenda- Information and Media Relations Division, p. 96.

⁶⁵ Ibid.

⁶⁶ Ibid.

⁶⁷ WTO (2007). “World Trade Report 2007, Summary.

⁶⁸ Ibid.

⁶⁹ Ibid.

⁷⁰ “Doha Declaration” (2003). p. 96.

2.3. WTO-bodies and the decision-making procedure

The structures of international institutions diverge. The problems and challenges, which they are set out to solve, demands for different approaches and solutions: *“Intuitively, a trade agreement concluded with the objective of tying the hands of policymakers, for example, requires a substantially different set of rules, and will pose different demands on the institution administering them, than an agreement concluded with the sole aim of promoting global peace⁷¹”*. However, they share the intergovernmental set-up, but still the WTO is more or less unique in its organisational structure as well as its procedure for decision-making.

The highest decision-making body of WTO is the *Ministerial Conference (MC)* - first level - that meets every second year in which all the members' Ministers of Trade participate. The WTO General Director (GD) and Chief Executive are elected in this forum. Besides the MCs, the WTO-negotiations, as the DR, are in-between been carried out in different committees. Further, the MC oversees the work of the *General Council (GC)* - second level - consisting of WTO-ambassadors of the member countries, which meet regularly. The GC is in charge of the daily running of WTO and has the authority to act on behalf of the MC. The MC and GC make up the decision-making body of the WTO. The third level involves three *Councils for Trade* that work under the GC and the fourth level consists of *Subsidiary Bodies and Committees* that work under each of the three councils⁷². Finally, the WTO has a *Secretariat*, which mainly is to supply technical support for all the other WTO-bodies and the developing countries as well as analysing world trade, provide legal assistance in dispute settlements, advice governments of future members and explain WTO-affairs to the public and the media⁷³.

The MCs, also referred to as 'green room negotiations', differ from the committee-meetings. The most important decisions are in fact made in the 'green room'⁷⁴. Not all members are represented at once at the MCs, which therefore has been called the most undemocratic feature of WTO⁷⁵. As Professor and Executive Director of the NGO 'Focus on the Global South', Walden Bello, has expressed: *“...formal parliamentary sessions where decisions are made in democratic institutions are reserved for speechmaking. Real decisions are made in backrooms by informal caucuses whose members are not determined by formal rules and votes but by informal agreement among significant players⁷⁶”*. In response the former WTO GD Mike Moore, the current WTO GD Paschal Lamy took office September 1st 2005 for a four-year-period, has argued that the green room: *“...doesn't make decisions, but it can assemble the positions that could be finally acceptable. If the Green Room is representative enough, and the facilitators respected, then you can draft a document which the 140-plus membership might accept⁷⁷”*. In this respect it is important to underpin that representation in the WTO is not proportional to the economic size of a country, which gives the developing countries the same power of voting as the developed parties, as in consensus decision-making with veto-rights. However, still the developing countries and their supporters have called the green room negotiations undemocratic and non-

⁷¹ WTO (2007). "World Trade Report 2007, Summary.

⁷² BBC News (24 November 2005). "Profile: World Trade Organization", pp. 1-2.

⁷³ WTO (2007). "The World Trade Organization", Switzerland: Geneva, ISBN: 9778-92-870-3418-2, pp. 1-6.

⁷⁴ BBC News (11 November 2005). "Timeline: World Trade Organization", http://news.bbc.co.uk/go/pr/fr/-/2/hi/europe/country_profiles/2430089.stm.

⁷⁵ Ibid.

⁷⁶ Kwa, Aileen (2003). "Power Politics in the WTO". Focus on the Global South, 2nd edition, p. 5.

⁷⁷ Moore, Mike (2003). "A World without Falls. Freedom, Development, Free Trade and Global Governance". Cambridge: Cambridge University Press, p. 131.

transparent. Martin Khor, who among others is the Director of the Third World Network, has claimed that: "...the WTO is the most non-transparent of international organisations because the vast majority of developing countries have very little real say in the WTO system⁷⁸". The fact that the limited number of participants in the green room negotiations has been put on the same footing as lack of transparency may seem alarming. Transparency is considered a necessity for international cooperation to work: "Transparency provisions are fundamental to a viable international agreement. The transparency function fills information gaps, facilitates compliance and helps parties to uphold their rights⁷⁹". Former GD Moore has stated that some of the developing countries have deliberately maintained that the green room negotiations are non-transparent to excuse the lack of results in their home countries. In this context, Moore has pointed out that: "The reality of Doha was that developing countries were always in the majority in the room, and could report back swiftly to their groupings...a minister complaint about the lack of transparency in the process – from inside the green room⁸⁰". In addition, Moore has claimed that the developing countries in some cases have entered the MCs with unrealistic demands and no counter-offers.

On the other hand, developing countries and their sympathisers have stressed that the green room negotiations of the DR mainly have included narrow proposals of the developed countries holding none commitment to the development agenda. The question in terms of who is right is an essential debate, if considering that some developing countries find that they have no influence in the most important negotiations, which may be a plausible reason for some of the delays in the DN. More specifically, who wants to or is able to make progress in the negotiations if left out. Even if the developing countries are equally represented in the green room negotiations, as WTO claims, the critical opinion of the developing countries in this respect may still cause for delays in the negotiations. Nevertheless, the decisions that are made in the green room always have to be agreed by consensus as the primarily decision-making procedure of the MCs.

In order to deal with the critique holding that WTO is undemocratic and non-transparent, it would be interesting to have a closer inspection of democracy, or lack thereof, in the WTO. The WTO has included different rules of decision-making, which depends on the issue raised. Decisions on matters related to the basic principles of MFN and NT as well as the GATT treaty are to be decided by unanimity, since these are considered the fundamentals of the WTO. All other agreements must be reached by consensus, which makes consensus the dominant decision-making procedure. There are specific rules in some areas on the level of majority needed for the agreement to be implemented under the consensus method. There exist different political theories dealing with democracy. One theory of *aggregative democracy* concerns *direct democracy* in which all individual members vote on a final proposal, which must be agreed by unanimity⁸¹. Hence this may be considered as unanimity voting, which is relevant in terms of MFN, NT and the GATT treaty of the WTO. In contrast, *representative democracy* as in *deliberative democracy* may prove more useful⁸². The deliberative approach

⁷⁸ Khor, Martin (1999). "Transparency, Participation and Legitimacy of the WTO", Third World Network, March 1999.

⁷⁹ WTO (2007). "World Trade Report 2007, Summary.

⁸⁰ Moore (2003), p. 129.

⁸¹ Cronin, Thomas E. (1989). "Direct Democracy: The Politics Of Initiative, Referendum, And Recall". Harvard University Press.

⁸² Bessette, Joseph (1980) "Deliberative Democracy: The Majority Principle in Republican Government", in How Democratic is the Constitution? Washington, D.C., AEI Press. pp. 102–116.

is based on consensus decision-making as evident in the WTO⁸³. Deliberative democracy may therefore be referred to as *consensus democracy*. This deals with the agreement of the majority, but also with the objections of the minority. It thereby seeks to reach consensus rather than a democratic majority. In this respect, consensus democracy is considered an approach, which protect minorities from dominating majority ruling⁸⁴. At first it may seem implicit that the majority refers to the developed countries - as in the powerful political elite - and the developing countries as the minority. That would also have been the case under GATT. However, as today it is the developing countries that make up the majority (two-thirds) in the WTO. Still, developing countries and their supporters have on several occasions underpinned that an elite of the US and the EU is in fact controlling the WTO. However, these accusations may have caused for a re-organisation of the democratic process in which strong attitudes of emerging markets have come forward, which may have caused delays in the DN. Whereas the developing countries have become much more visible, the developed countries may no longer hold the same powerful positions⁸⁵.

Actually, one way that the developing countries have obtained more power in the WTO is because of the consensus decision-making that operates with negotiation groups, which makes it possible to be represented in the green room on a larger scale: "*The Doha Round negotiations have added a new dimension and a certain fluidity to the creation and destruction of coalitions and groups within the WTO*⁸⁶". It has been referred to as a new game of reaching decisions in the MTS⁸⁷. One may argue that it has complicated the decision-making since the developing countries now are highly represented than was the case under GATT. While about eight countries were participating under GATT, today about 25-30 countries are involved - often the most active countries. In spite of the increased number of participants, which may be interpreted as a positive democratic and transparent development, it has brought with it new challenges. It may be argued that rather than being undemocratic, the MCs actually hold too broad a mandate, which makes the negotiations and decision-makings a heavy process as well as extremely difficult to enter agreements and reach consensus. The growing number of participants has to some extent resulted in inefficient negotiations, which are at higher risk for delays and breakdowns, as experienced in the DN.

In the DR, it is representatives of negotiation groups as well as of regional blocks such as the EU, which negotiate the Doha-agreement. This scenario may be interpreted as undemocratic because not all 152 countries participate in the green room negotiations. Thereby, the individual countries may find that their "representatives" are not representing all their interests. On the other hand, it is assumed that countries have not entered a specific negotiation group or regional trading blocks if they were not convinced that these would safeguard their specific interests. This was exactly what happened with the G20-group, which claimed to represent the developing countries. In the cooling water of the Cancun MC, some of the poorest

⁸³ Cohen, J. (1989). "Deliberative Democracy and Democratic Legitimacy," from Hamlin, A. and Pettit, P. (eds), *The Good Polity*. Oxford: Blackwell. pp. 17-34

⁸⁴ Lijphart, A., (1999). "Patterns of Democracy: Government Forms & Performance in Thirty-six Countries", New Haven: Yale University Press, ISBN 0-300-07893-5.

⁸⁵ Laclau, E and Mouffe, C. (1985). *Hegemony and Socialist Strategy: Towards a Radical Democratic Politics*, Verso: London.

⁸⁶ WTO (2007). "World Trade Report 2007, Summary.

⁸⁷ Ibid.

developing countries threatened to end the cooperation with G20, which they claimed only looked after the interests of emerging markets. However, they have continued their common front against the developed countries. Additionally, France has felt ignored by EU Trade Commissioners in the DR. More specifically, in regards to the agricultural area in which France finds that the EU has overstepped its authorities. If France was represented individually in the DN, it could have caused for a considerable breakdown of the agricultural negotiations. The members may not all participate in the negotiations, but they do have the opportunity to veto the agreement in the end. In the case of France, it is rather unlikely that it will do so, if considering that it has already agreed to let the EU handle international trade affairs, which would be the rational choice because of the EU internal market.

Institutionally, the WTO is still weak. WTO serves as an intergovernmental organisation in which decisions in most cases are made by consensus providing a de facto veto-right to each member and obligations negotiated must be ratified domestically in the member countries. The authority is left to the member states alone, which implies that the member countries are to self-enforce WTO-rules⁸⁸: “*The extent to which parties are willing to cooperate crucially depends on the quality of the enforcement mechanism. In the absence of a supra-national authority, most trade agreements must rely on self-enforcement. Codified rules of enforcement reduce the risk of a breakdown of cooperation by providing agreed mechanisms for the detection, examination and quantification of possible infringements. Rules may also help to improve the enforcement capacity of individual parties and provide for a range of options to settle disputes amicably. This, in turn, may increase mutual trust within the system and stimulate deeper ex ante trade liberalisation commitments*”⁸⁹. In this respect, it may be argued that if the members are not willing to concede more authority to the WTO, more binding rules on enforcement should be introduced. On the other hand, if the structure was supra-nationalised as in concede of authority to the WTO creating supranational institutions as well as including *Qualified majority voting* (QMV) decision-making, this could speed up the free trade process and cause progresses in the DN. Hence QMV is purely majority voting in which the winners take it all. As to *supranational democracy*, this imply concede of sovereignty to international institutions, which create supranational bodies to decide on behalf on the member states of areas that have been delegated from the powers of the members to supranational institutions. As today, the WTO does not consist of supranational bodies - although some may argue that the DSB holds supranational authority because of its power to settle trade disputes.

The theory of intergovernmentalism (IG) states that in decision-making of international organisations power is possessed by the member states and decisions are made by consensus or unanimity voting⁹⁰. IG claims that political leaders engage in integration in order to safeguard their national economic interests. According to intergovernmentalist Andrew Moravcsik, it is the commercial interests of leading domestic producers, macroeconomic preferences of ruling governmental coalitions, bargaining among powerful national governments over the distributive and institutional issues that account for the developments of integration⁹¹. The essence under a purely intergovernmental approach to integration is that no member would find it forced

⁸⁸ Lamy, Pascal (2005). "Towards global governance?" WTO News, Speech, 21 October 2005, http://www.wto.org/english/news_e/sppl_e/sppl12_e.htm.

⁸⁹ WTO (2007). "World Trade Report 2007, Summary

⁹⁰ Moravcsik, Andrew (1998). "The Choice for Europe", Cornell: UCL Press Limited, p. 285.

⁹¹ Ibid., pp. 280-293.

to a deeper level of integration than desired⁹². On the other hand, NF defines the concept of integration as: “*The process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations, and political activities towards a new centre, whose institutions possess or demand jurisdiction over the pre-existing national states*”⁹³. NF argues that member states concede sovereignty to international organisations creating supranational institutions, which thereby hold power to make central decisions. The most characteristic about this integration definition is that it leads towards the formation of a new political community beyond the state. NF thereby demonstrates that integration is more about a process than a condition. NF is building on the work of the American socialist Ernst B. Haas, who argued that integration of some areas would spill-over to other areas. According to the theory of NF, this integration process leads towards the formation of a new political community beyond the state. IG rejects the idea of NF and the idea of states concede of powers to international organisations deciding on behalf of the members.

Moreover, NF claims that members’ concede of authority to international institutions in one area will spill-over to other areas (spill-over effects) preceding the process of integration. This will increase the powers of international organisations and their supranational bodies, which are better endowed to handle and protect collective interests than national institutions. As to a *functional spill-over* effect, this implies a technical spill-over in which the areas negotiated are so mutual independent that integration of one area results in integration of the other. The areas being negotiated in the DR may be an example of a functional spill-over. More specifically, as mentioned the areas being negotiated in the DR are to a large extent interdependent, but agriculture is considered the decisive area of the negotiations. As long as agreements are not entered on agriculture, the negotiations on the NAMA and services areas will not experience significant progresses. In addition, a *political spill-over* occurs when political elites in the international cooperation participate in learning processes, which stimulates them to change their own interests and activities towards more rational solutions on a supranational level as a replacement for the national level. In this respect global institutions, the WTO, are considered favoured forums to solve national, regional and global political matters – as in safeguarding collective interests. *Common interests spill-over* occurs when several political actors individually experience problems in achieving certain objectives and therefore find it beneficial to find a common ground in order to upgrade common interests to reach these objectives⁹⁴. The political actors do not change interests, but simply strategies and the central institutions have important roles as those who embody these common interests and offer policy solutions at the same time. Via this function the supranational institutions place themselves in strong power positions in the community⁹⁵. This may occur if the members experience problems in achieving certain objectives on the national or regional level and therefore seek to find a common ground in the framework of the WTO in order to reach these objectives.

⁹² Hix, Simon (2005). “The Political System of the European Union”, Second edition, p. 15.

⁹³ Haas, E. (1958). “The Uniting of Europe: political, social and economical forces”, 1950-1957, p. 16

⁹⁴ Rosamond, Ben (2000). “Theories of European Integration”, St. Martin’s Press, New York. P.62-64.

⁹⁵ Rosamond (2000). “Theories of European Integration”. P.54-58.

The EU is an illustrative example in terms of combining the IG and the NF approaches, which despite the theoretical oppositions have turned out to function in practice. Whereas the EU-members still are considered sovereign and make decisions by unanimity in some areas (IG), they have conceded authority to supranational institutions in others areas as well as implemented QMV on a larger scale (NF). Whereas EU's highest political body – the European Council consisting of heads of governments – is still intergovernmental along with the European Parliament, whose members are elected by the public in all the European states, the EU-commission on the other hand is considered EU's supranational body with authority over the member states in some areas. It has been possible to combine these two approaches in the EU due to the strong wish for a united Europe and at the same time necessary due to the increasing number of members (27) making it difficult to enter agreements by purely unanimity voting. Whereas WTO's main goal is to liberalise trade on fair trade conditions, the EU is dealing with much more areas than trade. However, as demonstrated the WTO is also presented to issues that are not trade related per se and on which it must take a stand. From this point of view, the EU-model could be a successful alternative to the current model. On the other hand, it would most likely turn out a rather complex matter to strengthening the WTO in this respect, if considering the membership of approximately 152 countries with diverging backgrounds and expectations to the WTO. It would probably be far from all the members that would be interested in conceding more powers to the WTO to safeguard collective interests.

WTO has made an effort to address the critique of the alleged democratic deficit. Among others WTO has initiated civilian affairs departments, which are supposed to underpin that the WTO represents civil servants rather than technocratic views of civil servants making agreements behind closed doors at the expense of open and democratic representation and negotiations, as claimed by critics. On the other hand, others find that international cooperation and coordination require technocrats in order to make the right decision for the WTO and its members as a whole. However, the WTO is an intergovernmental institution, which implies that for the time being WTO is in all respects a servant to the member states. It may seem unfair to characterise the green room negotiations as medieval, as stated by some critics, but it may need to be modernized in certain respects as to more participators (democracy) as well as improved transparency. As professor Robert Wolfe argued at the World Public Forum in 2006: *"If the decision making process (if Doha) looks medieval it is because the world looks so too"*⁹⁶.

At first sight, unanimity voting (direct democracy) may be considered the most democratic voting system. However, since the WTO has 152 members, it would more or less be impossible to agree on any issue and thereby unanimity voting would be a very inefficient procedure. The WTO has only incorporated direct democracy when voting on some of its fundamentals. Moreover, if considering that the majority as well as minority are safeguarded by consensus decision-making as well as including veto-rights, the deliberative consensus democracy model of the WTO may in fact be the most democratic procedure for the WTO as it looks today. In addition, this approach may reduce the powers of elites and increase transparency. On the

⁹⁶ WTO (2007), Summary.

other hand, supranational democracy may be considered the most efficient, but this would demand for concede of authority to the WTO.

Rather than considering the DN as an example of the WTO not working properly, the complicated process of the DR could be interpreted as a positive indication of a well-functioning democracy. The fact that the negotiations have been relatively problematic may be a sign of equality in the negotiations. Developing countries are now challenging the developed countries, which has resulted in a long negotiation round, but it may be a sign of an improved democratic process rather than a democratic deficit.

2.4. Dispute Settlement

The Dispute Settlement was already agreed on under GATT, but has developed considerably over the last 60 years. Under GATT all members were involved in resolving a dispute including parties of the case in question, which also had the power to block a ruling against them. The rule of law was developed in the UR, Dispute Settlement Understanding (DSU). As today, a country involved in a dispute cannot block a ruling and further the Dispute Settlement Body (DSB) rules in the case rather than all the members. DSB's Appellate Body (AB) was not introduced before the UR and in addition there was no fixed timetable under GATT. Under WTO a case must not take more than one year to solve or 15 months if the case is appealed⁹⁷.

A dispute arises if a member or the WTO finds that another member has violated an agreement or commitment⁹⁸. The decisions of the DSB are absolute and all members must to a full extent follow its rulings. Thereby the WTO-members are empowered to enforce DSB-judgments in terms of imposing trade sanctions⁹⁹. If a member infringes WTO-rules, it may result in an imposed penal duty, if the member accused does not harmonise its violating policy¹⁰⁰. In this respect, the DSB works as the central upholder of the MTS and might be interpreted as WTO's main contribution to stability. According to the WTO, DSB's main areas of work are surveillance and insuring transparency.

Most of cases that DSB handles concern antidumping¹⁰¹. The Anti-dumping Agreement was adopted in the Marrakech (UR) to ensure that export prices are not lower than the prices of the home market, which would harm domestic competitors. Disputes in antidumping cases are settled by the DSB¹⁰². In this respect the US and the EU have on many occasions been accused of breaching the antidumping rules in terms of agriculture as well as China in regards to non-agricultural products. However, it may be argued that the grounds for these antidumping cases diverge. China's antidumping may be considered a natural consequence of its comparative advantage in terms of China efficiently specialising in low production costs of non-agricultural products. Products that China exports at prices, which despite import taxes (tariffs), may be lower than prices of

⁹⁷ WTO (2005). "Understanding the WTO", Settling disputes: A unique contribution, Geneva: The WTO Information and Media Relations Division.

⁹⁸ Ibid.

⁹⁹ BBC (24 November 2005), pp. 1-2.

¹⁰⁰ Udenrigsministeriet (August 2006), p. 1.

¹⁰¹ WTO (2007). "World Trade Report 2007, Summary.

¹⁰² Finger, Michael and Andrei Zlate (2005). "Antidumping: Prospects for Discipline from the Doha Negotiations, Working paper of the World Bank, November 17 2005.

domestic products. In contrast, the EU and US cannot argue that their antidumping of agriculture is because of comparative advantage. In this case it is rather a question of protectionism in which the EU and the US heavily subsidise their agriculture, which result in an overproduction and lowered prices are dumped in the developing world harming poor farmers.

The number of cases of the DSB has increased significantly under the WTO among others because of the stronger attitudes and increased activities of the developing countries. As today, approximately 40 % of DSB's cases are raised by developing countries and further about 40 % of these are against other developing countries. The text of the DSU laying the ground for the DSB states that the members must give more attention to the developing countries and their needs¹⁰³.

The DSB might be interpreted as a supranational institution within the WTO in which DSB holds the authority to rule, as explained by NF. Additionally, if DSB is considered as a kind of supranational institution this may spill-over to other areas eventually resulting in "more" or real supranational institutions. On the other hand, DSB only presents the first ruling, which then is accepted or rejected by all the sovereign members, as IG holds. In this respect it is important to underpin that unless a majority of the WTO-countries reject a ruling of the DSB's then its judgment is adopted. More specifically, if a country wants to block a ruling, it must persuade a majority of the WTO-members of its opposition¹⁰⁴. From this perspective the DSB may in fact be interpreted as a supranational institution, if considering the members' difficulties in objecting to DSB's conclusions. However, according to the WTO, it is still the member states that hold the authority and power to 'give effect to verdict' because at the end of the day it is the members that are to implement DSB's rulings: "...under an international agreement, a DSB may not have the means to give effect to a verdict. Successful dispute resolution remains in the hands of the parties, depending either on the willingness of the offending party to cooperate or the capacity of the membership to punish the offender¹⁰⁵". From this point of view, IG may consider DSB's role as a pure technical translator of the treaties and the legislative acts (or servant to the member states), which the sovereign states have negotiated based on national interests. In this connexion, DSB is not an autonomous power within the WTO, since institutions can only act on the basis of the most powerful member states' preferences. This implies that the supranational institutions are considered as an embodiment of the member states' interests and further that the DSB only has a technical and neutral function in the integration process. However, the member states also have a political interest in respecting a common WTO legal system because the DSB secures impartial decisions in intergovernmental bargaining at the international level. The DSB is a way for member states to maintain a judicially regulated market where there is no incentive to comply with the rules and commitments without making sure that others also comply. Put in other words, the DSB acts as a "servant" to the member states, which does not imply any loss of sovereignty for the most powerful members, as the general principles are always consistent with their specific preferences and interests. If a

¹⁰³ Pescatore, Pierre and William J. Davey and Andreas F. Lowenfeld (1991). "Handbook of WTO/GATT Dispute Settlement", Translations Publishers, Inc., ISBN-10: 092917948X.

¹⁰⁴ Lamy, Pascal (2005). "Towards global governance?" WTO News, Speech, 21 October 2005, http://www.wto.org/english/news_e/sppl_e/sppl12_e.htm.

¹⁰⁵ WTO (2007). "World Trade Report 2007, Summary.

judgment or decision departs from these preferences it would most likely be ignored. On the other hand, NF may consider DBS as a technocrat and master with legal authority over the WTO-members rather than acting as a civil servant to the members because of its powers to rule and the members' theoretical obligations to follow these¹⁰⁶.

2.5. Future prospects and critical points of the WTO

There exists uncertainty and confusion in regards to WTO's fundamental values as well as the organisation's objectives and functions; is the long-term goal to introduce pure free trade globally? Is it WTO's role to be facilitator and judge in trade political relations or should the WTO be an actor of global governance and if so to what extent should WTO contribute to answers in regards to non-trade global challenges? In a global world, which is constantly changing, new questions and demands in regards to the role of the WTO have emerged on a larger scale. Some parties consider WTO's broad mandate and high range of trade and non-trade issues as a potential answer to the new political challenges of globalisation. Others, however, are against the expansion of issues dealt with in the framework of the WTO and find that the current organisational structure and the decision-making procedure makes the WTO unable to take on such responsibility. The diverging approaches in this respect may block the possibilities for flexibility within the WTO-system, which may paralyze the WTO as an instrument. It is therefore necessary and desirable to clarify the indistinctness in terms of the diverging demands and expectations to the WTO as an international institution working to realise free trade on fair trade conditions as well as defining WTO's specific role in the global community.

Globalisation has brought with it new problems and challenges as well as a new world order. These cannot be met by the member states alone and it may therefore be argued that new forms of global governance are needed: "...the world economy and world trading system have changed tremendously since the last round of trade negotiations concluded in 1994 (Uruguay Round). New powers are rising and they plan to exercise their might in various ways, including by pressing their vital domestic concerns...A period of reflection over the next years to find a path that is grounded in the new emerging world order might be just what the WTO needs¹⁰⁷". The lack of constituted global governance may be a plausible reason for some of the delays in the DN. WTO's GD Lamy has been a significant advocate of global governance and has in this respect expressed that: "*The absence of global governance destroys the very idea of progress. To address the global questions, problems, threats, fears, at the appropriate level, we need more governance at the global level. The WTO can play an important role in global governance*¹⁰⁸". The question is if the world is ready for such development and in that case which international institution that is to take the lead or, if all the existing international organisations are to constitute global governance commonly. As it looks today, the WTO lacks in terms of means, instruments, authority and political power to develop and work as a global governance institution, as noted by Lamy: "*For democracy to be the organisational principle of global powers, we need to build it and we could begin to do so with our existing international organisations. We have to advance one step at a time and ensure there is a basic level of trust in every international organisation that can put forward initiatives, reach compromises and propose solutions. The UN Secretary-General can play that role, assuming that the permanent members of the*

¹⁰⁶ Moravcsik, Andrew. *The Choice for Europe*. UCL Press Limited 1998 p. 54 - 56

¹⁰⁷ Polaski, Sandra (2006). "The future of the WTO", Carnegie Endowment for International Peace, US: Washington D.C., September 2006, pp. 1-5.

¹⁰⁸ Lamy, Pascal (2005). "Towards global governance?" WTO News, Speech, 21 October 2005, http://www.wto.org/english/news_e/sppl_e/sppl12_e.htm.

Security Council allow him to do so. Similarly, the Directors of the WB have the power to kick-start their institutions. So, to a lesser extent, do the Directors General of the ILO and the WHO. The Director-General of the WTO, on the other hand, does not have that power because the consensus principle – however important in terms of the ethos of the WTO – makes it formally difficult for him to take real initiatives¹⁰⁹. It is a matter of fact that introducing global governance would be a gradual process in which interests, norms, rules and values are to undergo considerable harmonisation. Nobel prize winner in economics Joseph Stiglitz has emphasised the problems in economic globalisation outpacing political globalisation. As today, countries are far more interdependent and need collective action on many areas. However, the international community still has not created political structures that allow for such in a democratic way, as in the case of the WTO. If solely including the economic aspects of trade liberalisation, the free trade agenda ignores that need¹¹⁰. Neo-realists would deny further WTO-integration and members' concede of authority to the WTO as an global institution because of the lack of ability to safeguard national interests first and foremost as well as international institutions merely offering relative gains. On the other hand, NLI could support such development if countries' national trade interests converge to collective trade interests in which all members absolute gain, which is best handled by a central upholder, as the WTO.

The traditional obstacles for trade in goods, as GATT engaged in, were mostly related to quantitative matters. However as today, the main obstacles for trade are also to a large extent considered qualitatively related. More specifically, new trade barriers based on rules and principles have emerged on a larger scale, which for example concern consumer protection, protection of patents and brands, education and qualification requirements for suppliers of services, environment protection, labour protection, etc. Consequently, trade barriers are attached to countries' domestic laws or regional restrictions on products and services. Thereby, trade policy has in general moved from interface relations between countries to so-called "behind-the-border" relations.

Overall WTO claims that it has been founded to make the global community a better place by introducing free trade on fair trade conditions. Despite this intension, WTO has been met with suspicion¹¹¹. Besides its structure and decision-making procedure being labelled as undemocratic, non-transparent and outdated, WTO is criticised for dictating trade policy, supporting free trade at any cost as in taking priority of commercial interests over development, environment, health, etc. Further, WTO is accused of destroying jobs, worsen poverty, merely supporting the elite of developed countries as well as a tool for powerful lobbyism. WTO-representatives do not completely deny the fact that the WTO lacks in certain respects, as expressed by Lamy at the WTO public forum in 2006: *"There are flaws in the system...the WTO is far from being a perfect instrument, but the last 10 years of multilateral trade cooperation has shown that we need this, albeit imperfect, international instrument, and our commonly shared goal should be to work together to make the WTO better reflect our aspirations...In that sense the WTO is like an 11-year old. The expectations are often too high and there is not enough appreciation for what it already accomplished. What the WTO*

¹⁰⁹ Lamy, Pascal (2005). "Towards global governance?" WTO News, Speech, 21 October 2005, http://www.wto.org/english/news_e/sppl_e/sppl12_e.htm.

¹¹⁰ Stiglitz, Joseph (18 September 2006). "Making Globalization work", Interview in U.S. News & World Report, pp. 27-29.

¹¹¹ Moore, Mike (2004). "Doha and Beyond. The Future of the Multilateral Trading System". World Trade Organization. Cambridge: Cambridge University Press, pp. 19-26.

needs today is a mix of political courage and vision to improve the things it does well and change some of its imperfections¹¹²". If even the GD of the WTO admits that the WTO lacks in more than one respect, it seems more understandable that the WTO is a subject to heavy critique. But rather than considering it as critique, some of the arguments could be used as suggestions or guidelines to develop the WTO. In addition, rather than considering WTO as medieval, it may be interpreted as a "newborn", as stated by Lamy.

WTO stands in front of many issues and interests that – for the want of something better - are to be handled in an intergovernmental set-up, which basically has been established with other objectives in mind. A high number of issues handled in the WTO are non-trade related and go far beyond the authority of the WTO. Many discussions and negotiations have a complex background and include several agendas at the same time with conflicting demands and expectations to the system. For that reason there exist diverging requirements to how the WTO should look and work in practice. At the same time, the WTO has remained more or less unchanged¹¹³. In this respect, the fundamental conditions that characterise the WTO may also illustrate the basic dilemmas of the organisation. The same conditions may be considered pros as well as cons, possibilities may also be threats and strengths must be compared to weaknesses. Thereby, WTO's problematic challenges may be exceptional opportunities. As Winston Churchill once said: "*A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty*".

The considerations in regards to the future role of the WTO are in a time of continuing DN marked by insecurity due to the difficulties in predicting the final result of the DR. A positive scenario - in which a conclusion of the DR is successfully reached - may strengthen the WTO implying a constructive re-evaluation of the institution. On the other hand, a more negative scenario may emerge if the DR turns out to fail. In such a situation the most important task would be to make sure of WTO's very survival. If trade liberalisation does not move forward, the need for a MTS will be questioned. In this context, the so-called bicycle theory could be applied to illustrate that if the bicycle does not move forward, it will fall. This implies that the result of the DR, or lack thereof, may in fact determine the future of the WTO and the MTS. The WTO-members have been willing to add more points to the WTO-agenda, but at the same time refused to concede more authority. This dilemma may have caused for delays in the DN. On the other hand, the fact that the DR more or less has turned out to be a question of WTO's survival as an international organisation may cause for the members to realise the necessity of concluding the DR.

¹¹² WTO (2007). "WTO Public Forum- What WTO for the XXIst Century?", pp. 257-260,

¹¹³ Udenrigsministeriet (2007). "WTO's fremtid til en offensiv handelspolitisk strategi", November 2007, specifik kilde hemmeligholdes efter ønske.

Chapter 3: The areas and actors of the Doha Round

3.1. Introduction

After the failure to launch a new round at the third MC in Seattle 1999 because of anti-demonstrations, the DR was finally introduced at the fourth MC in Doha 2001. Actually, the establishment of the WTO was among others to avoid trading rounds and merely establishing a framework in which on-going trade negotiations could take place. However, as a consequence of the developing countries' difficulties in implementing the agreements of UR, it was agreed necessary to launch a new round. The developing countries' influence on setting the agenda resulted in a development round, the Doha-Development-Agenda (DDA). Besides the prior to development, an ambitious plan was prepared for the DR, which mainly concerned agriculture, service (GATS) and industrial (NAMA) products. Further, it included specific topics of interest to the developed world, as the so-called Singapore Issues (SI), which cover investment, competition, transparency in government procurement and trade facilitation.

3.2. The Process of the Doha Round

Several committee-meetings followed the Doha-conference to prepare for the fifth MC in Cancun 2003. Well-knowing that agriculture would be a battle in Cancun, twenty of the most prominent developing countries established a negotiating group, G20, in the pre-period of Cancun. G20 was founded as a clear opposition to the unsatisfying agriculture offers of the US and the EU. G20 proved to have tremendous influence on the negotiations. High growth countries such as Brazil and India seriously began to show their powers as the leading and strongest actors of G20 claiming to act on behalf of the developing world in the DR. The more developed developing countries now have more to offer in terms of trade and their increasing importance in the world economy is undeniable. G20 represents more than 1/2 of the world's population, 2/3 of the world's farmers as well as 1/4 of the world's agriculture exports¹¹⁴.

The main areas discussed at the Cancun-conference turned out to be agriculture and SI. The US and primarily EU tried to convince the developing countries to agree on SI as agricultural-counter-offers (reciprocity) and made a strong effort to underline the advantages of including SI - also for the developing countries. However, the developing countries refused and emphasised that they were not ready for such commitments and that SI would mostly benefit the developed countries. The EU and US were recommended by G20 to present a common position on agriculture, which the two actors fulfilled. Still G20 did not hesitate to reject their offer – calling it insufficient and non-development oriented¹¹⁵. Consequently, the US and EU presented individual agriculture proposals in the following Doha-talks¹¹⁶. There existed considerable consultations covering many areas besides agriculture and SI at the Cancun-conference, but the negotiations were suspended because the members failed to reach final agreements on the main items of the agenda, as in agriculture and SI. Therefore

¹¹⁴ Bailey, Teo (2003). "Globalizing Resistance in Cancun", *NACLA Report on the Americas*, vol. 28, no. 6, pp. 16-19.

¹¹⁵ US Trade Representative (2005). Interview with the US Trade Representative (name concealed), by Jakob Alvi, March 21 2003.

¹¹⁶ Hanrahan, Charles and Randy Schnepf (November 2005). "WTO Doha Round: Agricultural Negotiating Proposals", Washington D.C.: Congressional Research Center, Report for Congress no. RL33144, pp. 1-21. Also the updated version of September 2006 "WTO Doha Round: The Agricultural Negotiations", pp. 1-33.

the Cancun-conference was considered a temporary breakdown with non-progress in the DN. The official reasons for the “breakdown” were thereby agriculture and SI. The unofficial reason was the new strong attitudes of G20 clearly opposing the developed actors. The suspension was commented by the NGO of international peace Carnegie Endowment as a critical shift in focus away from the development objective that was laid down and promised to the developing countries in the DDA¹¹⁷. On the contrary, the developed countries blamed the developing countries for the lack of counter-offers referring to WTO’s adopted principle of reciprocity. Either way, the suspension of the Doha-talks at the Cancun MC caused for considerable delays in the DN.

Following the disaster of Cancun, the prospects of reopening the negotiations were not positive. WTO was called a middle age organisation¹¹⁸ and some WTO-members stressed that they would change directions to achieve their goals by entering bilateral and regional FTAs on a larger scale¹¹⁹. However, after a few months the US and EU were encouraged by WTO-representatives and G20 to return to the negotiations, which resulted in new initiatives¹²⁰. Although it was unlikely that there would be any progress before 2005 due to the upcoming US-Presidential election in November 2004 and thereby Bush’s restricted trade authority as well as replacements of EU-Commissioners¹²¹. Following several committee-meetings, the WTO-members approved a guiding framework-agreement in July 2004, which included important paragraphs. To put it simply, the members agreed to phase-out agricultural support and exclude three of the four SI, as only to include trade facilitation. Thereby, the committee-meetings in-between the Cancun and the following MC in HK 2005 were actually considered as significant progresses in the DN with an ambitious and promising starting point for the HK-conference.

Once again agriculture was the main issue of the agenda in HK, clearly indicating the interdependence and interactions between the areas being negotiated. More specifically, it was realised that agriculture - as the most important trade area for the majority of the developing countries - was to be agreed on before negotiations in the other areas could make progress. The US and the EU presented new “individual” agricultural proposals offering significant cuts in their agricultural support. However, their offers did not include the developing countries’ right to defend essential products. In this respect the US and the EU were once again accused of breaking their development-commitments¹²². Whereas the offers of the US and the EU to some extent were considered as a progress in the DN, the lack of specific development-priority blocked for an agricultural agreement causing further delays.

¹¹⁷ Polaski, Sandra (14 September 2006). “The suspension of the Doha-Round and the future of the WTO: Two views”, Carnegie Endowment for International Peace, <http://www.carnegieendowment.org/events/index.cfm?fa=print&id=911>.

¹¹⁸ Lamy, Paschal (2003). “Post-Cancun Primer: My WTO ‘Q&A’”, Wall Street Journal, September 23 2003, p.A.24.

¹¹⁹ Zoellick, Robert (2003). “US Commitments to transparent global trade negotiations must be reciprocated by others”, Financial Times, October 2 2003.

¹²⁰ Jonquières, Guy De and David White (2003). “US and Europe urged to help revive DR: South African Minister believes prospects are good if rich countries give their backing”, Financial Times, October 24 2003.

¹²¹ Politiken 12 Januar 2003. “USA vil genoptage Doha-Forhandlingerne”.

¹²² Bello, Walden (25 July 2006). “Why today’s collapse of the Doha Round negotiations is the best outcome for developing countries”, Transnational Institute, Focus on the Global South, http://www.tni.org/detail_page.phtml?page=archives_bello_dohacollapse.

The negotiations on NAMA and services (GATS) replaced the SI during the negotiations in HK. NAMA and services had been on the agenda since the launching of DR, but in HK the developed countries, at the expense of SI, made serious efforts to utilize NAMA and services as their reciprocity requests. If considering that the main goal of the WTO is to gain free trade, it makes sense to include NAMA and services in the DR. At this point these areas may primarily be in the interest of the developed countries, but may in fact – eventually – benefit all the members; rich as poor. As for example some of the more developed developing countries such as China, which has specialised in cheap production and exports of non-agricultural products, and India that has specialised in services e.g. call-centres, engineering, etc. If the developed countries and some of the developing countries are to gain something from the DR, NAMA and services should be incorporated in the DN. On the other hand, it is stated that historical evidence proves that developing countries must be able to raise or lower barriers in accordance to changing circumstances in order for them to develop in successful manners – referred to as a gradual development¹²³. From this point of view it may be out of line to include NAMA and services at least if based on a ‘one-size-fits-all’ model. The latter argument was the “winning-argument” at the HK-conference and little progress was made in the NAMA and service talks, as in further delaying the DN. The limited progresses in NAMA and services were not only related to the specific substance of these negotiations, but were also caused by the proclaimed unsatisfying agricultural proposals of the EU and the US. The developing countries underpinned that there would not be any progresses in NAMA and services as long as the agriculture proposals of the developing countries did not live up to the developing countries’ expectations.

The presented ‘development-package’ in HK was also very limited. Overall, the package was criticized for not making up for the consequences that the agricultural offers of the developed countries would imply¹²⁴. However, the fact that some development issues were actually agreed on may be interpreted as progresses in the negotiations. On the other hand, the progresses were considered far less than what was expected for the development area.

At the HK-conference the G20 group was to some degree dissolved. Several of the developing members had realised that the spokesmen, Brazil and India, did not represent their specific needs in the DN. This among others due to the considerable economic divergences between the developing countries and in this respect Brazil and India respectively represent the interests of the more developed developing countries than e.g. the interests of LDCs. As a consequence of Cancun, Brazil and India were now considered important and strong actors and were invited in the so-called elite negotiating groups such as G4 and G6.

The HK-conference was not considered a breakdown as was the case in Cancun, but neither was the HK MC thought of as a breakthrough. However, a successful conclusion of the DR still seemed possible, but at the same time impossible due to the limited outcome of HK still not agreeing on the most important and pioneer

¹²³ Barry, Amy (April 2006). ”A Recipe for Disaster – Will the DR fail to deliver for development?”. Oxfam Briefing Paper no. 87, pp. 1-31.

¹²⁴ Ibid.

issues. Although, the HK-conference may be interpreted as causing a progress in the DN because of the small steps forward in the negotiations and the fact that the conference was not suspended as in Cancun. From this it appears that the arguments for progresses in the DN as an outcome of HK are slightly weak. Rather the little or non-progress in the negotiations in HK on the most important areas may be interpreted as puts-off and thereby causing further delays in the DN.

Following the HK-conference, several committee-meetings as well as G4 and G6 meetings took place. However, it became clear in late July 2006 that it would not be possible to bridge the gaps between the WTO-members and a de facto suspension of the DN was announced. The breakdown was concluded after the failure of a G6-meeting. A meeting that was supposed to lead off the final phase of the DR. G6 continued to disagree in regards to agriculture and NAMA¹²⁵. Whereas Brazil and India refused to reduce or eliminate industrial tariffs (NAMA), US and the EU continued to demand tit-for-tat reciprocation, which Brazil and India claimed would continue the unequal global trade. As noted by the India's Minister of Commerce after the collapse of the meeting: *"This is a development round, completing is extremely important but equally important is the content of the Round. The content has to demonstrate new opportunities for developing countries, primarily market access of developing countries into markets of developed countries...it is not to open markets in developing countries in order for developed countries to have access for their subsidized products to developing countries...We say the round should correct the structural flaws and distortions in the system, and there should be fair trade, not only free trade¹²⁶".* In order to defend themselves, the US and the EU not only blamed Brazil and India for lack of reciprocity, but also finger-pointing each other back and forward¹²⁷. As oppose to the developed countries, the developing countries were supported in their defence, as in the latest offers of the US and the EU respectively being more harmful than helpful for the developing countries and in this respect 'no-deal' was better than a 'bad-deal'¹²⁸, as stressed by Joseph Stiglitz¹²⁹: *"...an agreement based on principles of economic analysis and social justice...(..).would look markedly different from that which has been at the centre of discussion...(..).Fear of the developing countries that the DR of negotiations would disadvantage them...(..).were indeed justified¹³⁰".* Hence due to the lack of an agricultural and NAMA consensus, services were not discussed at this meeting¹³¹.

The WTO-countries expressed their disappointments in regards to not reaching an agreement and stressed their continual commitments to a successful DR, but admissions and concessions did not come off immediately after the breakdown. It was strongly accentuated that the parties had to return to the negotiations as soon as possible. Significant opportunities would forgo and considerable consequences emerge, if not reopening the DR¹³². In this respect G4 had an important role in the reopening of the negotiations –just as most of the G4-countries had in the breakdown earlier on. The DR was once again reopened and serious negotiations revived in 2007. As today, the DN are still on-going and there have

¹²⁵ IMF and World Bank (August 2006). "Doha Development Agenda and Aid for Trade", pp. 3-6.

¹²⁶ Nath, Kamal (24 July 2006). "Free trade and globalization: WTO Doha "Development" Trade Round Collapses, 2006", quoted by Martin Kohr in "Third World Network of 24 July 2006 "All Doha Talks suspended at WTO as G6 Ministerial collapses".

¹²⁷ Tran, Mark (24 July 2006). "Doha dead as dodo", The Guardian, http://blogs.guardian.co.uk/news/archives/2006/07/24/doha_dead_as_dodo.html.

¹²⁸ Polaski, Sandra (2006). "Winners and Losers – Impact of the DR on Developing Countries". Washington D.C.: Carnegie Endowment for International Peace, pp. 1-75.

¹²⁹ Ibid.

¹³⁰ Stiglitz, Joseph (2005). "Fair Trade for All, How Trade Can Promote Development", Oxford: OUP.

¹³¹ IMF and World Bank (August 2006), pp. 3-6.

¹³² WTO (August 2006), "Doha Development Agenda and Aid for Trade", pp. 3-6.

actually been significant progresses in the negotiations. Two revised blueprints issued for the final deals on agricultural and non-agricultural trade - the formulas for cutting tariffs and trade-distorting agricultural subsidies in a final deal - were issued on 19 May 2008. They are the outcome of the latest discussions in negotiation groups and will pave the way for talks combining the subjects before they are agreed by all the WTO-members¹³³.

The negotiations were supposed to be concluded by 1 January 2005¹³⁴. The scheduled deadlines of completing the DN have continuously been postponed due to lack of reaching consensus. It may be stated that some associated goals have been achieved and thereby caused some progresses in the DN. However, when it comes to reach final agreements on the main areas as well as observing time limits, it is rather obvious that the DR has failed in many respects causing considerably delays in the DN. Still the negotiations are ongoing and representatives of the WTO as well as the different actors of the developed and the developing world apparently continue to have confidence in a successful conclusion of the DR.

3.3. The main areas of the Doha-negotiations

Whereas the developing countries have put pressure on the developed countries to liberalise agriculture and give prior to their development-commitments, the developed countries have demanded for the SI, NAMA and GATS to be included on a larger scale referring to reciprocity. Despite the fact that development is an integral part of all the areas in the negotiations, it is in the following analysis also dealt with separately¹³⁵.

3.3.1. The Singapore Issues

In Singapore 1996 the first WTO MC was held¹³⁶. At this meeting the members agreed to look into the possibility to include negotiations on rules concerning investment, competition, transparency in government procurement and trade facilitation. Also known as the Singapore Issues (SI)¹³⁷. The opening of the DR authorized an investigation in regards to the possibility of including the SI as a part of single undertaking¹³⁸. During the first part of the Doha-process, the SI were considered EU's core area. The EU made a strong effort to convince the other WTO-members of the benefits and the possible win-win situation, if implementing the issues. In addition, EU emphasised that it would only be fair to incorporate SI, if the EU was to gain something from the DR. The US partly agreed with the EU to incorporate the SI, but it did not prioritize the topics in the same manner. The US was especially interested in public procurements¹³⁹ and in regards to investment, the US suggested that this should rather concern capital market liberalisation¹⁴⁰.

¹³³ WTO (19 May 2008). "Revised blueprints issued for final deal on agricultural and non-agricultural trade", http://www.wto.org/english/news_e/news08_e/ag_nama_may08_e.htm.

¹³⁴ Fergusson, Ian F. (July 2006). "World Trade Organization Negotiations: The Doha Development Agenda", CRS Report for Congress RL32060, pp. 1-17.

¹³⁵ Newfarmer, Richard (2006). "Trade, Doha, and Development – A Window into the Issues". Washington D.C.: The International Bank for Reconstruction and Development / The World Bank, pp. 161-175.

¹³⁶ "Singapore Ministerial Declaration" (18 December 1996). WTO – Ministerial Conference, Singapore 9-13 December 1996, pp. 1-8.

¹³⁷ Charlton, Andrew (2004). "Regulatory Harmonization: The Singapore Issues". IPD Working Paper Series, Columbia University, pp. 1-17.

¹³⁸ WTO (2000a). "EC Comprehensive negotiating proposal". Doc. G/AG/NG/W/90.

¹³⁹ USTR (2004). "2004 Trade Policy Agenda and 2003 Annual Report".

http://www.ustr.gov/assets/Document_Library/Reports_Publications/2004/2004_Trade_Policy_Agenda/asset_upload_file665_4752.pdf, Chapter 2.

¹⁴⁰ Charlton, Andrew (2004). "Regulatory Harmonization: The Singapore Issues", pp. 1-17.

EU Trade Commissioners emphasised that the main purpose of including *investment* would be to establish explicit, transparent and non-discriminating international rules for investment access. This would result in a harmonisation of the rules making it easier and far more attractive for MNCs to invest and thereby increase FDIs, which is essential for the developing countries in order for them to raise economic means to develop. However, there are numerous of areas that need to be addressed before a developing society becomes attractive for FDIs such as infrastructure, non-corruption as well as transparent and attractive investment rules, etc. The latter could be achieved by including investment in the WTO/DR. In addition, EU's argument for adopting *competition* mainly concerned transparency, non-discrimination as well as provisions on cartels. These regulations may already be a matter of course in developed countries, but it is not the case in most parts of the developing world. Common rules on competition would make it easier for MNCs to operate cross-borders, which may imply increased global economic activities. As to *public procurements*, this concern public authorities' trade in products and services, which account for approximately 10 to 15 % of GDP in the developed countries as well as averagely 20 % of GDP in developing countries. The risks of public procurement are among others corruption, protectionism, swindle, waste, etc. As an attempt to prevent such consequences countries have enforced regulating laws, which may be trade distorting. The EU therefore made a case of including public procurement in order to reduce these rules, which in general have a negative effect on trade reducing the potential gains. Finally, EU suggested a general simplification of trade procedure rules, as in *trade facilitation*. In this respect, some studies have indicated that it is possible to save about EUR 300 billions yearly, which currently are lost in rule scrutiny, delays and corruption. If the rules were simplified, it would in particular be an advantage for the developing countries because of the improved market access and further it would become more appealing for MNCs to invest in these countries¹⁴¹.

The general reaction of the developing countries was that they were not ready for SI-liberalisation and that the issues primarily would support the interests of the developed countries. They believed that the costs were not justified by the likely benefits. Among others the costs of implementing the SI could consequently turn out to imply incursions into national sovereignty, large burden on the administrative capacity, significant costs associated with the implementation, lack of institutional capacity and human expertise, extensive need of technical assistance, etc. Hence in OECD-countries such issues have only been gradually implemented over a long-term period¹⁴². More than half of the developing countries stated that new issues should not be included in the DN, which would move the focus away from the development-agenda¹⁴³. Moreover, some parties expressed that the Doha-agenda was already overloaded and including SI would slowdown the progress on more beneficial initiatives¹⁴⁴. In the light of this opposition, the EU was more or less forced to give up the SI, or parts thereof. The SI became the official reason for the breakdown of the MC in Cancun causing delays in the DN. As today, it is merely trade facilitation that has survived the objections of the developing countries.

¹⁴¹ "The Doha Development Agenda" (2004). The EU-Commission: http://www.europa.eu.int/comm/trade/issues/newround/doha_da/index_en.htm.

¹⁴² Charlton, Andrew (2004). "Regulatory Harmonization: The Singapore Issues", IPD Working Paper Series, Columbia University, pp. 1-17.

¹⁴³ CAFOD (2003). "Singapore Issues in the WTO: What do developing countries say?", CAFOD Paper.

¹⁴⁴ Charlton (2004), pp. 1-17.

3.3.2. Agriculture

Agriculture has been one of the main areas of concern since the establishment of GATT and in particularly considered the key area in the framework of the WTO and in the DN. Real negotiations on agriculture was not included on a larger scale until the launching of the DR¹⁴⁵. If calculating the benefits of free trade, most studies indicate that liberalisation of agriculture would be the main contributor to gains. It is estimated that agricultural liberalisation would stand for approximately 50 % of the benefits derived from full liberalisation. This is primarily due to the high degree of protectionism; tariffs in both developed and developing countries and additionally extensive use of subsidies primarily in the developed world¹⁴⁶. Therefore agriculture has been referred to as being the heart of the DR¹⁴⁷. Moreover, agriculture is the most important area for the developing countries in order for them to boost their economies and obtain a higher level of wealth. They need to get market access to the developed countries' food markets as well as convincing the developed countries to eliminate their heavy farm support. In accordance with the DDA, the developing countries are not supposed to eliminate their agricultural trade barriers in line with the developed countries.

Agriculture' share of the world GDP has fallen from one-tenth in the 1960ties to only covering about 1/30 today. In the developed world agriculture's share of GDP is approximately 1.8 % and only accounts for around 1 % of the labour force¹⁴⁸. The World Bank (WB) has in this respect stated that: *"It is ironic that agricultural policy is so contentious, given its small and declining importance in the global economy"*¹⁴⁹. As oppose to the developed countries, many of developing countries' economies actually depend on agriculture, as also underpinned by the WB: *"Their gains from global agricultural liberalisation represent almost two-thirds of their total potential gains..."*¹⁵⁰. For that reason developing countries are targeting the high protective farm policies of some of the wealthiest countries in the DN¹⁵¹. The developing countries have made it clear that an agreement on agriculture is all-time necessary before negotiations on other areas in the interest of developed countries such as NAMA and services will progress.

The WTO-countries' agricultural sectors are crucial important to the individual members primarily because agriculture can meet the food needs of a country in an effective manner¹⁵². This indicates that agriculture has more important features far beyond trade. More specifically, the non-trade related aspects of agriculture concern food security, food safety, rural jobs and incomes, environmental protection and animal welfare, etc¹⁵³. The significant contribution of agriculture to societies cannot be met by other sectors and the benefits may forgo in the absence of a well functioning agricultural sector. Therefore it is extremely important that the WTO does not solely deal with trade liberalisation of the developed countries' agricultural sectors, but also

¹⁴⁵ WTO (2007). "World Trade Report 2007, Summary.

¹⁴⁶ Anderson, Kym and Will Martin (2006). "Agricultural Trade Reform & the Doha Development Agenda", The International Bank for Reconstruction and Development / The World Bank, New York: Palgrave Macmillan and the World Bank.

¹⁴⁷ Newfarmer (2006), pp. 77-139.

¹⁴⁸ Tran, Mark (24 July 2006). "Doha dead as dodo", The Guardian, http://blogs.guardian.co.uk/news/archives/2006/07/24/doha_dead_as_dodo.html.

¹⁴⁹ Ibid.

¹⁵⁰ Ibid.

¹⁵¹ Newfarmer (2006), pp. 77-139.

¹⁵² WTO (2007). "WTO Public Forum- What WTO for the XXIst Century?", from the WTO Public Forum 25-26 September 2006, ISBN: 978-92-870-3395-6, Switzerland: Geneva, <http://onlinbookshop.wto.org>.

¹⁵³ Bello, Walden (25 July 2006). "Why today's collapse of the Doha Round negotiations is the best outcome for developing countries", Transnational Institute, Focus on the Global South, http://www.tni.org/detail_page.phtml?page=archives_bello_dohacollapse.

attempts to address the non-trade concerns. A MTS, which only focuses on increasing export possibilities to the cheapest producers, overlooks these non-trade matters. In this respect WTO-members should be allowed to implement policies ensuring the significant social issues of agriculture. However, this must be achieved by low trade-distorting measures. The problem with including these non-trade concerns is the increasing risk of countries abusing such rules in terms of continuing their protectionism arguing that it is a non-trade concern. Much work needs to be done in this respect and the issue has also been partly included in the DN¹⁵⁴.

The effects of agricultural support may go beyond the original attentions. More specifically, countries or regions' protectionism may affect producers and consumers of other countries and regions. First and foremost, agricultural support may limit economic growth around the world. A scenario created by the largest users of subsidies. The consequences are overproduction and overflow of agricultural products¹⁵⁵. Additionally, developed countries' agricultural support depresses world market prices, as in artificial prices not determined by the equilibrium of supply and demand, of those agricultural products that are placed under heavy subsidisation¹⁵⁶. This tendency is also referred to as dumping and all-together harm the developing countries' farmers considerably, as noted by the Venezuelan ambassador to the WTO: *The largest subsidizers and the largest trading partners don't have the political will to reform their agricultural sectors... Why do we have to pay for that? Why does the Kenyan poor farmers and the Venezuelan poor farmers have to pay for that... if poor countries are asked to make more sacrifice to secure a deal, then the Venezuelan government will not go along with it*¹⁵⁷. In addition, a representative of Kenyan delegation has stressed that: *"We are not asking for any instrument for protection. We are just trying to safeguard our farmers"*¹⁵⁸.

The WTO-members have made serious commitment to eliminate agricultural trade barriers, as laid down in the *Agreement on Agriculture (AoA)*. AoA includes central pillars such a domestic support (production subsidies), market access (tariffs) and export support (export subsidies, credits, etc). All which to some extent and for some parties are to be eliminated in the DN. In regards to the first pillar, WTO has a system for classifying the domestic support consisting of four different boxes; 1. (Yellow): farm support payments, 2. (Red): trade-distorting supports, 3. (Blue): less trade distorting supports, 4. (Green): non-trade-distorting supports. The final goal is to enter the 'green box'. A step towards that goal is the DR, which is supposed to reduce the domestic support of the developed countries. As to the second pillar, the AoA requires market access and tariffs reductions by 36% of the developed countries with at least 15 % over a period of five years. The developing countries they must eliminate their tariffs by 24 % with at least 10 % over nine years. In this respect LDCs have a special arrangement in which they are exempted from tariff reductions. The third pillar only concerns the developed countries, which are to eliminate export support by 35 % with at least 21 % over a period of five years. At the HK MC, the members agreed to phase-out export support by 2013. Hence the AoA was introduced back in 1995 and therefore some of the pillars have already been fulfilled. However, the

¹⁵⁴ WTO (2007). "WTO Public Forum- What WTO for the XXIst Century?", pp. 140-190.

¹⁵⁵ Halderman, Michael and Michael Nelson (October 2004). "The EU's CAP, the Doha Round and Developing Countries", California: Berkeley University, Working Paper AY0405-2, pp. 1-78.

¹⁵⁶ Hallaert, Jean-Jacques (June 2005). "Special Agricultural Safeguards: Virtual Benefits and Real Costs – Lessons for the DR", IMF Working Paper no. WP/05/13, pp. 13-14.

¹⁵⁷ Loyn, David (19 June 2006). "Are Doha doldrums doomed to deepen?". BBC News, <http://news.bbc.co.uk/2/hi/business/5095588.stm>.

¹⁵⁸ Ibid.

first (domestic support) and the second pillars (market access) are still far from being liberalised and are continuously negotiated in the DN. Although merely in regards to the developed countries because of the development priority of the DR. Actually, some studies claim that the benefits of eliminating agricultural tariffs would be ten times larger than abolishing support, which also underpins the importance of developing countries' free market access to developed markets¹⁵⁹

The types of support may differ from country to country¹⁶⁰. The EU has the highest level of domestic (production) support followed by the US, Japan, Republic of Korea, Brazil, Thailand, Cuba, etc. On the other hand, the US has the highest level of export support followed by Australia, Canada and some EU-countries¹⁶¹. Almost half of the EU-budget is spent on agricultural domestic support (CAP). However, export subsidies account for less than 4 % of the EU agricultural spending. In this respect, the EU is less affected by the agreement on phasing-out export support by 2013 than the US, who's farm bill grant high sums of export credits to its farmers. In this respect, the members also agreed at the HK-conference on a framework, which makes it violating of WTO-rules to adopt new types of export support. The main concern of the EU and the US is that an abolishment of their agricultural support may result in their farmers becoming uncompetitive because of the consequently higher consumer prices when eliminating the support. Additionally, their farmers are to compete with agricultural products of developing countries, which have much lower production costs and further these will no longer be met with tariffs increasing the prices. On the other hand, it is a long time ago that the EU and the US depended economically on agriculture. Farmers of the developed world may instead focus on other types of farming and agricultural products such organic food, environmentally friendly products, bio-ethanol, etc.

The EU has also made a strong effort to reduce its agricultural support¹⁶². In this respect a problem has been that the EU-countries diverge in their dependence on agriculture - or to put it more correctly; their dependence on the Common Agricultural Policy of the EU (CAP) – as well as differ in their approaches to liberalisation of agriculture. Especially France has opposed to further liberalise agriculture in the framework of the WTO. France has a high number of farmers receiving support as well as a large agricultural lobby¹⁶³. Despite the opposition of France, the EU has made serious commitments to liberalise agriculture¹⁶⁴. However, not enough to avoid critique from in particularly G20 and other developing groups as well as the US for acting neglecting. Thereby, the EU has on several occasions been accused of causing delays in the negotiations¹⁶⁵. However, the EU has shown more flexibility in its latest offers in the DN, which have resulted in progresses in the agricultural talks. In contrast, the US has more or less agreed to fulfil the agricultural demands of the developing countries apart from cotton, which is a sensitive area for the US. The

¹⁵⁹ WTO (2006). "World Trade Report 2006 – Exploring the links between subsidies, trade and the WTO", Switzerland: Geneva, Summary.

¹⁶⁰ ICTSD (18 January 2006). "Doha Negotiations to start again next week in Geneva, Davos", Bridges Weekly Trade News, Vol. 10, No. 1, <http://www.ictsd.org/weekly/06-01-18/story1.htm>.

¹⁶¹ Mittal, Snuradha (2002). "Giving away the farm: the 2002 Farm Bill", Institute for Food and Development Policy: Backgrounder, vol. 8, no. 3.

¹⁶² CGD (November 2005). "Delivering on the Doha Agenda: Are the proposed Cuts in EU and US Agricultural Subsidies Real?", Washington D.C.: CGD Brief, Working Paper, pp. 1-4.

¹⁶³ BBC News (printed 28 November 2007). "Q&A:World trade in crisis", <http://news.bbc.co.uk/2/hi/business/4512367.stm>.

¹⁶⁴ EU-Commission (December 2005). "Agriculture: the EU position" (December 2005) and "The EU Agriculture Offer – Key Elements", Fact Sheets of the European Commission presented at the 6th ministerial conference in Hong Kong 14-18 December 2005, pp. 1-3

¹⁶⁵ BBC News (25 July 2006). "Leaders cling to trade talk hopes", <http://news.bbc.co.uk/2/hi/business/5213728.stm>.

US has stated that it will not 'going it alone' and as long as the EU is not on board, it too will continue its agricultural protectionism¹⁶⁶. The US has made serious use of the reciprocity principle strongly requesting counter-offers of developing countries¹⁶⁷. This has caused for the G20-group and the EU to blame the US for being too ambitious both in regards to agriculture as well as to other areas¹⁶⁸. Some of US's reciprocity demands have been referred to as unrealistic not corresponding with the DDA¹⁶⁹. Therefore the US has been accused of being one of the reasons for the delays in the DN.

Actually, some of the most developed developing countries such as Brazil also make use of heavy agricultural protectionism. In this respect it is important to mention that Brazil is one of the world's largest exporters of agricultural products. Brazil, as the leader of G20, has made significant demands to the developed world to eliminate their agricultural trade barriers. However, if Brazil continues its agricultural protectionism, it will continue to harm the farmers of the poorest developing countries in spite of the developed countries' elimination of support as well as access to their market. Brazil has claimed to represent all the developing countries in the DN. Fortunately, the less developed developing countries have more or less realised the equivocal behaviour of Brazil in this respect. From this point of view, the most developed developing countries should also be obligated to liberalise their agriculture markets. Although at this point they are protected by the prior to development of the DR. Paradoxically, this illustrates how a development-agenda can in fact end up harming the poorest countries.

As to the African region (LDCs), agriculture is an important trade industry as their –for the time being - only niche opportunity in the MTS, as in their comparative advantage in international trade. However, as long as the developed countries and apparently also the most developed developing countries continue their protectionism such scenario cannot be realised. The heavy trade barriers of the developed countries have resulted in Africa considering other comparative advantage industries than agriculture. However, there is little chance of Africa having other industries to offer at this point in their development-phase unless becoming attractive as outsourcing locations with low production costs, as e.g. the case of China. The African-group of the DN has initiated that Africa has lost approximately two-thirds of its agricultural market shares in the last 20 years. The Africa region is claiming that it has already undergone substantial market openings in regards to IMF's demanded economic measures during the last two decades, as stressed by Kenya's WTO trade delegation: "*Given that we have liberalised under structural adjustment programmes, and other programmes, our markets are fully open*¹⁷⁰". However, LDCs are not supposed to make any liberalisation of their agriculture at this point because of the SDT.

¹⁶⁶ Polaski, Sandra (14 September 2006). "The suspension of the Doha-Round and the future of the WTO: Two views", Carnegie Endowment for International Peace, <http://www.carnegieendowment.org/events/index.cfm?fa=print&id=911>.

¹⁶⁷ WTO (July 2006). "US Proposals to cut domestic farm support", DDA Fact Sheet, p. 1.

¹⁶⁸ Hufbauer (June 2003), pp.1-8.

¹⁶⁹ BBC News (25 July 2006). "Europe blames US for WTO failure", <http://news.bbc.co.uk/2/hi/business/5209010.stm>.

¹⁷⁰ Loyn, David (19 June 2006). "Are Doha doldrums doomed to deepen?". BBC News, <http://news.bbc.co.uk/2/hi/business/5095588.stm>.

It would be naive to think that all the problems of the developing world would be solved, if liberalising agriculture of the developed world. Much more initiatives are needed in this respect. According to the WB the gains from opening up agricultural trade would primarily benefit the most developed developing countries such as Brazil, Argentina and Thailand. LDCs would most likely gain little¹⁷¹. It is expected that food importers of LDCs may actually suffer from elimination of agricultural subsidies due to the increased prices that such liberalisation brings along. Additionally, the abolishing of agricultural tariffs may undermine the specific market access to the developed countries that some LDCs enjoy and depend on. Low productivity is a matter of reality for most of the LDCs' farmers, which make them vulnerable to competition from cheap imports and at the same time a small chance of increased export possibilities. Paradoxically, in spite of such costs the poorest WTO-countries still have the most to lose, if the DR fails to deliver¹⁷². The Mauritian ambassador to the WTO has in this respect stated that: *"We are weak and vulnerable countries and we have got only the multilateral system to protect us. We don't have the kind of might to be able to sign bilateral deals with the major players like the US"*¹⁷³.

The present Chairman of the agriculture negotiations Crawford Falconer has stressed that the main reason for the problematic negotiations of agriculture illustrates a lack of political will and identification with the situation of the opposite parties: *"I don't think the differences are fundamentally difficult, in technical terms... if we are to have any chance of advancing the negotiations, members have to spend time to understand the other person's point of view and not score political points"*¹⁷⁴. Falconer has also underpinned that if the DR fails agricultural markets will not collapse. However, politically, it will make an important difference. A MTS with no multilateral trading rules on agriculture may easily result in "picking and choosing", which leaves out a lot of people, especially those of the developing world¹⁷⁵.

Agriculture is considered the most important area of the DN and the most difficult in terms of reaching consensus with the developed countries on one side of table and the developing countries on the other. Therefore agriculture has on several occasions threatened to break down the DR: *"Agriculture continues to dominate or at least overshadow the agenda, and prevent easy closure of the current Doha Round of negotiations"*¹⁷⁶. Whereas the developing countries seem to protect their agricultural sector for solely economic reasons, it seems hard to define what the grounds are for the developed countries to continue their agricultural protectionism, if considering its low part of their GDP and labour force. The last section of this chapter will attempt to discover and analyse the possible reasons, which seem politically related. As with the other areas of the negotiations, an agreement on agriculture is necessary, if the DR is to deliver a package solution under single undertaking¹⁷⁷. Hence the advancement in the agriculture negotiations throughout the last year or two has implied spill-over effects to other areas such as the NAMA area, which is now also progressing.

¹⁷¹ Schifferes, Steve (27 April 2006). "Can the trade talks be revived?", BBC News, <http://news.bbc.co.uk/1/hi/business/4951588.stm>.

¹⁷² Panagariya, Arvind (14 September 2006). "The suspension of the Doha-Round and the future of the WTO: Two views", Carnegie Endowment for International Peace, <http://www.carnegieendowment.org/events/index.cfm?fa=print&id=911>.

¹⁷³ Loyn, David (19 June 2006). "Are Doha doldrums doomed to deepen?", BBC News, <http://news.bbc.co.uk/2/hi/business/5095588.stm>.

¹⁷⁴ WTO (2007). "WTO Public Forum- What WTO for the XXIst Century?", p. 172.

¹⁷⁵ WTO (2007). "WTO Public Forum- What WTO for the XXIst Century?", Chapter 3.

¹⁷⁶ WTO (2007). "World Trade Report 2007", Summary.

¹⁷⁷ Newfarmer, Richard (2006), pp. 77-139.

3.3.3. Non-agricultural Market Access (NAMA)

In spite of non-agricultural products accounting for three-quarters of international trade, the NAMA-negotiations have been progressing slowly¹⁷⁸. The developed countries already made serious commitments and implementations of non-agricultural tariff reductions under GATT, which are now further negotiated with the developing countries in the DR. The reduction of tariffs under GATT was considered unequal in which developed countries to a larger degree have eliminated tariffs on non-agricultural products than developing countries. Until the UR the developing countries hesitated to use the MTS to reduce or bind their tariffs: *“For several decades, developing countries did not make much use of the multilateral system to reduce or bind their tariffs...In the multilateral context, the situation changed significantly in the Uruguay Round”*¹⁷⁹. Therefore the developed countries have worked hard on including NAMA as a counter-offer request in order to get access to the developing countries’ markets. Although the support for NAMA-liberalisation has to some extent weakened in the developed world because their industrial industries experience increased competition challenges with the rise of new strong and fast-growing economies such as China. As for example some US manufacturers have expressed more interest in changing the exchange rate with China than realising further NAMA-liberalisation¹⁸⁰. China’s high economic growth is primarily caused by its specialisation in low cost productions of non-agricultural products, as its comparative advantage. This has caused for numerous of MNCs to outsource their productions to China. Consequently, China has on several occasions been accused of antidumping of non-agricultural products. The economist Jagdish Bhagwati has in this respect noted that: *“..there is greater tariff protection on manufacturers in the poor countries, which are also overtaking the rich nations in the number of anti-dumping filings”*¹⁸¹.

If NAMA is included in the final Doha-agreement, it may jeopardise the gradual development strategy laid down for the developing countries. In this respect, the developing countries have accused the US of forcing them to undertake greater obligations than agreed on when launching the DDA¹⁸². Additionally, even the EU and Japan have at some point in the NAMA-negotiations rejected US’s strong reciprocity demand of NAMA. In response, the US proposed in 2003 an alternative approach, which allowed for more flexibility for the developing countries in terms of reducing their barriers at a slower pace¹⁸³. In addition, other actors such as China, India and the EU have suggested other NAMA-approaches. In this respect the appointed NAMA-committee prepared a proposal based on Swiss formula considerations, which have been evident in the MTS for several decades. A Swiss formula is a progressive non-linear formula under which high tariffs are cut more than low tariffs. Three Swiss formula modalities have been under considerations in regards to NAMA in the DN, which concern; 1) a single Swiss formula with flexibilities for developing countries, 2) a Swiss formula with two coefficients - one for the developed countries and another for developing countries and 3) a Swiss formula ceiling tariffs based on a country’s original average tariffs. The latter model was suggested by

¹⁷⁸ EU (10 March 2006). “London meeting brings key WTO negotiators together to prepare for April deadline”, Brussels, MEMO/06/116, http://europa.eu.int/comm/trade/index_en.htm.

¹⁷⁹ WTO (2007). “WTO Public Forum- What WTO for the XXIst Century?”, Summary.

¹⁸⁰ Schifferes, Steve (27 April 2006). “Can the trade talks be revived?”, BBC News, <http://news.bbc.co.uk/1/hi/business/4951588.stm>.

¹⁸¹ Bhagwati, Jagdish (2005). “Reshaping the WTO”, in *Far Eastern Economic Review* 162 (22), January/February 2005, p. 26.

¹⁸² Hufbauer, Gary Clyde and Ben Goodrich (June 2003), pp. 1-8.

¹⁸³ Ibid.

China¹⁸⁴. In this context, former Director of Division of Globalisation and Development Strategies Yilmaz Akyüz has stressed that: *“In some regards, economic policies could be more destructive than weapons of mass destruction...the application of the non-linear Swiss formula in the current WTO negotiations could take ‘harmonisation’ between developed and developing countries much further than was ever achieved under imperial rule or gunboat diplomacy¹⁸⁵”*. In the framework-agreement of July 2004, the negotiating group on NAMA agreed to include a non-linear tariff cutting formula applied to every tariff-line of each WTO Member’s tariff schedule with no product exclusions. However since the breakdown of the negotiations in 2006 and the revived of the DN in 2007, there has been increasing convergence on a Swiss formula approach with sufficient flexibility in order for the chosen methodology to work for all economies. The more recent NAMA modality draft (May 2008) is thereby based on the second Swiss formula model: *“Tariff reductions for industrial products would be made using a “simple Swiss” formula with two coefficients, one for developed and another for developing country members. A Swiss formula produces deeper cuts on higher tariffs. A higher coefficient, as envisaged for developing members, means lower reductions in tariffs¹⁸⁶”*. If this draft is agreed on, about 50 WTO-members accounting for approximately 90 % of world trade in non-agricultural products will apply this Swiss formula. The remaining countries have special provisions such as the SDT for LDCs. Additionally, the new NAMA draft includes time limits in terms of a gradual implementation of four years for developed countries and eight years for developing countries. Further, there is included flexibility for developing countries allowing them to protect tariffs on their most sensitive products¹⁸⁷. Unlike the agriculture (AoA) and services (GATS) agreements that include texts on tariffs as well as subsidies, rules on subsidies of non-agricultural products are laid down in a separate agreement, the Agreement of Subsidies and Countervailing Measures (ASCM), i.e. Appendix 4.

Despite the importance of liberalising NAMA, if considering its large share in the global economy, the draft is not agreed on and still in its working process. The lack of consensus is primarily due to the fact that NAMA depends on progress in the negotiations of agriculture¹⁸⁸: *“... that progress in the NAMA-negotiations have, at all times, been both constrained by and conditional upon progress in the agriculture negotiations¹⁸⁹”*. In this respect NAMA has not delayed the Doha-process per se, but rather been delayed itself because of the failure to reach an agricultural consensus. Thereby, the progress in agriculture recently has also moved forward the NAMA-negotiations. However, whereas the NAMA area has advanced, the service-negotiations are still more or less in a stagnating position.

¹⁸⁴ Newfarmer (2006), pp. 139-175.

¹⁸⁵ Akyüz, Yilmaz (2005). “The WTO Negotiations on Industrial Tariffs: What is at stake for the developing countries?”, Third World Network, May 2005, p. 15.

¹⁸⁶ WTO (16 April 2008). “Chairman believes that Non-agricultural Negotiating Group is now ready for real Negotiation”, WTO News, http://www.wto.org/english/news_e/news08_e/nama_14apr08_e.htm.

¹⁸⁷ Ibid.

¹⁸⁸ WTO (June 2006). “Towards NAMA Modalities”, Geneva: Negotiating Group on Market Access, Proposal draft no. JOB(06)/200, pp. 1-29.

¹⁸⁹ WTO (June 2006), p. 1.

3.3.4. Services (GATS)

“Ranging from architecture to voice-mail telecommunications and to space transport, services are the largest and most dynamic component of both developed and developing country economies. Important in their own right, they also serve as crucial inputs into the production of most goods. Their inclusion in the Uruguay Round of trade negotiations led to the General Agreement on Trade in Services (GATS). Since January 2000, they have become the subject of multilateral trade negotiations¹⁹⁰”.

The General Agreement on Trade in Services (GATS) works as a framework-agreement in which the members are to decide the extent of market access in services. GATS also include specific rules on subsidies of services. GATS is negotiated in the DR primarily as the developed countries’ counter-offer request.¹⁹¹ EU is the world’s largest exporter of services and has therefore been a strong advocate of including services in the DN as reciprocity for agriculture. Additionally, a developing country – or to put it more correctly one of the more developed developing countries, India, is in spite of its status as a developing country a large producer and exporter of services. MNCs of the developed world outsource certain services industries to India such as call centres and India also has its own key service industries such as engineering¹⁹². In this respect, services may be considered EU’s as well as India’s comparative advantages.

It may be stated that trade in services is the next development step following industrialization. Moreover, services also include FDI, which is considered decisive for a country’s development and economic growth. The developed countries would indeed benefit from a liberalisation of services, but as would developing countries. Still less is offered and little expected, which has lead to a low-level equilibrium trap. In spite of the fact that services cover a large and increasing share of world trade, the bottom-line is that the service-talks have made little or non-progress¹⁹³. The prospect of reaching a consensus on services has changed during the Doha-process. In the first half of the DR it seemed possible to find a common ground, but with the provisional breakdown in July 2006 the Chair of the WTO Services Trade Negotiations Committee Alejandro Jara concluded that¹⁹⁴: *“...it was widely acknowledged that the overall quality of initial and revised offers is unsatisfactory...Most members feel that the negotiations are not progressing as they should. It is clear that much work will be necessary in order to bring the quality of the package to a level that would allow for a deal¹⁹⁵”.*

The negotiations on services have depended on progress in the negotiations on first and foremost agriculture, but also NAMA. GATS has therefore been a part of the reason for some of the delays in the DN. As oppose to the agriculture and NAMA areas, a modality draft of services has not been presented in 2008. The GATS-negotiations have not progressed synchronically. According to Søren Jakobsen, who is a former Administrator and Negotiator of Trade in Services in the DN, the main reason blocking for progressions in GATS is the clear resistance of the developing countries for a variety of reasons. The developing countries may block the service-negotiations because they are uninformed about the likely gains of service liberalisation,

¹⁹⁰ WTO (2008). “Service negotiations”, http://www.wto.org/english/tratop_e/serv_e/serv_e.htm.

¹⁹¹ WTO (2006). “World Trade Report 2006 – Exploring the links between subsidies, trade and the WTO”, Switzerland: Geneva, Summary.

¹⁹² Newfarmer (2006), pp. 161-174.

¹⁹³ Ibid.

¹⁹⁴ Ibid.

¹⁹⁵ WTO: WTO Document TN/S/20.

or they may not agree. Moreover, a majority of developing countries do not at this point trade in services on a large scale. Additionally, it may be a matter of power in terms of the developing countries principally not giving in to the developed countries in the DN¹⁹⁶. The developed world has controlled trading rounds for the last 60 years and now the developing countries want to have a strong impact with negotiations based on their conditions in the DR. If compared to agriculture and NAMA, the service area is a rather new issue raised by the developed countries, which the developing countries on some occasions have argued is not relevant to include in a development round. The DR may already be overflowed with issues, which has caused for a sacrifice. In this respect, it has been the service-area. GATS is not completely excluded from the agenda, but it seems doubtful that an agreement will come forward in the DR unless a GATT-light is introduced.

3.3.5. Development

The developing countries were ensured protection and non-reciprocity in their favour under GATT: *“For many years developing country participation in the MTS was confined to obtaining exceptions from the rules and more favourable treatment from industrialized nations”*¹⁹⁷. The developing countries only made few commitments to reduce trade barrier and the developed countries therefore dominated GATT. In this respect, the developing countries were free riding under GATT because of the MFN-principle. Nevertheless, that picture has changed. The developing countries realised that such arrangement did not cause for increased wealth. If that was to be achieved, they had to engage more directly in the cooperation. Additionally, other factors have also been decisive for the rise of the stronger attitudes and a deeper engagement of the developing countries, which has emerged post-UR. These among other concerned the increasing number of developing countries in the WTO that now makes up the majority, the threat of unilateral actions and in general the dissatisfaction with rich countries controlling the agenda, the fear of exclusion from regionalism and bilateral FTAs, the significant economic growth of some developing countries and at the same time the continuation of considerable poverty of others as well as the general increased interests in gaining market access to the developed countries. Additionally, the adoption of single undertaking and far more focus on reciprocity as a result of the UR have implied new obligations for the developing countries in the DN.

The development prior of the DR came into force in the light of the considerable adjustment costs this would imply for the developing countries as well as in order to avoid a the same scenario in the cooling water of the UR in which many developing countries had difficulties with implementing the UR-agreements. In the launching of the DR, it was decided that all the provisions of the SDT were to be reviewed in the DN. One of the greatest challenges in this respect has been the different and various requirements of the developing countries. An important adjustment of the SDT has been the inclusion of issue-by-issue analysis rather than general applications. Thereby, LDCs will not risk being overshadowed by the more developed developing countries, as demonstrated at the Cancun-conference in which G20 claimed to present the whole band of developing countries. Still, delays in the negotiations of development issues have been a matter of fact.

¹⁹⁶ Interview Søren Jakobsen, GATS Administrator and Negotiator, i.e. Appendix 5.

¹⁹⁷ WTO (2007). "World Trade Report 2007", pp. 79-140.

In order for the developing countries to boost their economies, additional initiatives are necessary¹⁹⁸. In the framework of the WTO these concern SDT, Trade-related Technical Assistance (TRTA), Aid for Trade (Appendix 4) as well as duty-free and quota-free access of goods from LDCs. The latter is off the table in the DN and only an offered facility of the EU and Canada and the other development initiatives included in the DR have only advanced on a small scale¹⁹⁹. A general concern – well-grounded - in regards to development has been the proclaimed gains of free trade when it come to developing countries in particularly LDCs. It is generally acknowledged that the main benefit of free trade regards export expansion, which implies economic growth. However, basic economics states that a country's export must be higher than its import or at least its must be balanced in order to avoid a deficit of the country's balance of payments. Considering that LDCs have little or none export-oriented sectors, free trade - if applied equally for all members - may increase of LDCs' imports while their exports are lowered or remain status quo. Such scenario would actually place the LDCs in a worse position than they were before the DR. This clearly indicates that SDT including industry protection of LDCs as well as ensuring and assisting LDCs' comparative advantage (agriculture) must be allowed for on a larger scale, as commented by Lamy: *"...the adjustment costs to liberalisation in LDCs cannot be resolved through national-budget or private-sector action alone. Indeed, managing public support for trade expansion in these countries means training officials, strengthening institutions and building infrastructure that will help businesses grow...and enable all these countries to expand and diversify their trade"*²⁰⁰.

In this context, critics claim that development has merely been a matter of convincing rhetoric in order to get the developing countries on board. Rather the negotiations have been centred on reciprocity; the developing countries being persuaded to accept new areas such as NAMA and services. As developing countries make up the majority of the WTO-members, a MTS that does not address the concerns of the majority may not survive in the long run²⁰¹. Free trade in the framework of the WTO is claimed by critics to imply divergence rather than convergence, which will continue the imbalanced trading system²⁰². In this respect, former freedom fighter against apartheid and later President of South Africa Nelson Mandela has noted this fear of the developing countries. More specifically, the concern of the developing countries in terms of the rich countries spinning the DN in their favour in spite of the development agenda: *"We welcome the process of globalisation. It is inescapable and irreversible...if globalisation is to create real economic growth, peace and stability across the world, it must be a process benefiting all. It must not allow the most economically and politically powerful countries to dominate and submerge the countries of the weaker and peripheral regions. It should not be allowed to drain the wealth of smaller countries towards the larger ones, or to increase inequality between richer and poorer regions"*²⁰³. In addition, the Aid Agency Cafod has stressed: *"...the deal which will emerge from that process is a long way from the lofty ambitions of the Doha-Round...You're looking at maintaining an imbalanced system with some tinkering around the edges, and that isn't a development round"*²⁰⁴.

¹⁹⁸ Lamy, Pascal (2005). "Towards global governance?", WTO News, Speech, 21 October 2005, http://www.wto.org/english/news_e/sppl_e/sppl12_e.htm.

¹⁹⁹ Loyn, David (19 June 2006). "Are Doha doldrums doomed to deepen?". BBC News, <http://news.bbc.co.uk/2/hi/business/5095588.stm>.

²⁰⁰ UN (20 October 2006). "Collapse of Doha Round would reduce world trade organization", Sixty-first General Assembly, Second Committee, Panel Discussion, GA/EF/3162, <http://www.un.org/News/Press/docs/2006/gaef3162.doc.htm>.

²⁰¹ WTO (2007). "WTO Public Forum- What WTO for the XXIst Century?", p. 128.

²⁰² Cline, William R. (2004). "Trade Policy and Global Poverty", Peterson Institute, ISBN: 0-881-32365-9, p. 264.

²⁰³ Mandela, Nelson (2002). "Oil and Gas Report", United Nations Environment Programme, Department of Technology, Industry and Economics, Sector Reports, August 2002.

²⁰⁴ Loyn, David (19 June 2006)

Moreover, the former chief economist of the WB Joseph Stiglitz, who has actually been one of most prominent critics of free trade, which he claims may jeopardise the gradual development of developing countries and hence cause for shock therapy. The shock therapy strategy has been seriously questioned due to poor evidence of successful transitions by this method. Even IMF has shifted its approach from shock to gradual transition in its assistance to developing countries. Stiglitz has further proclaimed that as long as the global system continues the same road, the gap between the developing and developed countries will continue²⁰⁵. The WB has published inquiries concluding that the DR, if realised, will benefit the developed as well as the more developed developing countries significantly. In this respect the WB has suggested that a conclusion of Doha may boost the global incomes by \$ 500 billion yearly in particularly between the developing countries²⁰⁶. However, according to another study of the WB back in 2005, a Doha scenario of reforms would imply a small increase in GDP of LDCs. Additionally, the developing countries' losses in tariff incomes from other developing countries would be much higher than the actual GDP-increase²⁰⁷. The lack of an identical situation in the history of trade, makes it very difficult, if not impossible, to get a clear overview and precise estimations of the benefits and costs of free trade in a MTS. Therefore nothing is really certain or guaranteed. Still economic liberalism is generally agreed to boost the world economy in long-term, which however may imply short-term costs for some parties. The reason that trade liberalisation is considered the best suitable way out of poverty is because of the past and current cases of countries that have developed more successfully than one could have imagined by market opening. In contrast, examples of countries successfully developing in a closed and planned economy are rather limited or non-existing. However, this does not imply that developing countries should implement policies of market liberalism at once, but rather slowly and with assisting initiatives, as in a gradual process.

The developed countries are being accused of not following their Doha-commitments focusing on reciprocity rather than development. On the other hand, developing countries are indicted for exploiting the development agenda of the DR referring to SDT in all possible respects. However, in spite of these disagreements causing delays in the DN, it could be interpreted as a positive development of international trade cooperation in terms of developing countries becoming far more visible and powerful in the framework of the WTO. Former rounds under GATT did not include such "battles". It is of crucial importance that all views and needs are taken into consideration with a concluding DR-agreement benefiting all parties. Actually, it may be stated that rather more delays in the DN favouring all parties - in particularly the ones most in need - than progresses in the DN in which the developing countries are disregarded.

²⁰⁵ Eyal Press (2002), "Rebel with a Cause", in *The Nation*, June 10 2002, <http://www.thenation.com/docPrint.mhtml?i=20020610&s=press>.

²⁰⁶ BBC News (printed 28 November 2007). "Q&A:World trade in crisis", <http://news.bbc.co.uk/2/hi/business/4512367.stm>.

²⁰⁷ Bello, Walden (25 July 2006). "Why today's collapse of the Doha Round negotiations is the best outcome for developing countries", *Transnational Institute, Focus on the Global South*, http://www.tni.org/detail_page.phtml?page=archives_bello_dohacollapse.

3.4. The actors of the Doha Round

It is no longer the developed countries that set the agenda, as was the case under GATT. For the first time in history most of the agreements adopted in the Uruguay Round gave prior to the developing countries²⁰⁸. From that point the most developed developing countries have started to make more demands as well as being asked to undertake more substantial liberalisation of their trade, as clearly evident in WTO's DR.

In spite of the numerous of interests and agendas, it is possible to locate various homogeneous and heterogeneous alliances and groupings between the 152 developed as well as the developing countries in the DR. The most important actors and groups have proven to be the US, the EU, G20, the African Group, LDCs and lastly the ACP-group. Additionally, the members are criss-cross included in the various G-groups. Many of the members are represented in more than one group in order to safeguard all their interests. The most significant actors representing the developed countries have been the US and the EU. In some cases viewed as one group, in others considered rivals. In regards to the developing countries, the G20 and the ACP groups have been the most dominant players of the developing world. It is for the individual member to decide if it wants to change its status and register as a developed country. However, the fact that developing countries enjoy special treatment in the WTO makes it less attractive to become a developed country on the paper. This has resulted in large economic gaps among the developing countries, which has made it rather difficult for the developing world to present common positions in all matters. The interests of the majority of the developing countries have proven rather different from those of G20, which in most respects represents the most developed developing countries. Therefore, the ACP-group has chosen to act independently on several occasions as an advocate of the LDCs. However, at the same time the ACP-group has in cooperation with G20 showed its muscles in the DN as a common front against the developed world. The attitudes of the actors have undoubtedly been decisive in terms of determining progresses and delays in the DN.

3.4.1. The US

The US has obviously been a full member since the establishment of the WTO in 1995²⁰⁹. Lately, Bush's limited trade authority due to his last year in office and the upcoming presidential election has partly affected US's attitude in the DN with a more or less laidback attitude. As the American Trade Representative, Susan Schwab has been the main negotiator acting on US's behalf for the last two years in the DN. The presidential election is already in process with primary elections deciding on the two candidates representing the Republicans and the Democrats, who will run for president in November 2008. Whereas John McCain will be the Republican candidate²¹⁰, Hillary Clinton and Barack Obama are still in a close-run in terms of, who is to become the candidate representing the Democrats. In this respect, it will be the first time that the US has either a woman²¹¹ or an Afro-American²¹² as president. Although the most recent polls suggest that Obama is

²⁰⁸ Lowenfeld, Andreas. F. (2002). "Dispute Settlement in the WTO", in International Economic Law, Oxford University Press, US: New York, ISBN: 0-19-825667-1, p.174.

²⁰⁹ WTO (2007). "Understanding the WTO", The organization: Members and Observers, July 2007.

²¹⁰ Washington Post (2008), "John McCain", <http://projects.washingtonpost.com/2008-presidential-candidates/john-mccain/>.

²¹¹ CBS News (2006). "Ready for a Woman President?", 6 February 2006, <http://www.cbsnews.com/stories/2006/02/03/opinion/polls/main1281319.shtml>.

²¹² Tran, Tan (2007). "Will Obama become the first US Afro-American president?", 13 April 2007, <http://tantran.blogspot.com/2007/04/will-obama-become-first-us-afro.html>.

to compete against McCain²¹³. It is likely that the wish for changes in the US due to among others the (failed) war in Iraq as well as the significant decline of the US economy may result in a victory of the Democrats. Throughout history, American presidents have lost to the opposition if an economic crisis has been evident²¹⁴. Such an outcome may change US's attitude in the DN, as stated by Clinton in one of her election speeches: "...theories underpinning free trade might no longer hold true in the era of globalisation. It is time for the US to take "time out" on new trade agreements. I agree with Paul Samuelson, the very famous economist, who has recently spoken and written about how comparative advantage, as it is classically understood, may not be descriptive of the 21st century economy in which we find ourselves. I want to have a more comprehensive and thoughtful trade policy for the 21st century. There is nothing protectionist about this. It is a responsible course. The alternative is simply to pick up where President Bush left off and that is not an option...We know for sure that every other country wants access to our markets, because we have high levels of consumer spending since we don't save anything in America...I think we have to take a hard look at this [the Doha Round] and do it in the right way²¹⁵". From this statement, Hillary actually questions if the US should continue free trade negotiations in the DR as well as doubts the relevance of comparative advantages in today's global community. The American neo-classic economist that Clinton refers to, Paul Samuelson, has among others claimed that the comparative advantage lack in terms of including labour and capital mobility²¹⁶ and further stressed that productions costs and consumer prices systematically always will be higher in rich countries than in poor²¹⁷. Clinton's remarks are likely to reinforce expectations that US trade policy will change course if a candidate of the Democrats is to takeover the White House in January 2009. In contrast, the Republican candidate McCain has expressed his support of the free trade negotiations in the WTO/DR and has in particular emphasised his enthusiasm about substantial FTAs between the US and the EU, as in a single internal market²¹⁸. Despite the small-scale talks in this respect, serious talks will most likely only appear if DR fails.

In general there exists a rising sceptical approach in the US about the benefits of an open global economy primarily due to the likely recession of the US economy – the so-called sub prime crisis²¹⁹. A consequence might be that the US will start acting even more from self-interests protecting American companies and citizens in need at the expense of fulfilling its liberalisation and development commitments in the DR. In fact the economic downturn has caused such a high number of unemployment in the US's southern states that people have demanded for support and protection of certain job and industries. The US is considered the leading power in terms of introducing capitalism and market liberalism as the world's only hegemony and a changing attitude may affect all the actors in the DR towards a more protectionist mode. The large American consumer market is very essential for almost every country and region in the world. Therefore a reduced consumption in the US has an effect on most countries' export, which results in an economic decline worldwide. For that reason it is not only the US, who may act more reluctant in the DN. The European and

²¹³ DR-nyhederne, DR2, Deadline, onsdag den 7. maj 2008, kl. 22.30.

²¹⁴ DR-nyhederne, DR2, Deadline, tirsdag den 29. januar 2008, kl. 22.30.

²¹⁵ Luce, Edward (2007). "Clinton doubts benefits of Doha revival". Financial Times, December 2 2007, Washington.

²¹⁶ Stolper, W.F. and P.A. Samuelson (1941). "Protection and Real Wages", Review of Economic Studies, 9: 58-73

²¹⁷ Samuelson, Paul (1964), "Theoretical Notes on Trade Problems", Review of Economics and Statistics, volume 23.

²¹⁸ DR-nyhederne, DR2, Udland, 27. Marts 2008, kl. 19.30.

²¹⁹ DR-nyhederne, DR2, Udland, tirsdag den 29. januar 2008, kl. 19.30.

the Asian region may also pursue a policy of wait-and²²⁰. Therefore, the actors may be far more cautious in the future negotiations. Such scenario may cause further delays in the DR, if not a final breakdown²²¹.

On the other hand, the protectionist aftermath of the current economic downturn may intimidate the members to increase their focus in the framework of the WTO, as an important forum to avoid a similar crisis²²². In addition, the members of the WTO may find that the financial crisis makes it even more crucial to work hard on finishing the DR moving the negotiations forward. The WTO GD Lamy has commented the financial crisis, which he considers a vital reason to conclude the DN: *"...the global trading system during the past 60 years has underpinned an unprecedented period of economic growth and development...at a time when clouds are darkening over the world economy, the Doha Round is the one global initiative that may boost confidence of world businesses, workers and consumers²²³".* Further, Lamy has expressed that: *"In this period of increased financial uncertainty around the world, the rules-based trading system of the WTO provides a hugely important source of economic stability for governments, for business and for consumers... By keeping international trade in goods and services flowing, at the time the WTO system contributing to ensuring that the financial shock would not deteriorate into a far worse economic recession worldwide. In the current circumstances, counting on the WTO and on concluding the Doha Round is the nearest available message of reassurance for world financial markets²²⁴".* A solution to the threats of the economic downturn could in fact be trade liberalisation – maybe not as a consolation, but more in terms of a preventive solution ahead. A breakthrough in the Doha-negotiation could give the global economy a boost, but much more initiatives are probably needed in order to reverse the current situation, which explains the rising tendencies of protectionism²²⁵. From this perspective, the protectionism of the developed countries may in some respects be economically related.

Some scholars hold that the US's economic crisis illustrates a new world order in which countries such as China and India (G20) respectively have taken over as the first and second largest world economies. At the same time the US and Europe will continuously experience an economic decline, which will pace them down in the world hierarchy²²⁶. A country's economy determines its role and status in the world system and an economic downturn may imply less power. On the other hand, it is not the first time the US experiences such a serious economic crisis and maybe the US will once again rise and continue its role as the world's only superpower like nothing has ever happened.

²²⁰ TV2 Nyheterne, tirsdag den 15. januar 2008, kl. 22.00.

²²¹ DR-nyhederne, DR, Deadline, 5. marts 2008, kl. 22.30.

²²² Legrain, Philippe (23 November 2006). "Doha Round Failure: What next?", http://www.philippelegrain.com/legrain/2006/11/doha_round_fail.html.

²²³ Lamy, Pascal (6 February 2008). Speech at the Geneva Lectures on Global Economic Governance.

²²⁴ Lamy, Pascal (2008). "The Doha Round will reassure world financial markets", 12 April 2008, Speech at IMFC meeting, Washington D.C., WTO news, http://www.wto.org/english/news_e/sppl_e/sppl88_e.htm.

²²⁵ Palmer, Doug (2008). "Doha Deal would give the world economy a boost: US' TR", Reuters, 1 February 2008, <http://www.reuters.com/article/email/idUSN0143649220080202?sp=true>.

²²⁶ DR-nyhederne, DR1, Horisont, onsdag den 6. februar 2008, kl. 21.25.

3.4.2. The EU

The EU has additionally been a full member since the launching of the WTO²²⁷. EU has become one of the most powerful trading blocks in the world and its GDP is nearly as large as the one of the US²²⁸. The EU-countries have signed-up as individual members of WTO, but speaks with one voice in the negotiations²²⁹. The fact that the EU now consists of 27 member states has made it rather difficult for the EU to act as one unit. EU has had problems agreeing internally, which of course affects its attitude in the DN. Despite this, it has still been possible to come up with single EU-proposals in the DR.

If the EU was merely an intergovernmental organisation, as the case of the WTO, it would have to agree internally on all proposal -drafts before these were presented in the DN. However, the EU has developed to consist of both intergovernmental and supranational structures. The members have to some degree conceded authority to the EU-commission to handle trade affairs on behalf of the established internal market of the EU. Therefore, the EU Trade Commissioner Peter Mandelson is in charge of negotiating in the DR with a single EU-position. In spite of the consequences that the current economic crisis has on EU-countries, unlike the US Mandelson has not expressed a protectionist mode. Mandelson has in this respect indicated EU's disappointment over Clinton's critical view on the DR: *"Hillary Clinton's doubts about the value of a Doha trade deal are misplaced. Clinton apparently believes that it is time to reflect on the value of free trade. The apparent scepticism about a Doha world trade deal...and her suggestion that there is a need to shelter American companies and interests from foreign investment are a disappointing sign of the times...There was a new anxiety about the openness of our economies in Europe and the US...Although we live in a tough, competitive world, the long-term interests of the European economy are much better served by opening the markets of others than closing our own"*²³⁰. Actually, the EU-leaders has signed a new EU treaty – the Lisbon Treaty – on December 13 2007, which will come into force 1 January 2009 when all the EU-members have ratified the treaty. In contrast, the new Lisbon Treaty may imply a more pro-liberal attitude of the EU in the DN due to the fact that the trade policy decisions now merely are to be decided by QMV. Thereby the EU-members do not have to agree by unanimity on any trade matters and the EU may therefore act more freely in the DR²³¹. In this context, the president of the EU-Commission José Manuel Durão Barroso has stressed that: *"Offensive openness is the key idea to protect the European interest without falling into a protectionist agenda: openness without naiveté, but with an activist stance that calls on partners to respond in a reciprocal way. An open EU in an open world has been at the heart of our policy agenda, and will continue to be a top priority. The Treaty of Lisbon will be a step forward to achieve this"*²³². However, the EU's Ministers of Food and Agriculture still have a word in CAP-related issues, which is not supra-nationalised and the members may chose not to support liberalisation of CAP.

Moreover, the EU-Commission published on May 20 2008 its blueprint (legal proposals) for the so-called Health Check of CAP, which was launched in 2005. Even before the Health Check, CAP had already undergone environmental and liberalisation improvements with numerous of reforms in 2003. However,

²²⁷ WTO (July 2007). "Understanding the WTO", pp. 1-20.

²²⁸ BBC News (printed 28 November 2007). "A Guide to World Trade Blocs", <http://news.bbc.co.uk/2/hi/business/4510792.stm>.

²²⁹ WTO (2007). "Understanding the WTO", p. 21-30.

²³⁰ Travenor, Ian (2007). "Mandelson hits out at Hillary Clinton over world trade", The Guardian, December 6 2007, UK.

²³¹ Lund, Rune (2008). "Notat om Lissabon Traktaten", 18. februar 2008, www.enhedslisten.dk/files/Notat%20om%20Lissabon-traktaten.doc.

²³² Barosso, José Manuel D. (2007). "The European Union after the Lisbon Treaty", Brussels, 4th of December 2007, SPEECH/07/793, <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/07/793&format=HTML&aged=0&language=EN&guiLanguage=en>.

since then the world has changed dramatically in terms of worries for the future of food supply caused by the current food crisis with record high food prices. In addition, climate change and energy and the related discussion of bio-ethanol have resulted in even more focus on EU's agricultural policy. The Health Check is supposed to ensure that CAP is prepared for the current and future challenges and opportunities – also in the framework of the WTO and DR²³³. This implies a market orientation of EU's agriculture. As today, CAP accounts for 55 billion euros in 2008, as in 42,6 % of EU's budget. Hence in 2000, EU-farmers were supported with 40 billion euros²³⁴. The Health Check debate and negotiations in the EU are still ongoing. According to European Commissioner for Agriculture and Rural Development Mariann Fischer Boel, France has pronounced that it will attempt to close the deal during its EU-presidency, which will begin in the second half of 2008²³⁵. On the other hand, the strong opposition from the French farmers have, who hold significant power in France, has caused for the French Minister of Food and Agriculture Michel Barnier to declare that France will not agree to reduce or eliminate EU's agricultural support further. They reject that cuts in CAP are the right way to help developing countries²³⁶. In this respect, a general anxiety of the EU has concerned Nicolas Sarkozy's position on trade liberalisation in the WTO/DR - agriculture being France's key issue. The concern is well grounded if considering the former president Chirac's critical attitude towards the DR, which actually reflected the French presidents' protectionist attitudes of agriculture throughout history. It has turned out that Sarkozy also has expressed a critical position towards agriculture liberalisation and the DR: *"Mr. Sarkozy defended France's commitment to agriculture, saying that the security of Europe's food supplies was vital....The President also criticized the EU's trade policy for being excessively liberal"*²³⁷. Mandelson has in this respect attacked Sarkozy's erection of barriers to free trade, which he stresses is a threat to a positive EU-position in the WT²³⁸. A central point for France has always been to prove its strength and influence by (re)gaining a powerful position on the world stage. France has been in particularly keen on showing the US that France is an important revival. However, with its seat in the EU as well as its declining economy and consequently social problems in recent years, France really needs "comeback"²³⁹.

Hence whereas as France opposes further reductions of agricultural support, the UK on the other hand has declared its pro-attitude in this respect. This may be considered a paradox in terms of UK's general opposition to EU-integration among others because of its fear of losing identity and its independent power status as the closest US-ally in the strong Anglo-American relationship. It may be argued that EU's heavy agricultural support in some cases are politically as well as culturally and in this respect France's opposition may be clarified, but the UK's pro-liberalisation position maybe considered as conflicting with the general public resistance to regional integration in the UK. On the other hand, the positive attitude of the UK in regards to agricultural liberalisation may be economically related in terms of the UK receiving far less support from CAP

²³³ Boel, Mariann Fischer (20 May 2008). "The Health Check of the Common Agricultural Policy – debate shifts up a gear with legal proposals", http://ec.europa.eu/commission_barroso/fischer-boel/index2_en.htm.

²³⁴ Information (25 April 2008). "Frankrig blokerer for mindre EU-landbrugsstøtte", <http://www.information.dk/158399>.

²³⁵ Boel, Mariann Fischer (20 May 2008)

²³⁶ Information (25 April 2008)

²³⁷ Thornhill, John (2007). "Sarkozy pushes for EU shift by Brown", Financial times, June 4 2007, Paris.

²³⁸ Travenor, Ian (2007). "Mandelson hits out at Hillary Clinton over world trade", The Guardian, December 6 2007, UK

²³⁹ Deadline, DR2, tirsdag den 15. January 2008 kl. 22.30.

because of its lower number of farmers than e.g. France. In this respect, it would from a British point of view only be fair and economic logically to liberalise agriculture. Further, it is possible for the UK to follow US's basic values of capitalism and market orientation, but still be resistant in terms of EU-integration. The UK has argued that there does not exist economic rationales, which support protectionism of fading industries as in the case of European agriculture.

As to Germany, it has placed itself in the middle of the UK and France acting far more neutral in the debate. Also Germany has experienced a rocky economy in recent years. Germany is to hold its next federal election in 2009. So far the outfall of the state elections has jeopardised Angela Merkel's position as Federal Chancellor and her party's, Christlich Demokratische Union Deutschlands (CDU), chances of winning the election. The opposition, the Social Democratic Party (SPD), has been declared the winner of some of the largest state elections in the up run for the federal election²⁴⁰. In most cases, it is argued that social democratic parties are less pro trade liberalisation and thereby less ambitious in regards to the WTO and the DR. As also demonstrated if a candidate of the Democrats becomes the next president in the US. However, it is not really correct to speak of the Democrats as a social democratic party if spoken of in European terms. If considering Germany's strong position and influence in the EU, the upcoming election-result could in fact influence EU's attitude in the DN, if the round is not concluded beforehand.

The reason that the cases of France and Germany in particular have been included is to demonstrate that the so-called Franco-German Axis still exists because the two members continuously hold significant power in the EU. Domestic issues of the two EU-states may indeed influence the EU-agenda and thereby the EU-attitude in the DN. Actually, the current debate of the Health Check of CAP may be considered a power game among the three large EU-countries: France, Germany and the UK. The UK continues to stand out of the Franco-German Axis primarily because the UK was not, as France and Germany, one of "the Six", which founded the forerunner of the EU, the European Coal and Steel Community of 1951. Moreover, UK's opt-outs of the EU-cooperation in regards to the third pillar of the EMU – common currency and military/police cooperation – as well as its public resistance to the EU are all matters that affect UK's dedication and powers in the EU²⁴¹. On the other hand, it may also be interpreted that France has become less EU-friendly as evident when the French voters rejected the proposed EU-constitution in 2005. There have been a lot of reasons attempting to determine the reason for the 55 % French people voting "no" in the referendum²⁴². One may be that the powerful French farmers – with heavy lobbyism – predicted that the EU-constitution would give the EU-Commission more power to negotiate and liberalise trade, also in terms of agriculture, and therefore voted "no" to the constitution. Hence the new Lisbon Treaty also includes more power to the EU with increased QMV in trade matters, but this will only have to be ratified by the French government and not voted for by the French public.

²⁴⁰ Politiken (2008), Udland. "CDU taber terræn i både Hessen og Niedersachsen", 27. januar 2008, kilde: Ritzau, <http://politiken.dk/udland/article463970.ece>.

²⁴¹ DR-nyhederne, DR1, TV-Avisen, tirsdag den 20. maj 2008, kl. 21.00.

²⁴² BBC News (30 May 2005). "French say firm no to EU-treaty", <http://news.bbc.co.uk/2/hi/europe/4592243.stm>.

The overall conclusion in this context is that there still exist strong forces in the EU, which may be an obstacle for further liberalisation of EU's agriculture. As it looks today, this primarily concerns France, but more EU-countries may end up supporting this position because of the decline of the EU-economy. On the other hand, a pro-actor of the EU such as the UK may gain support in its stance because of the current food crisis as well as the increased focus on agriculture as alternative energy solution (bio-ethanol), which underpin the arguments of liberalising EU-agriculture. Actually, if EU's agriculture was liberalised in a time of a world food crisis with a low supply of food and high prices as well as an increasing demand for corn used as petrol, the cost for the EU-farmers may in (short-term) be offset by the benefits.

3.4.3. The G20-Group

The developing countries of the Cairns-group, which was launched in 1986 consisting of both developed and developing countries with agriculture as its leading issue, have formed their own grouping, G20²⁴³. As today, G20 consists of 21 countries. G20 was institutionalised as an informal group in 1999 as response to the financial crisis of the 1990ties as well as to the acknowledgement that developing countries, as in emerging markets, were not equally represented in global governance, as in the WTO²⁴⁴. In this respect, G20 is considered a group of more developed developing countries. Ahead of the Cancun MC its resisting attitudes towards the developed world started to show-off. Brazil, India, China and South Africa are the main actors of G20. In spite of China's nearly first position in the global economy, it has been rather invisible in the negotiations. This is because China is still considered new WTO-member (2001) and is still living of its accession-commitments. G20 also includes countries such as Pakistan as well as other countries of the South American, African and Asian region.

Unlike China and the Asian region in general, it seems as if South America is to completely avoid the consequences of the economic crisis, which started in the US and has spilled over to most parts of the world. This is in particularly interesting because it has always been said that whenever US gets a cold, South America gets pneumonia. But this time South America has proved to be far more economically independent²⁴⁵. This may strengthen Brazil's (G20) attitude even further in the DN. According to the WTO's economists, the economic growth of emerging economies makes up for the economic downturn of the developed countries: *"World trade growth slid to 5.5% in 2007 from 8.5% in 2006 and may grow even more slowly in 2008 — at about 4.5% — as sharp economic deceleration in key developed countries is only partly offset by continuing strong growth in emerging economies"*²⁴⁶. Hence South America has not in the same manner been able to avoid the current food crisis, i.e. chapter 4.

As today, G20 has gained considerable strength and is now universally recognised. The G20 is an important forum to promote dialogue between advanced and emerging countries on key issues regarding economic

²⁴³ BBC News (printed 28 November 2007). "A Guide to World Trade Blocs", <http://news.bbc.co.uk/2/hi/business/4510792.stm>.

²⁴⁴ G20 (2008). "About G20", the G20 Official website, <http://www.g20.org/G20/>.

²⁴⁵ DR-nyhederne, DR2, Udland, onsdag den 19. marts 2008, kl. 19.30.

²⁴⁶ WTO (2008). "WTO: developing, transition economies cushion trade slowdown", WTO Press release, 17 April 2008, http://www.wto.org/english/news_e/pres08_e/pr520_e.htm.

growth and stability of the financial system²⁴⁷. According to G20 it: “...brings together important industrial and emerging-market countries from all regions of the world. Together, member countries represent around 90 per cent of global gross national product, 80 per cent of world trade (including EU intra-trade) as well as two-thirds of the world's population. The G-20's economic weight and broad membership gives it a high degree of legitimacy and influence over the management of the global economy and financial system²⁴⁸”. In this respect G20 is a homogeneous group. The main point of G20's agenda has been liberalisation of the developed countries' agriculture and it has played a major role in this respect.

It may seem out of proportion that the leaders of G20, Brazil and India, have claimed to defend the broad mass of developing countries merely in order to gain more power when it (they) in reality represents emerging markets²⁴⁹. In spite of the heavy critique in this respect, Brazil and India still got what they wanted – more power. Brazil and India have been adopted in the leading negotiation groups such as G4 and G6²⁵⁰. Actually, the leaders of G20 have been accused of free riding in terms of benefiting considerably from trade liberalisation of the developed countries, while resisting on liberalising their own markets. They enjoy the development prior and retain their trade barriers, which continuously will harm the poorest countries²⁵¹.

3.4.4. LDCs and the African group

The African, LDC and ACP group contain many of the same members. Additionally, the three groups are united in G90. The LDCs, which in some cases speaks with a single voice, consist of more than 50 countries, mostly representing the African region. However, LDCs are claimed to be rather passive in the negotiations. This may be because of their strong dependence of the WTO/MTS and in this respect a successful conclusion of the DN. This in spite of, as argued, the limited, if any, benefits LDCs may gain from the DR. Additionally, the poor results of the LDCs in the DN may relate to the treatment of the developing countries as one group in many respects. Although LDCs are offered several exceptions in different areas of the WTO and the DR with the SDT, which has mainly been adopted to protect LDCs. However, it has proven difficult to agree on further measures in the DR to protect the poorest countries. LDCs' share of world trade has increased in recent years, but is still rather limited and concentrated among a few²⁵².

The African-group consists of approximately 45 countries. The African-group has paid most attention to increased aid, agricultural market access and last but not least SDT. As mentioned, most of the African countries are labelled LDCs. In addition most actors of the African group are members of the African regional organisation, the AU, which was founded in 2001 as a successor of OAU. AU consists of 53 African countries and aims at boosting the economic growth of Africa bringing it into the global economy. As evident in the EU, AU seeks among others to establish an internal market and an economic community with a single

²⁴⁷ G20 (May 2008). G20-Homepage: "Welcome from Brazil". <http://www.g20.org/G20/>.

²⁴⁸ G20 (2008). "About G20", the G20 Official website, <http://www.g20.org/G20/>.

²⁴⁹ Jyllands-Posten (24 June 2006). "Leder: Frosset Frihandel", <http://jp.dk/morgenavisen/meninger/article982002.ece>.

²⁵⁰ WTO (2007). "WTO Public Forum- What WTO for the XXIst Century?", pp. 10-55.

²⁵¹ UN (20 October 2006). "Collapse of Doha Round would reduce world trade organisation", Sixty-first General Assembly, Second Committee, Panel Discussion, GA/EF/3162, <http://www.un.org/News/Press/docs/2006/gaef3162.doc.htm>.

²⁵² WTO (2006). "World Trade Report 2006 – Exploring the links between subsidies, trade and the WTO", Switzerland: Geneva, Summary.

currency²⁵³. The AU may be considered an important step for Africa. Obviously, the AU has far more vital issues to solve than the EU. Among others, the African region suffers from considerable poverty causing civil wars as well as widespread diseases in particular HIV/AIDS, lack of food, poor governance and corruption, etc. Areas crucial to deal with if Africa is to increase its wealth.

3.4.5. The ACP-group

The ACP-group consisting of approximately 80 countries from Africa, Caribbean and the Pacific includes many of the same members and interests of the African-group and LDCs. A part from agriculture, three issues have proved to be in particularly important for the ACP-group; TRIPS - compulsory licensing of medicines and patent protection (has been resolved), review of provisions in regards to the principle of SDT and further to address the developing countries' problems with implementing current trade obligations of the UR²⁵⁴. Many ACP-countries are former European colonies. ACP-countries and the EU have entered a trade and development (aid) agreement - the so-called Cotonou Convention of 2000 – that replaced the Lomé Convention. The Cotonou Convention covers trade and cooperation between individual countries as well as free access to some EU-markets for some of the poorest ACP-countries²⁵⁵. The fact that ACP-countries enjoy a trade and development agreement with the EU may be considered as assisting the work of the WTO and other international institutions. This may affect the DN in terms of the ACP-countries acting more passive. However, the ACP-group has actually proven to be a rather strong actor in the DR, if compared to former rounds. The ACP, African and LDC groups make up the G90-group. Along with G20, as in G110, they have commonly acted far more demanding in the DN and made a common front against the developed world. However, at the Cancun-conference, it may be stated that G90 was “seduced” by G20 claiming that it safeguarded the interests of all the developing countries in G110. However, G90 realised that their interests were in many respects rather different from the emerging markets of G20, which caused for the G90-group to act more independently in the negotiations ahead. However, G110 still exists and is considered an important group in the DR, although a heterogeneous group in terms representing a broad range of interests. The main reason that the G90-countries continue their cooperation with G20 – as well as carry on in the DR despite the prospects of little or none outcome to their advantages - is that they have all to win from the DR and nothing to lose.

3.5. Economic and political theories accounting for the problematic Doha-process

3.5.1. Introduction

(Neo)-classical market liberalism of international trade holds that free trade enhance the most favourable conditions for economic growth worldwide. From this perception, free trade would be the logical outcome if governments only cared about the economic terms of trade. On the other hand, another economic theoretical approach claims that developing countries will not gain from free trade if not protected by government instruments until ready to compete on equal terms in the MTS. Additionally, international trade and the DN

²⁵³ BBC News (2007). "Profile: The African Union", 21 November 2007, http://news.bbc.co.uk/1/hi/world/africa/country_profiles/3870303.stm.

²⁵⁴ Fergusson, Ian F. (July 2006), pp. 1-17.

²⁵⁵ EU-Commission (2006). "A history of the Lomé Convention", http://europa.eu.int/comm/development/body/cotonue/lome_history_en.htm.

have also reflected attitudes (actors) and positions (areas) that may not be plausible to explain from purely an economic viewpoint²⁵⁶. As a result, political theories have also proven necessary and useful to explain some of the grounds for the progresses and delays in the DR.

The fact that there are numerous of analytical approaches explaining the areas and actors causing progresses and delays in the DR imply reasonable doubts that there exists one single theory, which is able to clarify the phenomenon of international trade cooperation. The WTO-countries are motivated and affected by various of interests on the background of domestic or regional conditions, which they attempt to include in the multilateral trade negotiations, as clearly demonstrated in the DR. In spite of the groupings and alliances evident in the DN and the common proposals they may put forward, the individual members of the groups may not share the same priorities on all matters²⁵⁷. In this respect, WTO argues that the different economic and political motives may be a hindrance as well as a significant challenge to reaching consensus in the DR: *“...because of the varied nature of motivations, interests and priorities that seem to inform international cooperative endeavours, it will frequently prove difficult – and sometimes impossible – to strike the initial balance in an agreement, a balance that will offer something to all parties²⁵⁸”*.

3.5.2. Economic theories accounting for the progresses and delays

Advocates of free trade argue that: *“It is fashionable to discredit “free” trade because it is not “fair”...Open markets are the only tool that have been effective at dramatically reducing poverty. Free trade created them. Poverty persists because not enough economies are open...“fair” trade would close them further and keep more people poor. That is why trade should be made “free” and not “fair”²⁵⁹”*. Free trade is explained and supported by the original theory of economic market liberalism. This approach was first introduced by Adam Smith’s orthodox economic liberalism - ‘the invisible hand’²⁶⁰. Capitalism is based on economic liberal principles, which has been dominating since the establishment of the international economic order in Bretton Woods 1944 created by the US. Friedrich Hayek continued to defend the classical liberalism and free market capitalism against socialist and collectivist thoughts in the 20th Century, which were adopted by some parties in the 1970ties. From an economic market liberalistic viewpoint, it does not make sense that the DR cannot be concluded if considering that trade liberalisation is the best economic policy approach to gain wealth. The international trade policy system only concerns economic negotiations in which it is an economic rationale for all members to introduce free trade. The approach thereby separates economics from politics as stressed by Milton Friedman: *“...the kind of economic organisation that provides economic freedom directly, namely, competitive capitalism, also promotes political freedom because it separates economic power from political power²⁶¹”*.

From this point of view, the reasons for the progresses and delays in the DN must relate to the contents of the economic offers introduced in the negotiations, which solely reflect economic motives separated from

²⁵⁶ WTO (2007). ”World Trade Report 2007, Summary.

²⁵⁷ Ibid.

²⁵⁸ Ibid.

²⁵⁹ Oxley, Alan (2005). ”Make Trade Free – How the Doha Round can reduce poverty”, Alan Oxley Chairman of World Growth and former Chairman of GATT. Working paper of World Growth, p. 4.

²⁶⁰ Smith, Adam (2000). ”The Wealth of Nations”. In Edwin Cannan (ed.), New York: Modern Library.

²⁶¹ Friedman, Milton (1962). ”Capitalism and Freedom”, Chicago: University of Chicago Press, p. 9.

politics. More specifically, WTO-countries have either agreed or denied proposals based on economic considerations and not political factors. Moreover, an obstacle to reach consensus in the DR may from a liberal economic viewpoint relate to the existence of fair trade and not exclusively free trade. Economic market liberalism rejects governments' interference in the economy and markets. Fair trade has primarily been implemented in the DR because of evidence suggesting that the MTS at this point has benefited rich industrialised countries more than developing countries. Ergo, the developing countries need some kind of special treatment, which can assist them in their development²⁶². The existence of fair trade in the DN – as manifested in the DDA – is supported by the following counter-argument: *“There is an urgent need for fairer trade rules that more evenly benefit developing countries. It is for that reason that the Doha Development Round was launched.”*²⁶³.

The two different viewpoints - free and fair trade - are interesting in terms of the DR. From the economic market liberalistic approach, it appears as if they are mutually exclusive, which in the case of Doha would be a conflict of interests to include free as well as fair trade. As mentioned the neo-classical economic liberal theory of the 20th Century incorporated social and collective thoughts, which may to some extent be interpreted as an approach recognising free as well as fair trade. However, as mentioned the paper operates with Hayek's continuation of the classical economic market liberalism in its purest form excluding social and collective considerations in order to demonstrate the long-term free trade objective of the WTO. In this respect, Hayek (and Adam Smith) has an explanation problem in regards to WTO also operating with fair trade attentions. Another economic theoretical approach is needed to explain the WTO/DR scenario of free and fair trade. The Listian infant industry protection theory of international trade has proven useful to explain the inclusion of fair trade.

In spite of WTO being founded on the idea that trade liberalisation will drive economic growth, neo-protectionist forces are still evident and allowed for. According to the WTO *“...subsidies aimed at protecting industrial development might be justified because of poorly functioning markets in relation to information barriers and coordination problems”*²⁶⁴. Industry protection is thereby considered a crucial governmental instrument for the developing countries in their transition. In the DR, neo-protectionism is only allowed for by developing countries in particularly LDCs. It is a necessity to develop export industries of the developing countries in order for them to handle productions and exports in a competitive manner and actually gain from the possible increased market accesses. The SDT as well as the assisting development programmes of WTO may be interpreted as an implementation of the industry protection approach supporting the developing countries. An interesting question in this respect is how the calculations of 'readiness' to compete in the MTS and loose industry protection rights are to be measured. Consequently, it appears that the developed countries have misinterpreted the fact that industry protection only concerns developing countries. Whereas neo-protectionism (infant industry protection) is agreed on in the DDA, the protectionism of the developed

²⁶² KD, D. (2005). "The Doha Round of Negotiations", Palgrave; J. Trachtman "Coherence and Poverty at the WTO", JIEL (2005).

²⁶³ Barry (April 2006), pp. 1-31.

²⁶⁴ WTO (2006). "World Trade Report 2006", Summary.

countries have only been mentioned in phrases containing words such as “reduce”, “abolish” and “eliminate”. Apparently, this is easily misunderstood by the developed world.

The independent economist J. W. Smith also supports the fact that the DDA is build up on market liberalism and more importantly infant industry protection. Further, J. W. Smith argues that the main reason rich countries have managed to develop in successful manner is because they have protected industries in their growth and not pure market liberalism: “...*The structural adjustments imposed upon weak nations as necessary for free trade are the opposite policies under which every successful nation developed. Virtually every nation successfully developing did so under Friedrich List’s philosophy of protection of tender new industries and markets. That they developed under the philosophies of Adam Smith is a myth designed to hide a continuation of plunder through unequal trades*²⁶⁵”. Moreover, J. W. Smith has declared that the current international trading system is just as unequal as before the establishment of GATT and WTO respectively. In this respect, J. W. Smith seems to overlook the fact the DR is launched as development round in which poor countries are allowed to protect industries while benefiting from market access to the developed countries. Conceivably, J. W. Smith refers to the specific process of the Doha in which developed countries have hesitated to follow their Doha-commitments with prior to developing countries. Au contraire, the developed countries have repeatedly referred to the WTO-principle of reciprocity – a compromise in which both parties present substantial offers. This primarily in regards to emerging markets while LDCs should be entitled free riding.

Even the grounding father of market liberalism Adam Smith predicted in his work how big and rich governments and businesses may intend to misuse their positions in the free trading system harming the small and poor countries: “*Though the encouragement of exportation and the discouragement of importation are two great engines by which the mercantile system proposes to enrich every country, yet with regard to some particular commodities it seems to follow an opposite plan: to discourage exportation and to encourage importation. Its ultimate object, however, it pretends, is always the same, to enrich the country by the advantageous balance of trade. It discourages the exportation of the materials of manufacture, and of the instruments of trade, in order to give our own workmen an advantage, and to enable them to undersell those of other nations in all foreign markets; and by restraining, in this manner, the exportation of a few commodities of no great price, it proposes to occasion a much greater and more valuable exportation of others. It encourages the importation of the material of manufacture in order that our own people may be enabled to work them up more cheaply, and thereby prevent a greater and more valuable importation of the manufactured commodities*”²⁶⁶. In spite of such loop wholes, still it is rather doubtful that Adam Smith would advocate protectionist measures to correct the risk of unequal tendencies – just as he would deny the correlation of economics and politics in trade. However, the fact that Adam Smith has taken such likely outcomes into consideration may underpin the significance in legalising industry protectionism of the poor countries to match the level of the rich countries before “thrown to the tigers”. The world has changed considerably since Adam Smith presented his theoretical presumptions. Among others an international trade institutions such as the WTO, which is launched not only to liberalise world trade, but also to boost development and monitor the MTS, did not exist. An international trade institution as the WTO may be able to prevent such scenario as Adam Smith indicated in his work. If

²⁶⁵ Smith, J. W. (2005). “Economic Democracy: The Political Struggle for the 21st Century”, 4th Edition, <http://jed.info/books/cd/intro.html>.

²⁶⁶ Smith, Adam (1991). “Wealth of Nations”, (of 1776), Book IV, Chapter VII, Everyman’s Library, Sixth Printing, p. 577.

this assumption holds truth, it will be possible to create a free and fair MTS. However, if the supposition is a form of reverse with a free trading system controlled by an elite, this supports the argument that free trade policy should not be the solely economic ideology of the WTO. Once again supporting the development prior of the DR. WTO is well aware of the developed world's better position and the existence of mercantilists, which fundamental principle of SDT along with assisting development programmes are supposed to cope with.

Besides the case of the US and EU-countries, a more current example of a country experiencing considerable economic growth rates by including government instruments to protect domestic industries and not purely market opening, is the case of China²⁶⁷. As noted by Yilmaz Akyüz, former Director of the Division on Globalisation and Development Strategies and Chief Economist at the United Nations Conference on Trade and Development (UNCTAD): *"...all Western European core economies had higher industrial protection than Brazil, China and India today when they had similar per capita income levels...tariffs have been used in positive ways for industrialization...The productivity gap between today's developed countries and developing countries is much greater than that which used to exist in earlier times. This means that today's developing countries need to impose much higher rates of tariffs than those used in the past, if they are to provide the same degree of actual protection to their industries...An important factor that favours greater harmonisation is that once countries establish industrial dominance behind protectionist walls, they tend to advocate free trade in order to kick away the ladder from the followers and consolidate their dominance... 268"*. Akyüz thereby supports for greater protection of developing countries. However, eventually a harmonisation is needed in order to avoid that emerging markets such as China, India and Brazil too will practice dominance behind protectionist walls – as in the case of developed countries - harming the poorest developing countries. Actually, the high economic growth of some emerging markets as in the case of China may cause protectionist tendencies of the other WTO-members, as was the case with Japan in the 1980ties²⁶⁹.

Additionally, Akyüz has expressed that: *"...the proposed tariffs cuts in the WTO negotiations would erode flexibility of developing countries in using trade policy for industrial development...The key issue is how to reconcile multilateral discipline with the policy of flexibility needed for industrial development...developing countries do not need high tariffs in all sectors...But they should have the option of using tariffs on a selective basis as and when needed for progress in industrialization²⁷⁰"*. This indicates that not merely should the developing world be presented favourable conditions. They should also have the opportunity to adjust their policies in both directions. In that way the developing countries' commitments would be flexible and not confirmed: *"...developing countries should not be expected to keep moving tariffs downward from one trade round to another, but be able to move them in both directions in different sectors in the course of industrial development... allowing countries to have a bit more say over their policies within a framework of an average bound tariffs as opposed to a line-by-line prescription per industry/product would have a number of benefits such as policy flexibility while maintaining multilateral positions, encourage countries to view tariffs as a temporary instrument by ensuring infant-industry protection succeeds in establishing competitive industries...²⁷¹"*. From this presumption the long-term goal of the WTO free trade – cannot be realised if trade barriers continuously are to be shifted

²⁶⁷ Weisbrot, Mark and Dean Baker and Egor Kraev and Judy Chen (2001). "The Scoreboard on Globalization 1980-2000: Twenty years of diminished progress", August 2001, <http://attach.org/fra/toil/doc/cepr05.htm>.

²⁶⁸ Akyüz, Yilmaz (2005). "The WTO Negotiations on Industrial Tariffs: What is at stake for the developing countries?", Third World Network, May 2005, pp. 10-15.

²⁶⁹ WTO (2007). "WTO Public Forum- What WTO for the XXIst Century?", Chapter: Neo-protectionism

²⁷⁰ Akyüz, (2005), pp. 22-26.

²⁷¹ Ibid.

between industries rather than included for some industries and gradually reduced. It may be indicated that the DDA is not considered a permanent solution. The DR is a step towards pure free trade in which the developing countries at first are to be protected, but merely as a process in which they gradually eliminate their trade barriers to the zero-level of the developed countries. If it turns out - as it has been in the case of the developed world in their development – that it is vital for the developing countries to have the option to either higher or lower their trade barriers as needed in accordance with domestic and international circumstances in their development, the lack or little focus on such consideration in the WTO is critical. Hence WTO has included flexibility factors. However, the WTO is to monitor whether the applied measures are accounted for and not unfounded protectionist tools. The problem is that the WTO does not have the resources to evaluate country-by-country trade barriers in all their aspects. WTO merely considers industry protectionism as a fair development instrument that may eventually forgo and lead to free trade on equal terms for all parties in the MTS, which is the first-best-policy to boost the world economy benefiting all countries.

As to the adjustment costs, advocates of market liberalism claim that the gains of free trade are massive and the costs modest. Additionally, the gains of trade liberalisation will exceed short-term and long-term adjustment costs. In this respect, the WTO has argued that: *“Although the economy may be worse off in the short-run, the gains from trade will outweigh short-run adjustment costs in the medium to long-term...Existing studies find that the benefits from trade exceed adjustment costs not only in the long-run...but even during the adjustment period²⁷²”*. In contrast, opponents of free trade claim that the adjustment costs of trade liberalisation have gotten far to little attention - especially in regards to LDCs - as noted by Akyüz: *“There is a tendency to underplay adjustment costs on grounds that they are relatively small compared to (potential) benefits from reallocation of resources...measures of adjustment costs in existing empirical work are crude and imprecise...the empirical evidence is restricted to industrialized countries and may not be representative for the case of other countries since the institutional settings and the functioning of domestic markets will affect the size of adjustment costs²⁷³”*. The discussion in terms of adjustment costs being overvalued or underestimated is of crucial importance. If the latter turns out to be the case, it could have critical consequences for the free trade process as well as for the WTO, which may be accused of presenting false information and evidence in order to convince the developing world to open their markets. The lack of identical and comparable empirical evidence makes it difficult to predict the exact turn out of adjustment costs in the case of developing countries, which differ largely from the development process of industrialised countries. In this connexion, the discussion of gradual versus shock transition and the diverging experiences of adjustment costs in these approaches is highly relevant.

The pain-gain theory support high pace trade liberalisation, which relates to shock therapy. Shock therapy is used in regards to economic transition from a closed and planned economy to a market economy, but the basic idea may be compared to the pain-gain theory. In shock therapy privatisation, institutionalisation and liberalisation should be implemented within a short period, which at first would cause considerable ‘pains’, but in addition the ‘gains’ will emerge short-term. Previously, IMF recommended shock therapy in transitions

²⁷² WTO (2004). “World Trade Report 2004: Exploring the linkage between the domestic policy environment and international trade”, Switzerland: Geneva.

²⁷³ Akyüz, (2005), p. 36.

of about 90 former communist-states and other developing countries. Not to say that all of these have failed. Although; the shock approach has implied critical failures that have been difficult to correct. This caused for a heavy critique of IMF. For that reason, there still exist disagreements over which transition strategy that is the most effective. However as today, it is predominantly agreed that a gradual approach is the safest²⁷⁴. Gradual trade liberalisation - as evident in the DN – implies in the sense of the word gradually gains and pains in the step-by-step process. It may be interpreted that whereas the shock approach is connected to market liberalism, the gradual approach is coupled to the infant industry protection theory. The developing countries of DR are definitely in favour of a gradual opening of their markets protecting their producers and workers²⁷⁵. In contrast, the US is currently the largest supporter of the pain-gain approach, but at the same time it has accepted that the developing countries must adopt slowly (gradually). However, the US opposes the non-obligation attitude of the developing countries and calls for a specific plan of gradual liberalisation commitments. The reaction of the developing countries has been that the US is far too ambitious on their behalf²⁷⁶. From this perspective it may be concluded that the dissent over which procedure to apply has proven to be an obstacle for not agreeing on any area in the DR.

Whereas the absolute gains of free trade concern the economic benefits, as explained and supported by economic market liberalism, the static gains relate to countries specialising in sectors in which they are most efficient and less in sectors, which other countries produce more efficiently, as explained by the comparative advantage theory. This may cause for better products at competitive prices in a market-forced MTS. Hence as an outcome of free trade, it is assumed that the comparative advantage supposition is based on trade liberalisation and not industry protection. The fact that industry protectionism is included - as a fair trade element for the developing countries in the DN - may however not be considered a direct opposition to the comparative advantage theory. In some cases, industry protection may be a way to propagate the idea of comparative advantage in terms of industry protectionism opening a passage for developing efficient production specialisation, and at the same time shut down industries that are artificially kept alive by governmental support. More specifically, advocates of the comparative advantage (and market liberalism) approach would argue that the developed countries should eliminate their agricultural trade barriers and instead specialise in productions in which they are most efficient without governmental interference. The developing countries would thereby have a chance to specialise in agriculture as their comparative advantage - first by industry protection, but gradually by free market forces as the static gains of trade liberalisation. In spite of the interpretation that industry protectionism may enhance comparative advantage, still comparative advantage is a gain of liberalisation and not industry protectionism.

Free and fair trade are difficult to balance and there exist various opinions as to these being closely related, non-separately or opposites. Regardless of the good intentions that the DDA may contain, it has become

²⁷⁴ Hufbauer (June 2003), pp. 1-8.

²⁷⁵ Schifferes, Steve (27 April 2006). "Can the trade talks be revived?", BBC News, <http://news.bbc.co.uk/go/pr/fr/-/2/hi/business/4951588.stm>.

²⁷⁶ BBC (25 July 2006). "Europe Blames US for WTO failure", BBC News: <http://news.bbc.co.uk/go/pr/fr/-/2/hi/business/5209010.stm> (28 November 2006), pp. 1-2.

obvious that none of the WTO-countries are completely prepared to prioritise free trade at the expense of protectionist measures. The grounds for this lack of willingness may vary in terms of being economically or politically related. Whereas the protectionist approaches of the developing countries are considered economically related and sort of approved by the DDA, as in neo-protectionism, the protectionist attitude of the developed countries may be interpreted as politically related – not accounted for – as in classical protectionism.

The developed countries want to gain something from the DR, which explain their counter-offer requests in regards to NAMA and services. From an economic liberal viewpoint, it would be rational to include these areas to further promote free trade, which may spill-over to other areas. However in reality, the developing countries are safeguarded by the fact that all the WTO-members have committed to prioritise development in the DR. The industry protection theory would hold that the developing countries have refused such liberalisation commitments because they need to protect their industries. In contrast, the developed countries claim that the developing countries exaggerate and misinterpret the development-agenda by refusing to make any obligations. The developed countries express that they are ready to first and foremost consider development, but they need to document some commitments if they are to convince their people. The developed countries question why they should follow their development-commitments if the emerging markets are not acting in accordance to the WTO-principle of reciprocity.

Whereas developed countries protect their agriculture sectors by tariffs and heavy subsidies, the developing countries in most cases merely apply tariffs because of the lack of economic means to support industries. Tariffs and subsidies may be adopted as measures to increase domestic wealth by protecting domestic industries, but this primarily relates to developing countries. The developed countries should in most cases have trade and businesses that are capable of surviving by free market forces in a liberalised MTS as explained by economic market liberalism. Hence if liberalisation of agriculture in the developed world would result in serious economic consequences, the lack of following such commitments - as evident in the DN – would be economically related. However, strong evidence from numerous of scholars indicates that an elimination of agricultural trade barriers in the developed world would not cause for such an economic decline. Additionally, the infant industry protection theory merely accounts for industry protection in poor countries. As to the comparative advantage approach, this only has legacy in terms of trade liberalisation – as a static gain of free trade. As demonstrated, the three economic theories do not present economic rationales for the support of fading industries such as agriculture in the wealthiest countries. Therefore, the protective approach of the developed countries must be politically related. Although the current economic downturn may give rise to governments finding loopholes to increase or maintain protectionism in the developed world, which then could be considered as economically related.

Overall, the incorporation of free as well as fair trade might be one of WTO's greatest challenges, which has proven difficult to unite. Free trade supporters - in its classical sense - may find that Doha has experienced

delays because of the implementation of fair trade conditions for the developing countries, but at the same time progresses caused by the free trade commitments. In contrast, fair trade supporters – as advocates of industry protection - may claim that Doha has progressed recently as a result of the developed countries complying with their development prior obligations fair, but at the same time exposed to delays because developing countries are being asked to make free trade commitments.

3.5.3. Political theories accounting for the progresses and delays

As oppose to economic market liberalism, political theories do not make a clear separation of economics and politics. In contrast, political theories consider economics as being less important and merely a part of politics. From that point of view, the political theories explain the progresses and delays in the DN as primarily politically related or a combination of economics and politics. Political theories of IR may be useful to explain WTO-members' protectionism rejected by economic market liberalism and only partly accounted for by the infant industry protection approach. In this respect, political IR theories are applied to explicate these tendencies.

Neo-realists acknowledge other actors on the international stage, but consider states as the most important and decisive players in all respects. The states are not subordinated to international institutions. If considering that WTO is an intergovernmental organisation in which the members possess power, this presumption may hold some truth. Moreover, NR stresses that countries at all time seek to increase their powers and protect self-interests. Based on the process of the DR, it may be argued that WTO-states have certainly secured national interests in the negotiations at the expense of collective interests. More specifically, the members have committed to safeguard collective interests in the launching of the DDA, but in reality the developed actors have failed to recall their development obligations and the emerging markets have ignored their reciprocity responsibility. From this point of view, NR may be constructive to explain the postponements in the DN as caused by the members not complying with their Doha-commitments, but rather continue to act from self-interests. According to NR, members of the WTO are only interested in maximising own payoffs with no concern for other members' payoffs - as in prisoner's dilemma. As demonstrated, a prisoner's dilemma scenario has definitely been evident in the DR, which may account for some of the setback in the negotiations.

Additionally, NR finds that states consider a WTO-membership from a cost-benefit analysis, which regard the international system as a zero-sum-game²⁷⁷. In international cooperation one member's gain is another member's loss - as in 'relative gains'. This may give an explanation of the attitudes of developed as well as developing countries in the DN. Both parties have emphasised their potential losses and lack of gains if accepting the introduced proposals of the "opposite" party, which would explain the lack of consensus in the DR. However, a country would not choose to be a WTO-member if it did not expect to relatively gain – both

²⁷⁷ Gilpin, Robert (1986). "The Richness of the Tradition of Political Realism". In Robert O. Heohane (ed.): *Neorealism and its Critics*, New York: Columbia University Press, pp. 304-305.

in terms of protecting economic and political interests in IR, which according to NR would explain why the actors have chosen to become WTO-members in the first place²⁷⁸. Moreover, NR claims that it is the strongest and most powerful states that may gain at the expense of the remaining weaker states. Whereas as this assumption may be useful to scrutinise GATT, it has become clear in the framework of the WTO that the powerful elite now also includes actors of emerging markets. From this point of view, NR may have an explanation problem unless developed countries and emerging markets continuously seek to relatively gain at the expense of the poorest countries. Actually, this notion is more or less compatible with the empirical analysis. More specifically, the risk of LDCs left with limited or none gains from a Doha-agreement or worst-case scenario end up losing from the DR. If taking into consideration that LDCs are to gain little or none from the DR, but still are on board because of their strong dependence on the MTS and WTO – as in all to win and nothing to lose, this may demonstrate how the strongest powers have created an atmosphere in which the poorest countries are so dependent on the system that they may accept unbeneficial agreements. Still, the WTO is an important forum for LDCs in order to have a chance in the MTS. In this respect, it is largely debated whether a ‘bad deal’ is better than ‘no deal’ or if ‘no deal’ is better than a ‘bad deal’.

The WTO-members may be able to escape from prisoner’s dilemma and relative gains by the implemented development prior, which makes it possible to escape from the control of the powerful elite as well as the rule of reciprocity, which includes counter-offers requests in order to balance the negotiations. More specifically: *“Reciprocity in the GATT/WTO involves an outcome that each Member considers advantageous by whatever standard the Member chooses to apply”*²⁷⁹. This may be interpreted as consistent with NLI’s philosophy of ‘absolute gains’ and DR-negotiations as a positive-sum-game. From this viewpoint, WTO and the DR are based on NLI’s absolute gains theory. The members have not chosen to become WTO-countries because of the possibility to relatively gain, increase powers and military strength as NR claims. Rather the members have chosen such obligations in order to increase mutual benefits, reduce uncertainty, increase mutual information levels, forums for bargaining, dispute settlement, reducing transaction costs, etc. – all which would not be possible in the same manner if not committing to international cooperation²⁸⁰. Additionally, the NLI-approach holds that when states sign-up for membership of international institutions as the WTO it will imply convergence of national interests. National interests will be affected to also safeguard collective interests²⁸¹. However in reality, if the members had safeguarded purely collective economic interests, the developed countries would have taken the initial step towards trade liberalisation of their agriculture and emerging markets would have offered to make NAMA and service reciprocity-commitments. In this respect, the delays in the DN may relate to the lack of willingness to commit to collective interests and additionally NLI may have an explanation problem. Although in spite of a convergence of national interests, NLI actually maintains that states and self-interests still are the main forces²⁸².

²⁷⁸ Morgenthau, Hans (1972). *“Politics Among Nations”*, New York: Knopf, p. 5.

²⁷⁹ WTO (2007). *“World Trade Report 2007, Summary”*.

²⁸⁰ WTO (2007). *“WTO Public Forum- What WTO for the XXIst Century?”*, Summary.

²⁸¹ Keohane, Robert (2000). *“Power and Governance in a Partially Globalized World”*, London and New York: Routledge.

²⁸² Keohane, Robert (1990). *“International liberalism reconsidered”*, In Robert Keohane (ed.): *“Power and Governance in a Partially Globalized World”*. London and New York: Routledge, pp. 44-51.

According to NLI-theorist Robert Keohane, the reasons for the delays in the DN may not merely concern the unsatisfactory economic offers presented in the negotiations as argued by economic market liberalism. Additionally, Keohane does not support the neo-realist view stressing that the delays are explained by the relative-gain approach and protection of self-interests in all respects. Rather Keohane explains the delays as caused by the fact that increased world trade implies sensitivity in regards to further concessions, which explains that the developing countries demand more influence in the decision-making of international trade. If applying this theoretical presumption to the DR, it is a matter of fact that the new strong attitude of G20 has been one of the main grounds for the problematic DN. Additionally, the extensive dissemination of NGOs has put WTO under serious pressure in order to have more impact on the negotiations. This argument may also hold some truth in terms of the increasing number of issues – trade or non-trade related – raised in the framework of the WTO, which in some cases are brought into the WTO-agenda because of heavy lobbying. Moreover, Keohane has argued that an increasing demand for democratic norms in international institutions eventually will come forward – this in spite of the consensus democracy model of the WTO²⁸³. Also this interpretation is easy to apply on the WTO and the DR. Typically, it is developing countries (LDCs) that have accused the WTO and its green room negotiations for being undemocratic and non-transparent as well as continued to be control by the elite, which however has expanded to also include emerging markets.

NLI accepts the neo-realistic choice of actors - the member-states. Although NLI allows for more significant actors such as international institutions as well as the groups formed in the framework of international institutions. NLI focuses on how numerous of actors with various of interests may organise in terms of promoting economic effectiveness and avoiding war and disaster without eliminating economic or political ideals²⁸⁴. If members of an international institution share the same values and political system or if an international institution consists of few members, it becomes much easier to reach agreements²⁸⁵. This proves rather easy to transfer to WTO and the DR. WTO consists of more than 150 members with different political systems, cultural backgrounds and economic statuses, which may indeed be a reasonable explanation for the lack of entering into a compromise. Additionally, it is only possible to carry out negotiations in the WTO because of the groupings and alliances rather than 152 countries participating in the green room negotiations. The numerous of groups formed in the DN in which members have chosen to present common views may therefore explain some of the progresses in the DN. In contrast, groupings and alliances have also demonstrated to be a hindrance for reaching consensus in terms of the developing countries gaining more power from group representations. This was clearly demonstrated at the MC in Cancun in which Brazil and India representing G20 gave battle to the developed countries, which resulted in the first temporary breakdown of the DR. From this viewpoint, the improved democracy of WTO in terms of more strong actors has complicated the DN.

²⁸³ Keohane, Robert (2001). "Globalism, Liberalism and Governance", In Robert Keohane (ed.): "Power and Governance in a Partially Globalized World". London and New York: Routledge, pp. 223-226.

²⁸⁴ Greco, Joseph M. (1988). "Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism", IO, vol. 42, no. 3.

²⁸⁵ Keohane, Robert (1998). "International institutions: Can interdependence work?", In Robert Keohane (ed.): "Power and Governance in a Partially Globalized World". London and New York: Routledge, p. 34.

NR stresses that politics especially in regards to security - is of crucial importance in IR²⁸⁶. Hence as argued throughout the paper, free trade will boost economic growth, reduce poverty and thereby improve security. From this security point of view, WTO should be considered a favourable international forum. In this respect, the neorealist approach seems kind of outdated in terms of security being obtained within national borders. In the age of globalisation, terrorism – war without borders – as well as poverty are considered some of the main threats to security. Therefore, security (poverty and terrorism) should be handled internationally. In this context, economist J. W. Smith, who has specialised in relations between poverty and war, has argued that it is not only the economic advantages of the developed countries that increase their powers within the WTO. It also relates to military strength: “...Occasionally one powerful country overwhelm another through interception of its wealth through a trade war, covert war, or hot war; but the weaker, less developed countries usually lose in these exchanges. It is the military power of the more developed countries that permits them to dictate the terms of trade and maintain unequal relationships²⁸⁷”. This underpins the neo-realistic approach, which attaches great importance to the correlations between military power and trade power. The fact that it was merely the developed world that controlled the agenda under GATT may correspond with this NR-approach stating that military powers set the international agenda also in terms of international trade. However, the rising powers of emerging markets, which has resulted in a problematic DR, would be a hard task for the NR to account for because these have gained power on the basis of high economic growth rates and not military strength. However, it may be stated that the economic growth in some cases have caused for larger investments in the military and thereby increased military power – as in the case of China.

If the neorealist approach is to explain the recent progresses in the DN in which the developed countries have started to give in on agriculture and the developing countries on NAMA, it is because the members find that they relatively gain from these proposals as well as being in their best interest. However, it may be interpreted that NR finds that only one party can relatively gain as in prisoner’s dilemma, which then would be the most powerful players – the elite of developed countries. However, the strong attitudes of G20 may disprove such scenario. Therefore, NR may have an explanation problem in regards to the latest progresses in the DN and the rise of new and more powers of the developing world. On the other hand, it is claimed by some NGOs and developing countries that the current offers are still harming more than benefiting LDCs, which would be consistent with the NR-assumption of the elite’s strong powers in IR and proposals based on self-interests. As to the development-agenda of the DR in which the interests of the poor countries are to be given first priority at the expense of the interests of the rich countries as in safeguarding collective interests (NLI), NR may have an explanation problem. On the other hand, the lack of serious development-commitments in the DN underpins the NR-approach. Moreover, it may be argued that the development prior is not only in the best interest of the developing countries. Actually, it may be in the interests of all WTO-members because of the economic as well as political gains at all levels, which development of LDCs

²⁸⁶ Gilpin, Robert (2002). "Global Political Economy – Understanding the International Economic Order", Princeton and Oxford: Princeton University Press.

²⁸⁷ Smith, J. W. (1994). "The World's Wasted Wealth 2", Institute for Economic Democracy, p. 120.

may imply. Additionally, the principle of reciprocity ensures that all members – in spite of the development prior – will gain from the DN – as in absolute gains explained by NLI. From such viewpoint, the NR does not have an explanation problem because the development prior is also protecting national interests as well as improve world security. NR may however consider the gains as relative and not absolute.

Overall, it may be concluded that NR explains the actual behaviours of the WTO-members, which have demonstrated to act from purely self-interests in order to relatively gain causing delays in the DN. On the other hand, the NLI is suitable to explain the member-obligations (reciprocity and development) of the DR. The fact that the members have not acted in accordance with their DR-commitments as well as the rise of new strong attitudes have according the NLI-approach delayed the negotiations. However, the fact that the members with the launching of the DR agreed on such obligations as well as to the recent progresses may be an indication of the actors changing focus away from their relatively gain mode. The members may have realised that in order to conclude Doha they have to follow their Doha-obligations and safeguard national as well as collective interests, which will imply absolute gains for all parties involved. However, NR would probably claim that the progresses in the DR is because the strong powers have once again turned the negotiations in their favour with recent modality drafts that primarily safeguard the national interests of the elite that will relatively gain at the expense of developing countries – as also argued by numerous of development supporters.

3.5.4. IR theories accounting for the powers of actors

In the former WTO-rounds the global economy was not really global and consisted merely of Western countries and Japan. That picture has changed and a new world economy has come forward. The developing countries' share of the world economy is increasing, however, still fare from the level of the developed countries²⁸⁸. More than two-thirds of the 152 WTO-members are developing countries. The fact that the developing countries represent the majority in WTO as well as increasing parts of the world economy may indicate that the dominant positions of the US and EU have been challenged in the DN.

An interesting discussion in regards to the reasons for progresses and delays in the DN may in this respect concern the political interplay and power game between the developed countries and emerging markets. It may be presumed that the emerging markets of G20 have weakened the positions of the EU and in particularly the US, as the world's only hegemony. The US is facing an important challenge in terms of its position in the age of globalisation. In the 20th century the US played a leading role in establishing international institutions as well as international rules and norms. However, globalisation has called for common efforts and underpinned the necessity of collective cooperation to deal with world issues such as trade liberalisation, development, climate change, terrorism, etc. In spite of evidence suggesting that international cooperation is the best way to achieve national objectives, the US has on some occasions continued to “going it alone” and expected for the rest of the world to follow. However, unilateralism may no

²⁸⁸ Dicken, Peter (2003). "Global Shift. Reshaping the Global Economic Map in the 21st Century". 4th Edition, New York: The Guilford Press.

longer hold. Even the EU has turned out to be divided every time the US chooses to act alone. It is far from a majority of the EU that considers themselves as US-allies. It may even be interpreted that it has actually become unpopular and a risk to partner-up with the US. The US is simply wrong in “going it alone” and acting unilateral simply because it is much harder to get things done in today’s international community than it was in the past²⁸⁹.

An interesting question is by what means G20 has been able to gain such significant powers within the WTO and the DN. As to the US, it is considered a ‘hard power’ in terms of a strong military as well as economic wealth. Hard power has long historical roots and is mainly supported by the NR. On the other hand, soft power is associated with globalisation and NLI²⁹⁰. G20 may be considered a ‘soft power’ in terms of using the media in order to obtain sympathy and support²⁹¹. If considering the developed countries – in particular the US – as the “enemy” war is not the most promoting principle, but soft power such as publicity could on the other hand work²⁹². Brazil has largely promoted an international understanding of the need to focus on developing countries and their economic growth and development, which in the framework of the WTO is to be realised by market access to developed countries along with an elimination of their trade distorting support. Hence it is not only in regards to trade that Brazil has expressed its discontent of the developed countries. Professor Joseph Nye presented the term soft power back in the 1980ties. According to Nye, soft power concerns “...*the ability to attract and persuade*²⁹³”. Nye has further in cooperation with the NLI-scholar Keohane stated that soft power rises from attractiveness of political ideals and policy by means of ideological or cultural origins²⁹⁴. G20 has significantly succeeded in changing the debate of international trade towards a focus on the interests of the developing world and end the undemocratic and unfair control of the elite. Although it may be debated whether Brazil is actually safeguarding LDCs rather than self-interests as an emerging market. Moreover, Nye stresses that despite the increasing use of soft power, a hard power such as the US is a necessity to have in the international system. A problem in this respect is that the US puts too much emphasis on military power in order to force other nations to follow their interests and pays too little attention to soft power. Hence this may be a plausible reason for US’s rising unpopularity worldwide²⁹⁵. Altogether, G20 has managed to obtain power by soft power means, which may be a conceivable reason for the rise of strong attitudes of emerging markets apparently causing delays in the DN.

A hypothesis may be that the US, as the only hegemony during the last fifty-years, does no longer holds the same powers. It has not only been challenged by new Western powers such as EU and Japan, but now also by emerging markets such as Brazil, India and China. From this point of view, the hypothetically weakened hegemonic position of the US is first of all economically related because of the rise of high growth

²⁸⁹ Shelton, Joanna R. (8 December 1999). ”National Identity and International Pressures: Are they Compatible?”, Japan: Tokyo, The Mansfield American-Pacific Lectures.

²⁹⁰ Campbell, Kurt and Michael O’Hanlon (2006). “*Hard Power: The New Politics of National Security*”, Published by Basic Books, US: Library of Congress, ISBN-13:978-0465-05166-3.

²⁹¹ Guillou, Jan (2006). ”Madame Terror”, Piratförlaget, Stockholm, ISBN: 978-87-7053-128-3. Chapter 9.

²⁹² Ibid., p. 423.

²⁹³ Nye, Joseph S. (2004). ”The Means to success in World Politics”, US: PublicAffairs, ISBN: 1-58648-225-9.

²⁹⁴ Nye, Joseph S. (1990). ”Bound to Lead: The Changing Nature of American Power”, Harvard University, US.

²⁹⁵ Keohane, Robert and Joseph Nye (2005), ”Power, Interdependence and the Information Age” from Conflict After the Cold War”, in “Conflict after the Cold War”, by Richard K. Betts, Columbia University, Longman, ISBN-10:032120946X.

economies, but also politically related due to their increased powers, which economic growth may involve. The fact that some countries have experienced such considerable economic growth that they are now close to the level of the US, complies with the theory of Hegemonic Stability (HS). HS claims that the other participants in the international system may at some point surpass the hegemony, which may threaten the very survival of the hegemony. Moreover, HS also stresses that a hegemony is decisive for entering agreements within international institutions. HS claims that the presence of a hegemonic power is a necessity resulting in a simpler and less complicated economic cooperation at the international level²⁹⁶. HS also claims that the hegemonic role is to ensure that the international cooperation and system works²⁹⁷. Although in order for it to work other countries must also accept the hegemony's values of market liberalism, capitalism and democracy²⁹⁸. In addition, HS stress that if a hegemony forgoes, a new hegemony may rise and continue the unipolar system. In contrast, NR supports a bipolar or multipolar system, which may be realised at the expense of the unipolar structure as evident during the Cold War. Additionally, a third option would be a multipolar system of developed as well as the most developed developing countries, as evident in the DR.

According to NLI, a hegemony is characterised by its economic, military and technological dominance. If the economy is in crisis - as currently the case in the US - this may reduce the powers of the US. From such viewpoint, it may be stated that the difficulties to enter agreements in the DR may relate to the weakened hegemonic position of the US. In this context, NLI claims that if US's powers decline, it will not imply the end of WTO, which will create its own life. From that perspective, the hypothetically decline of US's hegemonic position should not have an effect on DN. However, NLI also states that the existence of a hegemony is in the best interest of all states. It ensures stability and results within international institutions²⁹⁹. However, this has so far not been the outfall of the DR. On the contrary, neo-realists stress that the US will only support the system as long as it looks after its self-interests. Hence in this respect, it may be interpreted that the US no longer finds that the WTO/MTS safeguard its interests. Mores specifically, the increased focus on developing countries and their exception to liberalisation does not reflect the American norms and values. Further, NR claims that if the powers of a hegemony decline, the system will fall apart and in general create instability³⁰⁰. If the hypothesis holds as in US loosing its hegemonic position, it may from a neo-realist point of view imply the end of the WTO and the MTS.

Furthermore, NR explains that the dominating states in the international system such as the US and the EU indeed play important roles in terms of defining the international economy and rules controlling international activities³⁰¹. The international economy is a result of the powerful states' political, economic and security interests. In addition, neo-realists state that a lack of strong international states may result in difficult

²⁹⁶ Haggard, Stephan and Beth A. Simmons (1987). "Theories of International Regimes", IO, vol. 41, no. 3.

²⁹⁷ Kindleberg, Charles (1973). "The World in Depression, 1929-1939". Berkeley: University of California Press.

²⁹⁸ Krasner, Stephen D. (1995). "State power and the Structure of International Trade", In Jeffrey A. Freiden and David A. Lake (eds.): "International Political Economy – Perspectives on Global Power and Wealth". New York: Bedford/St. Martin's.

²⁹⁹ Keohane, Robert (1984). "After Hegemony: Cooperation and Discord in the World Political Economy", Princeton: Princeton University Press.

³⁰⁰ Waltz, Kenneth (1993). "The emerging structure of international politics", International Security, 18/2:44-79.

³⁰¹ Gilpin, Robert (2002), p. 42.

international negotiation processes – as evident in the DR³⁰². If hypothetically considering that the world order has changed with new powerful emerging markets and a weakened hegemonic status of the US, the neo-realistic approach may actually be useful to explain this scenario. In fact neo-realist Robert Gilpin has argued that powers and hegemony are not constant, but in fact vary over time because of unequal growth changing the power-balance and thereby the international system³⁰³.

Changes of the hegemonic structural system leading to changes of the international system³⁰⁴ may in particular be caused by the three different processes³⁰⁵: 1) economic benefits not increasing faster than the costs of the hegemony³⁰⁶, 2) the hegemonic power spends more than it invests compared to other countries³⁰⁷ and 3) there exists a diffusion of knowledge and powers to other countries and the dominating hegemony loses its advantages creating challenging powers for itself³⁰⁸. In regards to the first statement, this may hold some truth. The US has actually experienced higher costs than benefits as a consequence of its current economic downturn and ongoing wars. Additionally, it is likely that the US at this point spends more than it invests because of economic reforms as an attempt to turn around or limit the consequences of the economic downturn. As to the last argument, this may be useful to explain the ‘power game’ evident in the DR with the rise of strong emerging markets with high growth numbers challenging the US economically as well as politically. All these HS theoretical conditions to determine if a hegemonic structure may have changed seem to reflect the reality scenario of 2008. From that point of view, the US may be in a threatened position. However, it is not the first time the US experiences an economic decline and rises again. Additionally, it may be interpreted that the US’s in the 21st century has been challenged to such a degree that it is unable to act as a hegemony and conclude the international trade negotiations in the framework of the WTO, which has caused for considerable delays in the DN.

On the other hand, an opposite hypothesis might be that US’s roles as a hegemony has stagnated or even increased because of its extensive war on terrorism, which may underpin the military powers of the US. Military power that the US does not hesitate to make use of if it depends on the security of America. As a true hegemony, the US has chosen to “going it alone” in terms of acting without international mandate in order to safeguard self-interests when it invaded Iraq along with a few allies. However, as a consequence of the wars in Afghanistan and Iraq, it may also be assumed that US’s military strength has weakened. The wars have caused for a high defence spending as well as a significant loss of American soldiers. Actually, the current war situation has been referred to as more critical than Vietnam. Moreover, it is not possible to predict when the US will pull out of Afghanistan and Iraq. As long as the US is involved in wars, it is considered less a threat. Thereby, its enemies may exploit the situation and US’s security risk may increase.

³⁰² Stein, Arthur A. (1984), p. 355.

³⁰³ Gilpin, Robert (1981). "War and changes in World Politics". New York: Cambridge University Press.

³⁰⁴ Stein, Arthur A. (1984). "The hegemon's dilemma: Great Britain, The United States, and the international economic order". IO, vol. 38, no. 2.

³⁰⁵ Strange, Susan (2002). "The Myth of Lost Hegemony". In Roger Tooze and Christopher May (eds.): "Authority and Markets. Susan Strange's Writings on International Political Economy". New York: Palgrave Macmillan, p. 125.

³⁰⁶ Gilpin, Robert (1981), p. 115.

³⁰⁷ Keohane, Robert O. And Joseph S. Nye (1989). "Power and Interdependence". 2nd Edition. Boston: Harper Collins Publishers, p. 50.

³⁰⁸ Krasner, Stephen D. (1995).

NR claims that US has taken the hegemonic role to protect national interests especially in terms of security³⁰⁹. In the age of post-9/11 in which state wars to a large extent have been replaced by borderless (religious) wars, the focus on US's security has highly increased. According to NR, this tendency has reinforced US's commitments to the role as the world's only hegemony. From this point of view, it may be argued that US's hegemonic position has not faltered, but may have bolstered as a consequence of the war against Islamic fundamentalism in which the US highly needs to intensify its security. If US's hegemonic role has not been exposed to considerable changes, it may be argued that this is one of the reasons for the recent progresses in the agriculture and NAMA areas because according to HS a hegemony traditionally leading negotiations towards a positive result³¹⁰.

As claimed by the WTO, international cooperation may imply spill-overs. There exist many incidents of how international institutions have dealt with two sides of the same coin. As for example the UN Security Council has the authority to adopt trade sanctions against countries if violating non-trade related international rules. From this viewpoint, it may be stated that UN deals with a matter of the WTO. It is only the UN that has the jurisdiction to appoint sanctions in cases that are politically related. These spill-overs are necessary in order for the international cooperation to work and may additionally strengthen the system. There will always be cases, which demand for international institutions to handle the matter jointly³¹¹. One problem- or risk – may be that such close cooperation among “global governance bodies” also spill-over failures from one institution to another, as elaborated on in chapter 5.

Whereas one hypothesis concern that US's hegemonic position has weakened and consequently caused delays in the DN, a contrasting hypothesis argues that US's powers are status quo or may even have strengthened causing progresses in the DR. From this perspective, the HS and NLI theories may be right in their assumptions in terms of the need for a hegemony to enter agreements in the framework of international institutions. A hegemonic power that is willing to use its political and economic resources to create and maintain a liberal world economy and make sure that the rules are followed³¹². It seems rather doubtful that the US will withdraw completely from its responsibilities. Rather it should be interpreted as a positive development, that the US's role is a subject to international debate and scepticism. The discussion in terms of US's powers declining, stagnating or increasing may illustrate that the US is also adjusting to globalisation³¹³.

3.5.5. Factors explaining the agricultural protectionism of developed countries

Ever since the establishment of the EU was established, agriculture has been a sensitive area. First the EU had to agree on the matter internally and now the challenge has come to reach consensus in the framework of the WTO. The EU has, as one player in the DN, presented common agricultural proposals. However, it is a

³⁰⁹ Gilpin (2002), p. 99.

³¹⁰ Scott, Jeffrey J. (2000). "Prospects for New WTO Trade Negotiations". *Cato Journal*, vol. 19, no. 3.

³¹¹ WTO (2007). "World Trade Report 2007", Summary.

³¹² Kindleberg (1973) and Gilpin (2002).

³¹³ Shelton, Joanna R. (8 December 1999). "National Identity and International Pressures: Are they Compatible?", Japan: Tokyo, The Mansfield American-Pacific Lectures, pp. 7-14.

matter of fact that some EU-members would be willingly to present far more ambitious offers, but other EU-countries strongly oppose further liberalisation. France has a strong voice in the EU and it may be argued that EU's attitude in the DN to some extent is a product of the French position. As argued, the French economy has been critical in recent years and the French farmers depend on heavy CAP-support. Although France is no different from the other EU-countries when it comes to agriculture's limited part of the French GDP.

The interesting and critical question is what the underlying political factors are for the developed countries to continue protecting a small and declining sector. We live in a globalised world - a world that is becoming "smaller" and a world that develops at fast pace. Paradoxically, globalisation has proven to evoke a strong need to protect a country's culture and national identity. In this respect agriculture may be considered a cultural and national root, which symbolizes the past in which technology and machines did not influence every part of our lives. Agriculture was the first trade area and has played an important role in history - more specifically the invented traditions and resurrection of past events such as agriculture. Therefore, agriculture may be connected to history and culture, more specifically as in culturally conditioned and cultural inheritance: "Unlike a language, a national culture is usually unique to the nation, although it may include many elements shared with other nations. Additionally, national culture is assumed to be shared with previous generations, and includes a cultural heritage from these generations, as if it were an inheritance. As with the common ancestry, this identification of past culture with present culture may be largely symbolic³¹⁴" and "...As an "historical reservoir", culture is an important factor in shaping identity³¹⁵". In this context, national identity is considered a sub-set of cultural identity³¹⁶.

An interesting point in this respect may concern the different interpretations of the nation states and national identity. Whereas primordialists consider ethnicity and history as having played significant roles in shaping modern states, on the other hand modernists consider capitalism, industry and communication as being responsible for the appearance of nation states. From this point of view, it may be interpreted that primordialists consider national identity as based on historical and cultural conditions, which are threatened by globalisation. In contrast, modernists find that national identity is actually created by new inventions such as capitalism and communication. As oppose to a modernist approach, primordialist may regard agriculture of the developed countries as historically and culturally related and therefore a foundation for national identity. Most theorists in this field consider national identity as a product of internationalisation rather than historically fixed. These among others concern Ben Anderson, Ernest Gellner and Eric Hobsbawn. Anderson considers nation states and national identity as "*imagined communities*³¹⁷". More specifically, "...It is an *imagined political community and imagined as both inherently limited and sovereign*³¹⁸". National identity is a cultural artefact, which has become a rationale as real as anything else. Anderson has further stressed that the media and capitalism have created national identity as a result of socio-economic conditions rather than history³¹⁹. On the other hand, a student of Gellner, Anthony D. Smith, has presented another approach referred to as ethno symbolism,

³¹⁴ Tanselle, G. Thomas (1998). "Literature and Artifacts", Charlottesville, VA: Bibliographical Society of the University of Virginia, ISBN 1883631068.

³¹⁵ Pratt, Nicola (2005). "Identity, Culture and Democratization: The Case of Egypt", Journal of New Political Science, vol. 27, no.1, March 2005.

³¹⁶ Tomlinson, John (19 March 2003). "Globalization and Cultural Identity", Working paper, pp. 269-277.

³¹⁷ Anderson, Benedict (1983). "Imagined Communities: reflections on the Origins and Spread of Nationalism", London: Verso.

³¹⁸ Ibid.

³¹⁹ Anderson, Benedict (1998). "The Spectre of Comparison: Nationalism, Southeast Asia and the World", London: Verso. ISBN 1-85984-184-8 .

which claims that national identity is combination of the traditional and modern thinking. More specifically, Smith holds that national identity arises from a specific history of a specific group in a nation, which has widespread into an idea of a common and shared history and identity³²⁰, as in “...historically flawed interpretations of past events...³²¹”. From this viewpoint, national identity is a modern concept, but it represents historical events, which in modern times has become generally adopted as a “fake” common history and identity.

From this point of view, it may be argued that the EU has a primordialist perception of national identity in terms of a culture with deep historical roots. In contrast, the US has a clear modernist approach in terms of being a rather new nation with limited history unless including the Indians. The Americans primarily refer to their grand-grand-grand-father’s country-roots when asked to their history. It may be interpreted that since the US is actually a comparatively recent nation, it is first of all easier for the Americans to accept that national identity is a modern concept. Secondly, the American culture truly is representing recent developments such as economic market liberalism and capitalism. The US has as the world’s only hegemony played a vital role in terms of spreading democracy and capitalism among others by the establishment of the Bretton Woods institutions implementing international rules and agreements. The EU has in this respect supported the US and its internationalisation mode – in some cases referred to as Americanisation. However, in most European countries national identity is historically bounded in spite of the fact that the countries breathe capitalism. Therefore, it would be more correctly to explain EU-countries’ perception of national identity as based on A. D. Smith theory on the matter as in a combination of modernism and traditionalism – modern concept based on invented history. Therefore, it may be interpreted that it is the developing countries, which should fear the most that their cultures may be destroyed as adapting to globalisation - if arguing that globalisation has such impact³²². From that perspective, it becomes clear that whereas Europe is protecting agriculture based on political, cultural and national grounds, the US protection is probably far more economically related despite agriculture’s low part of its GDP. As demonstrated, the US has been willing to liberalise its agriculture. The main thing holding it back has been the lack of EU-commitment. Therefore, it may be argued that the US is protecting agriculture as a consequence of the trade policy of other developed nations rather than safeguarding political factors or related to national identity.

Some scholars consider globalisation as a threat to culture and national identity³²³. Globalisation calls for greater integration of the world societies and economies. This raises the question if countries are able to maintain national identity. Apparently, some EU-countries fear the worst and hold on to their fading bonds to the past, which they consider as representing their national identity: “This “globalisation” of countries and societies has led many people to feel that their cultures and traditions are under assault. They fear that it will be increasingly difficult to maintain their national identity in the face of a growing pressure for change and conformity³²⁴”. Some scholars state that the stronger a national identity of a country is, the less a country fears globalisation in all its shades such as migration, integration,

³²⁰ Smith, A. D. (1986). “*The Ethnic Origins of Nations*”, London: Basil Blackwell. pp 6–18. ISBN 0-631-15205-9 .

³²¹ Smith, A. D. (1998). “Nationalism and Modernism”, US:Routledge, ISBN 0-415-06340.

³²² Notes from the course: “Culture, Identity and Politics”, 1st semester of the Master program in European Studies and Development and International Relations, by Vibeke Andersson, Wolfgang Zank and Mammo Muchie, Autumn 2005, Aalborg University.

³²³ Tomlinson, John (19 March 2003). “Globalization and Cultural Identity”, Working paper, pp. 269-277.

³²⁴ Shelton, Joanna R. (8 December 1999).

harmonisation, liberalisation, etc. From this viewpoint, EU-countries may have weak cultures. Hence it may be argued that the EU-countries have already gone through a “harmonisation” of their cultures as a consequence of the EU-cooperation. For that reason, a strong opposition rises when “symbols” of culture and national identity are threatened. In this respect, it is important to mention that the EU-countries diverge in terms of cultural identities as well as in regards to their understanding of national identity. Therefore, it may not be correct to speak of the EU as one actor in this context. It was actually France, which started to make an issue of Americanisation threatening the French national culture. Hence nationalism and national identity are by some scholars considered as outcomes of the French revolution. Considering that the French revolution was in the period of 1789-99, nationalism is from this point of view considered a historical movement rather than a modern phenomenon, as once commented by Max Weber: “...*A lot of Frenchmen did not know that they belonged together until the long didactic campaigns of the late nineteenth century told them that they did*³²⁵”. France has objected to American cultural imperialism and recognised the importance in cultural products in order to maintain individual societies. Hence costs efficiency and marketplace preferences may therefore surrender to the demand for industries reflecting national identity - as has been the case of US’s Hollywood. This may also be a plausible reason to the continuation of agricultural protection and thereby delays in the DN.

Paradoxically, it has become clear that globalisation may also involve a rise – or revival - of nationalism. In this respect, Gellner has in his work adopted an economic approach in terms nationalism as a necessity of industrialisation³²⁶. For that reason, nationalism may be an important part of globalisation and not a “threatened movement”³²⁷. Rather than considering globalisation as destroying cultures and national identity, it may be interpreted that these are products of modernisation and internationalisation. In addition to Anderson and Gellner, Eric Hobsbawn has argued that nationalism is a modern intervention created as a response to a new economic system rather than a historical phenomenon³²⁸. If national identity is considered a modern movement as a product of globalisation, the assumption that nationalism has emerged on a larger scale in the US and the EU may hold some truth. Hence nationalism tends to imply protectionism. If Doha fails to deliver in the end, it may cause a larger trend towards “economic nationalism” in industrialised countries³²⁹. No matter what explanation of cultural and national identity that is applied, it has either way caused for a debate and reinterpretation of the phenomenon. Jonathan Friedman has in this respect argued that: “...*in the age of fragmentation of the world system, a new crisis of identity has emerged*³³⁰”.

³²⁵ Norkus, Zenonas (2004). “Max Weber on Nations and Nationalism: Political Economy before Political Sociology”, The Canadian Journal of Sociology - Volume 29, Number 3, Summer 2004, pp. 389-418.

³²⁶ Gellner, Ernest (1983). “Nations and Nationalism”, Oxford: Blackwell, p. 38.

³²⁷ Ibrahim, Zawawi (). “Globalization and National Identity: Managing Ethnicity and Cultural Pluralism in Malaysia”, Chapter 9, http://www.apess.org/Publications/Edited%20Volumes/GrowthGovernance_files/Pub_Growth%20Governance/Pub_GrowthGovernancech9.pdf.

³²⁸ Hobsbawn, Eric J. (1991). “Nations and Nationalism since 1780: Programme, Myth, Reality”, Cambridge, UK and New York.

³²⁹ PINR (27 July 2006). “Economic Brief: The end of the Doha Round, http://www.pinr.com/report.php?ac=view_report&report_id=531&language_id=1.”

³³⁰ Friedman, Jonathan (1994). “Cultural Identity and Global Process”, London: Sage.

Chapter 4: World affairs influencing the Doha-negotiations

4.1. Introduction to spill-overs of world affairs

It is not only the areas and actors of the DR, which have been causing progresses and delays in the negotiations. The world is not a quiet place and various affairs are frequently influencing the world picture. Whereas some problems are historical rooted, others are products of the world as it looks today in the 21st century. Additionally, world affairs are in most cases interdependent and may cause for spill-overs. In this respect, it has become obvious that different world affairs have affecting the DR.

Moreover, development does not solely depend on free trade - although the gains of trade liberalisation may spill-over and contribute to development. In addition, other factors are also important to cope with in order for countries to benefit from a liberalised MTS³³¹, as expressed by Lamy: *“Not that trade opening in itself creates welfare. Not that welfare creation in itself reduces poverty...mechanisms that translate trade opening into poverty reduction are complex and necessitate the appropriate policy context...if trade is not sufficient, it certainly is a necessary ingredient”*³³².

4.2. The oil and food crisis

Despite the existence of international institutions and increased global cooperation, it is not possible for the world to act preventively in all matters and avoid problems ahead. Therefore, the world is now facing a situation of historically rising oil and food prices, which may impede the DN further or even prevent for a final Doha-agreement to be concluded.

The high and increasing oil prices are not only caused by the expanded demand, as a consequence of the rising middle-class in emerging markets such as China and India, not balancing the stagnated supply. Other factors such as the low dollar exchange among others caused by the declining American economy has also been a part of the reason for the oil crisis. Actually, the US has made a strong attempt to convince its oil suppliers from the Arabic world to increase their productions and once again Bush has underpinned US's strong wish to become independent from these oil-states. Some of the oil-states have agreed to increase their productions, but it is questionable if such initiatives are enough to solve the situation at this point. In spite of the significant efforts to develop alternative oil sources, it seems rather unlikely that a pioneer invention will come along within nearest future³³³. If so, it will properly be patented making the invention extremely expensive.

Actually, Brazil has also become an important player within the oil and gas industry. In April 2008, the regional superpower declared that it had discovered large oil reserves and that Brazil has the know-how to exploit these. Brazil predicts that it will be able to produce from 2010. Hence Brazil liberalised its oil sector in

³³¹ Anderson, Kym (2006), p. 148-149.

³³² WTO (2007). “WTO Public Forum- What WTO for the XXIst Century?”, Summary.

³³³ DR-nyhederne, DR1, Horisont, 3. marts 2008, kl. 21.25.

1997, but the leading state-owned oil company Petrobras still owns about 58 %³³⁴. This new leading position in the oil and gas sector will boost Brazil's economy even further as well as increase its power in international relations – also in the framework of WTO. Brazil's future oil production may contribute to an increased supply leading to lower oil prices.

The strong attempts to come up with alternatives to oil have among others caused for an expanded demand for and production of bio-ethanol. However, the fact that bio-ethanol is made of corn has consequently caused for another problem to appear – as in food shortage and record high food prices increased by approximately 40 to 70 %³³⁵. Corn has thereby gone from being a basic food ingredient to a fuel alternative. Tons of food is transformed into petrol or diesel. The oil prices thereby set the bottom-prices for food. However, the new market for bio-ethanol is far from the only reason causing the food crisis. As in the case of the oil crisis, it is also argued that current food shortage is caused by a rising demand of the growing middle classes in emerging markets. As a result hunger and starvation are now evident on an even larger scale, which increase the needs for humanitarian relief considerably. However, along with China's significant economic growth and thereby increased food consumption, UN's stores of humanitarian relief have more than halved. According to the UN, the high food prices and the lack of humanitarian relief have caused for domestic disturbances, which threaten world peace and development³³⁶. The WB has in this respect stressed its concern for the poor countries, which once again are the main losers³³⁷.

Brazil accuses the developed countries for the critical food scenario. The Brazilian president Lula de Silva has stated that: *"I am shocked that the rich countries try to connect the increased food prices with bio-ethanol and at the same time leave-out the increased oil prices' effect on food as well as not mentioning the effects of agriculture subsidies³³⁸".* On the face of it, there seem to be three important points to underpin from this statement. Overall, Brazil is once again confronting the developed countries – just as it has throughout the DN in G20. Secondly, Lula denies that the expanded bio-ethanol production is a cause of the food crisis. However, an important notion in this context is that Brazil is a significant producer of bio-ethanol, which is possible because of its large agriculture. Thirdly, the world food shortage underpins that liberalisation of the developed world's agriculture is vital. Developing countries need to develop their agricultural productions in order to increase global supply and reduce global prices, which is only possible, if the developed countries give the developing countries market access to their food markets as well as eliminate their agricultural support. In this respect Lamy has stressed that the food crisis adds urgency to concluding the DR: *"...the reasons why we must conclude the Round this year are visible to all of us and they are becoming more critical by the day...the WTO can provide part of the solution" to the current food crisis, which is why it can, and must, play its full part in this vital effort³³⁹".* In this respect, the high-rise food prices may cause for the developed countries to realise the necessity of liberalising agriculture. The same argument may be used in regards to the record high

³³⁴ Berlingske Tidende (26 May 2008). "Brasilien som oliestat", Udlands sektionen, s. 12.

³³⁵ DR-nyhederne, Udland, Tekst-TV, mandag den 8. april 2008, kl. 11.20.

³³⁶ DR-nyhederne, DR1, Horisont, 31. marts 2008, kl. 21.25.

³³⁷ DR-nyhederne, Udland, Tekst-TV, mandag den 8. april 2008, kl. 11.20.

³³⁸ DR-nyhederne, Udland, Tekst-TV, fredag den 18. april 2008, kl. 21.07.

³³⁹ WTO (7 May 2008). "Lamy says food crisis adds urgency to concluding the Round", WTO News, report to the General Council, Geneva, http://www.wto.org/english/news_e/news08_e/gc_chair_tnc_7may08_e.htm.

oil prices in terms of the WTO-members recognising it could have been prevented if included in the WTO. From this point of view, the critical oil and food situations may result in progresses in the DN. On the other hand, countries may seek to protect self-interests in this respect, which may slow down the Doha-process and reduce the prospects of a Doha-agreement.

4.3. Civil wars, poor governance and corruption

In recent decades wars between nations have become less common. On the contrary, civil wars have increased. The benefits of coping with civil wars do not only concern the national level, but also the regional and global level. At the global level it seems more difficult to set the economic costs of civil wars, which are rather obvious at the national and regional. Although factors such as hard drug production, AIDS and terrorism have been self-perpetuating in countries of civil wars³⁴⁰. Anke Hoefler, Research Associate of the Centre for the Study of African Economies at Oxford University, has among others suggested that: “...conflicts could be shortened by means of agricultural trade liberalisation. As for example, removing subsidies to American cotton farmers would raise the international value of the crop relative to opium, giving growers in conflict countries such as Afghanistan the option of an alternative livelihood³⁴¹”. Therefore, the world faces a hard task in terms of reducing civil wars. The global strategy to prevent and solve civil wars may concern aid for poverty reduction and ensuring well-functioning institutions, improved governance of income from natural resources and trade, international military interventions, economic growth and development in general and last but on least opening-up markets: “The reality is that badly designed trade and aid policies are too often increasing the likelihood and longevity of violent conflict³⁴²”.

An important point in this respect is that it is not enough that the international community involve by military efforts. It is also necessary to deal with the underlying causes, which have started the conflict in the first place. In this respect, the international institutions have different roles to play; IMF and the WB may assist in terms of economic transition, the UN may contribute in terms of military efforts, humanitarian relief, poor governance and corruption, etc. In regards to the work of the WTO, this may concern an elimination of the developed world's trade barriers, which harm the developing countries: “...the poorly designed and unfair trade policies of the developed world inhibit economic growth in the developing world, and leave countries locked into commodity markets notorious for the volatility of their prices. A reliance on the export of natural resources tends to lead to weaker institutions, economic dependence and political instability. Coupled with poorly-governed international markets for natural resources, this has proved to be explosive time and again around the world³⁴³” as well as continuing or increasing the development programmes of aid and technical assistance, which may: “...help to remove the underlying causes of conflict by reducing inequalities, tackling poverty, providing basic services and promoting sustainable livelihoods...also help to improve domestic governance and help countries bounce back from economic shocks³⁴⁴”. However, critics of aid have oppositely stressed that: “...aid can make things worse, that it can ignore signs of trouble, and that in supporting bad governments, it can help set the stage for conflict³⁴⁵”. This does not mean that aid does not

³⁴⁰ Collier, Paul (2006). “How to spend 50 billion dollars to make the world a better place, Edited by Bjørn Lomborg, New York: Cambridge University Press, ISBN: 978-0-521-86679-8, Chapter 3: “The Challenge of Reducing the Global Incidence of Civil War”, pp. 39-57.

³⁴¹ Hoefler, Anke (2006). “How to spend 50 billion dollars to make the world a better place, Edited by Bjørn Lomborg, New York: Cambridge University Press, ISBN: 978-0-521-86679-8, Chapter 3: “The Challenge of Reducing the Global Incidence of Civil War”, p. 54.

³⁴² House, Chatham (6 February 2006). “Aiding, Trading or Abetting”, IISD, London, p. 2.

³⁴³ Ibid., p. 3

³⁴⁴ Ibid., p. 2.

³⁴⁵ Ibid., p. 3.

make a significant difference. It is just harder to observe signs of conflicts as well as a risk of aid getting into the wrong hands.

Developing countries may only gain from free and fair trade if peaceful domestic conditions are ensured. Civil wars have destroying effects on trade and in contrast trade may work as an insurance mechanism in terms of reducing the risks or costs of civil wars³⁴⁶: *“In theory at least, if trade and aid policies are carefully designed and implemented, they should encourage peace and security between and within countries. Trade can establish incentives for peace by building a sense of interdependence and community. Trade can also be a powerful driver of economic growth and stability: reducing poverty, providing non-military means to resolve disputes and creating strong economic incentives for peace. There’s some truth in the old saying that countries that trade tend not to fight”*³⁴⁷. The conflict in Kenya is a clear example of how domestic disturbances have implied considerable trade costs for Kenya - who’s most important industry is tourism - an industry now in ruins. Kenya has went from being one of Africa’s most advanced countries to now being thrown back years in its development.

Moreover, poor governance is also an important challenge for the world to solve, which has gotten much more focus in the age of globalisation. Poor governance breeds corruption at all levels in a society, which consequently affects the already poor business environment: *“...good governance fosters good business, and good business fosters good governance. Reform is not effective in one without reform in the other”*³⁴⁸. Some scholars find that developed countries in some cases ignore these circumstances. As for example MNCs operating under existing reforms, or lack thereof, are supported by their home governments, which make the developing countries unsure about how much support they will get with reforms³⁴⁹. This scenario of conflicting interests has been largely debated in the developed world in recent years. An outcome of this discussion has among others been an increased focus on Cooperate Social Responsibility (CSR), which concern developed countries’ coresponsibility for their businesses not being involved in corruption in developing markets – just as in the case of labour standards. CSR has also been on the WTO-agenda, but the policy is still a national matter. The rather high number of governments adopting the policy has stated that they will not hesitate to use their representatives worldwide to judge and report such incidents³⁵⁰. Additionally, CSR has to some extent become a marketing parameter in terms of companies branding themselves as following CSR-initiatives – just as in the case of environmental protection.

In cooperation with other global institutions, the WTO plays a vital role in developing countries’ transition. One way that WTO may contribute significantly is to get the negotiations on services back on track in the DR in order to liberalise and harmonise the environment for FDIs: *“The prospects of attracting FDI can help to motivate*

³⁴⁶ Martin Philippe and Thierry Mayer and Mathias Thoening(31 August 2007).”Civil Wars and International Trade”, Paris School of Economics, CEPR,pp. 1-3.

³⁴⁷ House (6 February 2006), pp. 1-2.

³⁴⁸ Lehmann, Jean-Pierre (2003). ”Next Stop on the Road to the 2015 Millennium Development Goals”, Young Evian Group, WTO public Symposium 2003, Center for International Development, Harvard University, <http://www.cid.harvard.edu/cidtrade/geneva/sessions/session04.html>.

³⁴⁹ Cartier-Bresson, Jean (2006). ”How to spend 50 billion dollars to make the world a better place, Edited by Bjørn Lomborg, New York: Cambridge University Press, ISBN: 978-0-521-86679-8, Chapter 5: ”The Challenge of Poor Governance and Corruption”, pp. 90-93.

³⁵⁰ WTO (25 September 2006) WTO Public Forum, Geneva: ”Corporate Social Responsibility & the Doha Round: Are there Win-Win Opportunities for the Private Sector & Developing Countries?”, http://www.wto.org/english/forums_e/public_forum_e/session_25_num11_e.htm.

*and bring about reforms in national governance, which in turn contribute to the goal of improved global governance*³⁵¹". Most scholars agree that FDI is an extremely important mean in developing countries' transition. However, the developing countries also need to have certain things in place – such as peaceful conditions, a relatively open market, a comparatively developed infrastructure, low level of poor governance and corruption, attractive rules on investments and outsourcing, etc. - before their markets become attractive for investors and businesses. An inquiry published by the WB shows that countries with a high level of corruption and poor governance are associated with a low level of investments, trade and growth. Increased trade positively affects a country's economic growth, which may reduce poor governance and corruption. On the other hand, increased trade and economic growth may not be possible to achieve because of poor governance and corruption. It is truly a downward spiral³⁵². An illustrative example of a country pervaded with poor governance and corruption is the case of Nigeria. Nigeria is the largest country of the African region as well as a large producer and exporter of oil. However, poor governance and corruption are to find at all levels in Nigeria, which results in the high oil incomes only benefiting a small part of the population. Thereby, the rich are getting richer, and the poor are getting poorer. Actually, some countries such as Nigeria are labelled corruption-states implying that corruption is highly integrated in the historical and cultural roots of the country, which makes the mission to eliminate poor governance and corruption an even harder task to cope with³⁵³.

As to the WTO, the clear interactions between trade, civil wars, poor governance and corruption may have influenced the DR. The setbacks for developing countries in which such incidents take place may cause for protectionist modes in the DN. On the other hand, the countries concerned may become more committed to the DR in order to obtain the means needed to solve the critical circumstances - or in the case of poor and corrupt governance in order to raise more funds to support their high living standards, which are totally out of proportion when compared to the living standards of the population.

4.4. Terrorism and Islamic fundamentalism

In the age of post-9/11, terrorism has become one of the greatest concerns of the international community. As often said - the world is another place after 9/11. The rise of Islamic fundamentalism became the focus of public attention worldwide with Al Qaeda's attacks on the twin towers in New York. Bush declared war on terror and further stated, "those that are not with us, are against us"³⁵⁴. Since then, Afghanistan and Iraq have been invaded and speculations if Iran will be the next objective are highly debated. Actually, terrorism or Islamic fundamentalism may be interpreted as a product of globalisation – as in wars without borders and information technology making it possible for terror organisations to recruit people on a larger scale³⁵⁵. It may be argued that a terror organisation such as Al Qaeda attempts to gain power by hard as well as soft power means. As to soft power, it uses the media to communicate its beliefs and in some cases take responsibility

³⁵¹ Gul, Koray (2003). "Next Stop on the Road to the 2015 Millennium Development Goals", Turkmen Holdings, WTO public Symposium 2003, Center for International Development, Harvard University, <http://www.cid.harvard.edu/cidtrade/geneva/sessions/session04.html>.

³⁵² Rose-Ackerman, Susan (2006). "How to spend 50 billion dollars to make the world a better place, Edited by Bjørn Lomborg, New York: Cambridge University Press, ISBN: 978-0-521-86679-8, Chapter 5: "The Challenge of Poor Governance and Corruption", pp. 77-89.

³⁵³ DR-nyhederne, DR2, Deadline, 30. maj 2008, kl. 22.30.

³⁵⁴ Guillou, Jan (2006). "Madame Terror", Piratförlaget, Stockholm, ISBN: 978-87-7053-128-3, pp. 491-494.

³⁵⁵ DR-nyhederne, DR2, Deadline, 9. maj 2008, kl. 22.30.

attacks and public executions as well as using the internet to recruit people and communicate with related terror cells worldwide. As to hard power, Al Qaeda and the Taliban take up arms to fight against the West's NATO-forces in Afghanistan.

A terror organisation as Al Qaeda has proclaimed that it first and foremost has been launched to demonstrate its sympathy for the Palestinians and basically fights for a free Palestine. Therefore the conflict in Israel is of crucial importance to solve. So far the numerous of attempts have failed including Bush's recent involvement attempting to follow the foot steps of former American presidents as a mediator between the two parties. The main reason that the US has not succeeded is that it was one of the main forces founding the state of Israel post-WWII and has in most respects supported the Israelis. Thereby, the US has incurred a strong power of resistance from supporters of the Palestinians.

The strong effort to fight terrorism is not what is most conspicuously; the fear of terrorism may be considered larger than the actual risk. Consequently, people with Islamic faith have become an exposed people in the West. Hence this is not only caused by the threat of Islamic fundamentalism, but also because of Western societies' sceptical attitude towards immigration and integration of people with different religious beliefs and cultures, which they consider a threat to their culture and national identity. Moreover, some scholars claim that the West has taken the fight against terrorism to such a degree that rules adopted to protect democracy in reality are harming democracy more than the actual threat of terrorism³⁵⁶. In the hope that the West will never be attacked again, the people have to some extent accepted to undermine their constitutions. They now put up with extensive monitoring, random arrests, searches and surveillances. All to such a degree, which would have been unthinkable before 9/11³⁵⁷. The question of Western governments acting against democratic values has been raised on several occasions due to the loose terror laws adopted, which among others have implied imprisonment of people or even annulations of citizenships without damning evidence and a (fair) trial. In the case of the US, this also concerns its violations of human rights at the Guantánamo base, which apparently is an exception to the Geneva Convention³⁵⁸. From this point of view, the strong effort to fight terrorism may actually produce terrorists.

It may be assumed that all the WTO-members are pro in terms of fighting terrorism, but in regards to how and by which means, the members may be divided. This has obviously been the case in the framework of the UN as well as of NATO. NATO has lately experienced considerable disagreements on the military effort in Afghanistan³⁵⁹, which has almost resulted in division of NATO as in two alliances³⁶⁰. In short, the countries operating in the Southern Afghanistan blame the North operating countries for not assisting in the hot spots. They call for NATO-solidarity³⁶¹. In this respect, the US Minister of Defence Robert Gates has argued that

³⁵⁶ Babington, Charles (2006). –"US shifts policy on Geneva Conventions", Washington Post, 12 July 2006, <http://www.washingtonpost.com/wp-dyn/content/article/2006/07/11/AR2006071100094.html>.

³⁵⁷ Holt, Anne (2006). "Madam President", København: Gyldendal 2007, på dansk ved Ilse M. Haugaard, ISBN: 978-87-02-05529-0, side 196.

³⁵⁸ Guillou, Jan (2007). "Fjenden i os selv", Piratförlaget Stockholm, ISBN: 978-87-604-2991-0.

³⁵⁹ DR-nyhederne, DR1, Udland, torsdag den 7. februar 2008, kl. 19.30.

³⁶⁰ TV2 News, søndag den 10. februar 2008, kl. 17.00.

³⁶¹ DR-nyhederne, DR1, Udland, torsdag den 7. februar 2008, kl. 19.30.

NATO has not kept up with times and developed since its establishment post-WWII (1949) in order to solve new situations and challenges like the one in Afghanistan³⁶². Just as in the case of the WTO. The NATO-disagreements and the threat of a NATO-division may spill-over to the WTO in terms of spreading insecurity about the strength of international institutions and cooperation to agree and handle issues set out to solve. This may cause for setbacks in the DN. On the other hand, problems in NATO may call for the WTO-members that are also NATO-members to safeguard the WTO and the DR. It took a Canadian threat to withdraw before the NATO-dispute was more or less phased out when France agreed to send more troops³⁶³. In contrast, Germany – as well as other NATO-members - does not have the authority to increase or relocate their bases in Afghanistan due to domestic restrictions on the level of risk that their soldiers must be exposed to³⁶⁴. In this respect it may be interpreted that France holds a trump card – and the question whether France gets a chance to use it in the renewal of CAP as well as in the DR to protect its agriculture.

As to the war in Iraq, US's main reason for invading Iraq proved to be on false grounds - Iraq not having weapons of mass-destruction. Additionally, US invaded Iraq without a UN-mandate. From this point of view, it is possible that the WTO-members do not trust that the US will follow international rules in the framework of the WTO and rather act unilateral as in 'going it alone'. The US has breached UN rules and what should prevent it from going against WTO-rules if benefiting US-interests? This may result in a well-grounded uncertainty among the members in the DN. The war on terrorism and the unsuccessful invasion of Iraq has resulted in the US becoming highly unpopular worldwide³⁶⁵. In only 6 years, US has gone from being the third most popular country to be the third most disliked country, which could end-up affecting the US's status as the world's only hegemony. It might therefore not only be a question of an economic or military decline, which settles the position of the US. It may be caused by its increasing unpopularity. Is it possible to have a hegemony that is broadly disliked? On the other hand, other scholars argue that the US has slowly moved out of the shadow of 9/11 and will gradually regain its strength³⁶⁶.

There exists a clear link between trade and security. The economic gains of free trade reducing poverty may bring down the number of people choosing to join terror organisations and reduce the spread of Islamic fundamentalism. In contrast, trade liberalisation may increase terrorism by facilitating the flows of trade in capital and weapons - both fundamentals for terrorism³⁶⁷. According to the WTO, the effects of terrorism are localized and temporary. As in the cases of the New York, Madrid and London bombings, the consequences in terms of trade and economic growth proved only to be short-term. More specifically, terrorist attacks may affect certain industries such as tourism, transport, etc. for a limited period of time. Further, the fear of terrorism may result in trade costs (transaction costs) increasing. In this context, many governments have

³⁶² Ritzau (16. Januar 2008). "Amerikansk kritik af NATO-styrker i Afghanistan", <http://jp.dk/udland/asien/article1232891.ece>.

³⁶³ VOA News (2008). "Canada Defense Minister: France help NATO in Afghan South", 8 February 2008, <http://www.voanews.com/english/2008-02-08-voa13.cfm>.

³⁶⁴ DR-nyhederne, DR1, TV-Avisen, 31. marts 2008, kl. 21.00.

³⁶⁵ Holt, Anne (2006). "Madam President", København: Gyldendal 2007, på dansk ved Ilse M. Haugaard, ISBN: 978-87-02-05529-0.

³⁶⁶ DR-nyhederne, DR1, Udland, torsdag den 7. februar 2008, kl. 19.30

³⁶⁷ Condon, Bradley J. (2002). "NAFTA, WTO, and Global Business Strategy: How Aids, Trade, and Terrorism Affect Our Economic Future", US, Quorum Books, Wesport CT. Publication, Conclusion, p. 213.

introduced measures to prevent such effects. An area that in particular has developed since the first terror attack on the US concerns trade insurance, which now includes terrorism exclusion clauses offering substantial coverage at higher prices. Additionally, terrorism has caused for longer terms of delivery due to the increased security measures of the airline and maritime transport industries³⁶⁸.

Altogether, Islamic fundamentalism has made the flow of products and people more insecure and problematic. Additionally, it may be argued that the rise of terrorism has challenged democracies of the West. If countries exposed to terrorist attacks experience a decrease of its trade – even if short-term – this may imply protectionist attitudes, which may have affected the DR causing setbacks in the negotiations. It may also be argued that the threat or fear of terrorism in general involves protectionist modes blocking for a Doha-agreement. In this context, Hillary Clinton has claimed that the WTO and the DR may prevent countries from adopting stronger safety rules, which are needed in a world suffering from terrorism. Therefore, the DR should be reconsidered³⁶⁹. Additionally, it may be stated that the rise of terrorism concurrently with the DR has resulted in a lowered priority of international trade negotiations in which the current trading round was launched only a few months after the first attack on the US.

4.5. Climate change

Environmental considerations are included in the fundamentals of the WTO as the adopted principle of sustainable development. In the Marrakech Agreement of the UR, the WTO-members manifested a clear connection between sustainable development and the free and fair trade negotiations to ensure that market liberalisation follows environmental and social objectives. The DR has also included environmental issues in the negotiations, which may positively contribute to the fight against climate change³⁷⁰. However, the environmental negotiations have been marked by disagreements and the progresses have been modest. Lamy has stressed the likeliness of win-win situations if including environmental issues in the DR on a larger scale: *“...the Doha negotiations on environmental goods and services could deliver a double-win for some of our members: a win for the environment and a win for trade. The WTO tool-box of rules can prove valuable in the fight against climate change but awaits a truly global consensus on how best to tackle the issue³⁷¹”*. As noted by Lamy, there does not exist a global consensus dealing with environmental protection and climate change³⁷². This makes WTO’s role relatively undefined.

The International Institute for Sustainable Development finds that the WTO has potential to: *“...deliver the types of sustainable development outcomes referred to in the Doha Declaration...but there is a consensus on the need to rethink the current regime, perhaps in fundamental ways...which might give the time needed to address the issues in a way that can help out the negotiations back on a viable and appropriate track³⁷³”*. In contrast, Lamy is not convinced that WTO needs fundamental reforms in order to deal with climate change as well as making progress in the DN on this area: *“The WTO simply cannot ignore the*

³⁶⁸ WTO (2006). “World Trade Report 20062, Summary.

³⁶⁹ Luce, Edward (2007). “Clinton doubts benefits of Doha revival”. Financial Times, December 2 2007, Washington.

³⁷⁰ WTO (2008). “Trade and Environment: Activities of the WTO and the challenge of climate change”, http://www.wto.org/english/tratop_e/envir_e/climate_challenge_e.htm.

³⁷¹ WTO (9 December 2007). “Doha could deliver double-win for environment and trade”, speech at the Informal Trade Ministers' Dialogue on Climate Change in Bali on 8-9 December 2007 by WTO GD Pascal Lamy, http://www.wto.org/english/news_e/sppl_e/sppl83_e.htm.

³⁷² WTO (2008). “Trade and Environment”.

³⁷³ WTO (2007). “WTO Public Forum- What WTO for the XXIst Century?”, Summary.

need to promote and preserve the environment. A crucial question is whether a clearer mission for the WTO in support of sustainable development implies major institutional reforms. I do not think so³⁷⁴”. In spite of the diverging views on WTO’s ability to handle environmental issues, it is mostly agreed that WTO has a vital role to play. In this respect, the WTO has even been criticised for acting to indifferently when it comes to environmental conditions. The former Director of the Global Environment and Trade Study Steve Charovitz has in this context stressed that: “...WTO should begin to address the link between trade...and environmental concerns...in the absence of proper environmental regulations and resource management, increased trade might cause so much adverse damage that the gains from trade would be less than the environmental costs³⁷⁵”. Obviously, the WTO has a responsibility as a part of “global governance”. However, it is also important that the areas dealt with by international institutions to some extent are divided in which different international organisations are held responsible for different spheres. In many respects, world affairs are somehow infiltrated, which in some cases makes it very difficult to narrow down which international institution that has the main responsibility within a given area. That makes the division of areas even more important in order for the international organisations to deal with limited areas of work in a concentrated and in-depth manner rather than dealing with all the world’s problems superficially. In this context, Martin Kohr has argued that: “...if environment...was to enter the WTO system, it would be conceptually difficult to argue why other social and cultural issues should also not enter... Trade measures have become a vehicle for big corporations and social organisations in promoting interests³⁷⁶”. This statement clearly demonstrates another problematic factor; if including environmental issues on a larger scale in the WTO, it may involve spill-over effects. If including one area that is non-trade related per se, it may imply that other parties lobby to include other non-trade related areas on a larger scale. Hence this problem is, as demonstrated, already a matter of fact. The WTO deals with numerous of issues – also non-trade related – which has resulted in the WTO dealing with much more issues than it can handle. On the other hand, environmental issues are strongly connected to productions and trade.

In regards to trade and the environment, the Kyoto Protocol of 1997 – a framework convention on climate change with the objective to reduce green house gases causing climate change - states that in accordance with trade liberalisation, the parties must address environmental factors. However, the measures and policies that the environmental considerations imply should minimise the adverse effects³⁷⁷. From this it becomes clear that Kyoto includes trade considerations and corresponds with the objectives of the WTO. On the other hand, it may be argued that despite the attempt to keep the adverse effects low – there still are effects. Consequently, the developed countries may choose to cope with these effects by protectionist instruments, which are against their WTO-obligations: “...governments with differentiated legal and political systems are highly likely to pursue climate policies that may have the potential to bring them into conflict with their WTO obligations...³⁷⁸”. The risk of environmental rules being incompatible with WTO-obligations has also been one of the reasons that Hillary Clinton doubts the continuation of the DR: “I am concerned by provisions that would prevent countries from enforcing stronger

³⁷⁴ Sampson, Gary P. (2005). “The WTO and Sustainable Development”, United Nations University Press, ISBN: 92-808-1115-0.

³⁷⁵ Charovitz, Steve (1999). “Addressing Environmental and Labor Issues in the World Trade Organization”, in Trade and Global Markets: World Trade Organization, Progressive Policy Institute, November 1 1999.

³⁷⁶ Kohr, Martin (2002). “How the South is getting a raw deal at the WTO”, in Robin Broad: Global Backlash: Citizen Initiatives for a Just World Economy, Rowman & Littlefield, ISBN: 0-742-51034-4, p. 154.

³⁷⁷ Sampson, Gary P. (2000). “WTO Rules and Climate Change: The Need for Policy Coherence”, www.geic.or.jp/climgov/04.pdf.

³⁷⁸ Assuncao, Lucas and Ziong Xiang Zhang (2002). “Domestic climate change policy and the WTO”, UN: UNCTAD Discussion Paper, No. 164, Geneva.

environmental...rules under the WTO. I think we have to take a hard look at this Doha Round...³⁷⁹". Thereby, Hillary expresses her support to fighting climate change - although at the expense of trade liberalisation. Moreover, the US is most likely not the only country, which finds that WTO-rules and increasing environmental restrictions may be in conflict.

WTO has no specific agreements on climate change and environmental standards besides sustainable development and environmental exceptions to some of its rules if protecting human, animal, plant, health and natural resources. WTO thereby allows for the members to implement environmental rules and restrictions, which however must have the least possible trade distorting effects. In spite of the latter rider such measurements may still have trade distorting consequences. Moreover, the WTO exception clauses do not go into details, which may cause for different interpretations. According to the exception clause mentioned: *"...measure which breaches WTO obligations for this purpose should not be used as a means of arbitrary or unjustifiable discrimination between countries, or a disguised restriction on international trade...the measures must be necessary to protect the environment, means that other less trade restrictive options are not available³⁸⁰*". This makes it possible for the WTO to monitor its members' environmental restrictions and make sure that these are mainly adopted to protect the environment and not protectionist tools. This may be a rather complicated matter, which could be dealt with in a far more effective manner if there existed a global consensus. The problem in this respect is that several WTO-members have not signed Kyoto or other international environmental conventions and are not interested in including such environmental rules in the WTO on a larger scale³⁸¹. Nevertheless, the work of international institutions within this area still overlaps and spills over, which underpins the need for a global consensus on how to cope with climate change also in terms of free and fair international trade conditions as well as a more specific definition of WTO's role.: *"...an early process of pursuing consultations between WTO members and the Parties to the Climate Change Convention and points to the need to further explore ways to enhance synergies between the trade and climate regimes³⁸²*". The question in this respect is if a harmonisation of environmental standards and restrictions would be preferable or if a mutual recognition practice should be applied.

It has turned out to be a rather difficult task to convince countries around the world, developed as well as developing countries, to accept and invest in climate change. This is among others due to the fact that the high costs will occur immediately as oppose to the intangible long-term results. Additionally, the lack of American recognition that climate change is caused by human activity has been a decisive reason for countries not to involve. Additionally, some scholars do recognise climate change – and in some cases also that it is created by human activity. However, they do not consider it as one of the greatest challenges that the international community is facing. In this respect, one of the most prominent political scientists is Bjørn Lomborg, Director of Copenhagen Consensus, who in cooperation with some of the world's leading economists and scientists have claimed that climate change would – in a rational world – come in 10th on the

³⁷⁹ Luce, Edward (2007). "Clinton doubts benefits of Doha revival". Financial Times, December 2 2007, Washington.

³⁸⁰ Sampson, Gary P. (2000). "WTO Rules and Climate Change: The Need for Policy Coherence", p. 7, www.geic.or.jp/climgov/04.pdf.

³⁸¹ Ibid.

³⁸² Assuncao, Lucas and Ziong Xiang Zhang (2002). "Domestic climate change policy and the WTO", UN: UNCTAD Discussion Paper, No. 164, Geneva.

global agenda of the world's most crucial and difficult tasks³⁸³. Nevertheless, the international society is now highly focusing on climate change as in top-five of the international agenda. Moreover, the developing countries blame the developed world for the rising environmental problems - the developed world is responsible for about 80 % of carbon emissions - and to some extent refuse to take responsibility. The paradox is that the consequences of climate change may turn out to be far more damaging for the developing world. The developing countries also underpin that they do not have the economic means to cope with climate change. In this respect, it may be considered fairer that developed countries as the largest polluters – that also have the economic means – invest more in climate change than the developing countries³⁸⁴. Whereas the developed countries - now with the US more or less on board - works on fighting climate change, on the other hand China continues to build coal power stations every week. According to EU's trade Commissioner Peter Mandelson: *"...China will become the biggest emitter of CO2 in or around 2010. A billion Indians will not be far behind. And assuming that countries like China, India and Brazil continue to move towards western levels of economic growth – and how can we argue that they shouldn't? – then we are confronted with the urgent challenge of greening that growth... the fastest growing economies in the world today are based on older, dirtier technology. China is building a new coal powered power station every week. China's energy efficiency is about one eighth of that of the EU. And consequently the link between global economic growth and rising CO2 emissions has been re-established today"*³⁸⁵. This statement clearly points out that emerging markets within nearest future will become the largest polluters. For that reasons it may be argued that emerging markets should also contribute in the fight against climate change. Actually, China has – despite blaming the developed world for climate change - introduced a domestic environmental plan. Although China's reason for such initiative may relate more to its position as the host country for the upcoming Olympics, which has almost has been cancelled due to the heavy pollution over Beijing, than demonstrating China's real concern for the environment. Additionally, China has ratified the Kyoto Protocol, but China has none Kyoto commitments because of its status as a developing country³⁸⁶.

It is a matter of fact that economic means are needed in order to cope with climate change. Capital that the majority of the developing countries do not hold. Beforehand, they need economic growth among others derived from trade liberalisation. However, the problem in this respect is that; if environmental considerations are not taken into account in the developing phase - as in using clean technology in productions etc. - the challenges of climate change will never be solved. While the developed countries attempt to clean up, emerging markets and LDCs will increasingly pollute, which results in a status quo³⁸⁷. This not only underpins that emerging markets have a responsibility, but also the least developed developing countries. The international community must commonly assist LDCs to develop clean productions and other environmental initiatives. Lamy has also intervned in this debate: *"I think everybody agrees that climate change is a*

³⁸³ Lomborg, Bjørn (2006). "How to spend 50 billion dollars to make the world a better place", New York: Cambridge University Press, ISBN: 978-0-521-86679-8.

³⁸⁴ Mendlesohn, Robert (2006). "How to spend 50 billion dollars to make the world a better place", edited by Bjørn Lomborg New York: Cambridge University Press, ISBN: 978-0-521-86679-8, Chapter 1: Meeting the challenge of Global Warming, pp. 14-18.

³⁸⁵ Mandelson, Peter (18 December 2007). "Trade and Climate Change", Speech by EU Trade Minister Peter Mandelson, Brussels, p. 1.

³⁸⁶ Nusa, Charlie McDonald-Gibson (2007). "Climate change deal harder than WTO talks", Business Report, 12 December 2007, <http://www.busrep.co.za/index.php?fSetId=662&fSectionId=565&fArticleId=4169274>.

³⁸⁷ Mandelson, Peter (18 December 2007), p. 3.

*common responsibility with differentiated responsibility*³⁸⁸". Thereby Lamy states that all countries must take responsibility, but just as in the DR, developed countries should do more and LDCs less.

As to the US, it has not ratified the Kyoto Protocol because of its until recently critical attitude³⁸⁹. It has in general been heavily debated whether climate change is caused by human activity and the US has been hard to convince. The first time that Bush commented climate change was in his 'State of the Union speech' in January 2007 expressing his concern for global warming. Besides the publication of a UN report with strong evidence supporting that climate change is in fact caused by human activity, the changing attitude in the US has also been affected by the former presidential candidate Al Gore's significant contribution to the debate. Furthermore, Los Angeles's Governor Arnold Schwarzenegger has introduced substantial environmental state initiatives, which has made L.A. an environmental forerunner.

As oppose to the US, EU signed the first international agreement (Kyoto) on climate change. Additionally, EU has internally made great commitments to fight climate change. Thereby EU aims at becoming the world's environmental role model, which is an important opportunity for the EU that it cannot afford to pass on. In the wake of the EU-Commissions new climate proposal a serious critique has followed. European businesses have expressed that the Commission's plan is giving rise to concern. The rather strict environmental restriction of the Commission's proposal may be costly for the European businesses. The increased production costs as a result of expanded rules on environmental considerations may result in rising prices. Additionally, imported goods and services from outside Europe will become much cheaper since these are not placed under the same rules. Therefore buyers will prefer the cheaper non-European products and services. Altogether threatening to put European companies out of business³⁹⁰. The Commission has stated that these consequences are the price to pay for being in front³⁹¹.

A solution to the problem could be to impose environmental tariffs and subsidies in the EU. If European environmental-friendly businesses are to receive subsidies in order to survive in the global competition, and if all imported goods from outside Europe are to pay higher tariffs increasing the prices of the imported products to the same level as the European, a successful DR will be irrelevant because the situation will be status quo. On the other hand, if enforcing these environmental trade barriers it may be possible to avoid a scenario of European businesses losing market shares and become uncompetitive. However, this likely solution is not really likely because it would be in conflict with WTO-rules and the EU-members' obligations in this respect. In addition, Mandelson has opposed to adopt climate tariffs on countries that have not ratified the Kyoto protocol or follow EU environmental rules. Such measures would be in conflict with WTO-rules.

³⁸⁸ Nusa, Charlie McDonald-Gibson (2007). "Climate change deal harder than WTO talks", Business Report, 12 December 2007, <http://www.busrep.co.za/index.php?fSetId=662&fSectionId=565&fArticleId=4169274>.

³⁸⁹ Cline, William R. (2006). "How to spend 50 billion dollars to make the world a better place", edited by Bjørn Lomborg New York: Cambridge University Press, ISBN: 978-0-521-86679-8, Chapter 1: Meeting the challenge of Global Warming, pp. 1-18.

³⁹⁰ DR-nyhederne, DR2, Udland, onsdag den 23. januar 2008, kl. 19.30.

³⁹¹ Albrechtsen, Rikke (2008). "Dommedag nu", Weekendavisen, 31. januar 2008, <http://www.weekendavisen.dk/apps/pbcs.dll/article?AID=/20080125/SAMFUND/701250066/-1/samfund>.

It is not illegal not to participate in Kyoto just as it neither is illegal to subsidise under WTO-rules – and as to the latter, EU should probably not speak to loudly³⁹².

As oppose to the argument of the European business community, Mandelson claims that the costs will be rather modest compared to the costs of not taking action: *“In the short term, adapting to the need to reduce carbon emissions will impose some financial and competitiveness costs on European companies and individuals. ... Most of Europe’s economy is built on goods and services that are not internationally traded and for which the competitiveness argument is more limited. And many estimates suggest the costs of moving to a low carbon economy could be as little as 3 or 4% of total developed country GDP by the end of the century – which is statistically a tiny amount. Even if this is an underestimate we have to measure these costs against the cost of inadequate action³⁹³”*. According to Mandelson, EU’s considerable environmental actions should be considered a competitive advantage: *“...there is actually a potential competitive advantage in being a leader in adapting to climate change: in moving decisively in a direction the market is inevitably going to take, and getting ahead of the curve... We have to see climate change as an opportunity agenda not as a burden to be shouldered³⁹⁴”*. More specifically, businesses’ environmental considerations and responsibility have become marketing parameters and in this respect EU-businesses will clearly have a head start. Additionally, the demand for environmentally friendly products and services has increased considerably in the developed world, as in a new emerged market. The consumers of the developed countries are willing to pay more for products and services if protecting the environment or supporting other types of “charity” However, the developing countries are at this point in another phase and may therefore not involve in these types of markets; neither as producers nor as consumers. From this point of view, it may once again be maintained that the increased environmental restrictions result in an uncompetitiveness of EU-businesses since there is none or limited demand for environmentally friendly products in the developing world. On the other hand, EU’s significant environmental actions may be a question of determining a new niche for EU-business, as in a comparative advantage: *“Europe is good at finding market and technological solutions to problems. And as one of the most advanced knowledge driven economies in the world Europe can easily establish a comparative advantage in technologies and services central to addressing the climate crisis. Selling more green goods, shifting the whole base of our economy onto a sustainable footing; showing others how to do it, and exporting the means to do so³⁹⁵”*. This may be interpreted as the EU preparing for a liberalised MTS in which agriculture and non-agricultural products primarily will be managed by developing countries, which leaves the EU with the service area – and now also the environmental protection area.

According to the WTO, EU’s environmental regulations may imply relocations of productions to countries with less environmental standards - as in increasing outsourcing – which developed countries already have suffered considerably from. Additionally, the fear of relocations may end up causing a race-to-the-bottom in which governments start to compete on low environmental standards in order to create or keep a favourable labour and investment environment³⁹⁶. In the same respect, it is decisive to avoid that imposed domestic or

³⁹² Mandelson, Peter (18 December 2007). “Trade and Climate Change”, Speech by EU Trade Minister Peter Mandelson, Brussels, p. 4.

³⁹³ Ibid., p. 1.

³⁹⁴ Ibid.

³⁹⁵ Ibid., p. 2.

³⁹⁶ WTO (2005). “World Trade Report 2005 – Exploring the links between trade, standards and the WTO”, Switzerland: Geneva, Summary.

regional environmental standards reflect protectionist interest, which may reduce trade flows as well as domestic, regional and global welfare³⁹⁷.

The Kyoto Protocol of December 1997 came into force February 2005 and expires in the end of 2012. In November 2007, 174 countries ratified the Kyoto-agreement, which implies that 36 developed countries are committed to reduce green house gasses emissions and 137 developing countries obligated to monitor and report green house gases. The ratification was the first step towards new Kyoto-negotiations. In December 2007, the UN held a climate conference on Bali with more than 180 countries attending. The negotiations almost collapsed, but were rescued and agreed on in the final moment. The participants more or less agreed on a timetable, road map as well as concrete negotiation steps in order to reach an agreement at the “final” conference in Copenhagen 2009 (COP15). The most important aspect is to get the US on board, which may cause for more countries to involve. As the Danish PM Anders Fogh Rasmussen has expressed in a speech to the US Congress: *“I will make an appeal to the US to participate in the fight against global warming because we all need each other. The EU and the US must work as close partners in order to handle the challenges of globalisation in regards to the economic interdependence, the threat of terrorism and climate change. In the age of globalisation we all need allies. Even the largest and only superpower cannot afford to stand alone³⁹⁸”*. The fact that we are closer to a new Kyoto agreement with more countries involved may threaten the DR because of the considerable costs attach to climate change. In this respect, trade liberalisation and the fight against climate change may be considered as competing world challenges. On the other hand, if it is possible to agree on climate change among almost 180 countries, it should be plausible to agree on trade issues in the framework of WTO. According to Lamy a new Kyoto-deal would actually be more hard to agree on than a Doha-agreement: *“Forging a deal on tackling climate change would be even harder than hammering out long-stalled international trade talks³⁹⁹”*. Perhaps Lamy is referring to a Doha-light agreement because is it even possible that international negotiations can turnout more problematically than in the case of Doha? On the other hand, if Lamy is right in his prediction, the world will apparently not reach a global consensus on climate change within the next 7 to 8 years. From this viewpoint, the international community should probably hold its horses and await if and how a Doha and a new Kyoto will come about.

Chapter 5: Conclusion and Perspectives

“Everybody wants a better global trading environment, but individual nations and groups of nations are not always keen to give up the benefits they get from import tariffs and from farm subsidies⁴⁰⁰”.

As demonstrated throughout the thesis, trade liberalisation is one of the most vital challenges for the international community to take on. The economic gains of halving subsidies and tariffs would indicate a doubling of the world GDP. If social and environmental gains were included in this account, the increase of

³⁹⁷ WTO (2005). “World Trade Report 2005 – Exploring the links between trade, standards and the WTO”, Switzerland: Geneva, Summary.

³⁹⁸ DR-nyhederne, Tekst-TV, 28. februar 2008, kl. 17.40.

³⁹⁹ Nusa, Charlie McDonald-Gibson (2007). “Climate change deal harder than WTO talks”, Business Report, 12 December 2007, <http://www.busrep.co.za/index.php?SetId=662&fSectionId=565&fArticleId=4169274>.

⁴⁰⁰ BBC News (printed 28 November 2007). “Q&A:World trade in crisis”, <http://news.bbc.co.uk/2/hi/business/4512367.stm>.

GDP would be even higher. Additionally, the static gains of free trade imply efficient industry specialisation as in a widespread of comparative advantage. In spite of the strong evidence and theories supporting free trade, WTO still has not been able to convince its members to liberalise their trade. The reasons blocking for a free trade multilateral system are many and in the current international trade negotiations of the DR, the lack of will and commitments have proved to be economically as well as politically related.

There are many approaches attempting to explain the progresses and delays in the DN. As to the WTO, it has been criticised for being old-fashioned based on outdated fundamentals of GATT. On the other hand, since WTO was created as successor of GATT in the 1990ties, other critics claim that WTO as a newborn is too immature to handle global trade. An important ground for the problematic Doha-process may therefore concern the weaknesses of the WTO as an intergovernmental organisation of 152 members with a decision-making procedure accused of being undemocratic and non-transparent. However, as the WTO looks today with limited authority and a consensus decision-making procedure, which is a process of group negotiations that seeks the agreement of the majority as well as attempting to resolve the objections of the minority in a most agreeable decision, WTO may be as democratic and transparent as it can be under these conditions. Alternatively, the members could agree to concede more power to the WTO, which may imply supranational bodies that have authority over the members. At first sight, this may not be considered as more democratic, but still it must be assumed that supranational bodies would safeguard the collective interests of the WTO. Moreover, QMV could be introduced, which would make it less complicated to enter agreements because the majority wins it all. Since the developing countries now represent the majority of the WTO-members, this would not imply undemocratic conditions for the developing countries, which is the general fear. If supranational democracy or majority voting were appointed, this would most likely have implied a faster Doha-process as well as ensured a positive outcome. On the other hand, a well-grounded concern for the future prospects of WTO may entail that the members work harder on reaching consensus in order to avoid a final Doha-breakdown, which may jeopardise the WTO and the MTS. This scenario could explain the recent progresses of the agriculture and NAMA areas in the DN.

As to the areas negotiated, agriculture has been referred to as the heart of the DR. The developing countries have been reluctant to take on new areas until the developed countries give in on agriculture. Besides agriculture being a vital trade area for the developing world, they have also claimed that they are not ready to present counter-offers of NAMA and GATS. The developed countries are heavily protecting their agriculture, which involves an over-supply of agricultural products as well as a fall in world prices, which altogether harms the world's poor. Since agriculture merely covers a small part of the developed countries' economies, it would be economic rational to eliminate their agricultural trade barriers. Without such support the developed countries could instead specialise in other areas such as services and environmentally related trade areas. In the same manner, the developing countries would have the opportunity to developed and specialise in agricultural productions with increased market access to the developed countries' food markets. As to the political grounds of the developed countries' continuation of agricultural protectionism, it has

become obvious that they have proceeded to safeguard self-interests and attempted to relatively gain from the DR at the expense of collective interests and absolute gains. The developed countries have seem to have entered the negotiations with an assumption that the DR would remind of former GATT-rounds in which the powerful elite of developed countries more or less controlled the agenda. They were wrong. Moreover, cultural factors have also proven to be an important case in point. It has been argued that in particularly the EU has a tendency to consider agriculture as relating to its cultural past and national identity. In this respect, it has been interpreted that national identity is a modern concept based on an invented common historical past. Some of the developed countries may therefore act sensitively in regards to agriculture liberalisation because is has become a metaphor of historical and cultural roots – as in national identity. Learned by experience, as long as a consensus is not reached on agriculture, it has proven impossible to make progress in other areas such as NAMA and GATS. From this perspective, agriculture is the most important reason for the delays in the DN. Additionally, the recent improvements in the agricultural talks have a implied a spill-over to the NAMA negotiations. As to the service area, it seems rather unlikely that any real GATS-commitments will come out of the DR.

The DR was first and foremost supposed to give prior to development implying a collective responsibility for boosting the economies of developing countries⁴⁰¹. In this connexion, the developing countries should under the principle of the SDT be permitted to protect industries as well as a gradually market-opening until these have reached a certain level and are ready to compete on equal terms in the MTS based on market liberalism. The primer purpose to include SDT is to safeguard the interests of poor countries (LDCs), but it has turned out to be an escape clause for emerging markets. The developed countries have stated that the emerging markets' non-reciprocity attitude has been one of the main reasons that the developed world has hesitated to open its agricultural markets. In this respect, the developed countries are blamed for not following their development commitments and the emerging markets for not complying with their reciprocity obligations. This scenario has certainly been a crucial ground for the delays in the DN. On the other hand, the recent progresses in the DR may have come forward because the developed countries as well as the emerging markets have changed their mode as in a convergence of national or regional interests and now acting in accordance with their WTO and Doha-commitments, which represent the collective interests of the WTO and from which all members will absolute gain.

In the former GATT-rounds the “global” economy was not really global and consisted merely of Western countries. The picture has changed and a new world economy has come forward. The developing countries' share of the world economy – in particularly emerging markets such as India, Brazil and China - is highly increasing. Moreover, the developing countries now represent the majority of WTO-members, which indicates that the dominant positions of the elite - the US and EU - have been challenged. The voice of the developing countries has become louder, their attitudes stronger and their powers increased within WTO.

⁴⁰¹ Stiglitz, Joseph and Andrew Charlton (2004). "The Doha Round of Trade Negotiations: An Agenda to Promote Development and Facilitate Adjustments", Initiative for Policy Dialogue (IPD), Working paper for the Commonwealth Secretariat, pp. 1-42.

Brazil and India has been the leading forces establishing the G20-group of emerging markets. However, the interests of G20 have not always matched the needs of the remaining developing countries (LDCs), which G20 in some cases have declared also to defend. The developing countries diverge to a large extent in terms of economic and political conditions. From this point of view, the case of a common front against the developed countries may have been based on identical starting points, but the underlying factors have differed⁴⁰². It may therefore in the negotiations ahead be important to pay more attention to the diverging interests among developing countries. Also in order to avoid that emerging markets exploit the favourable conditions being offered to developing countries. Not to say that the emerging markets should be considered as developed countries. They still suffer from considerable poverty in their rural areas. A solution could be to introduce flexibility on a country-specific basis. Thereby each country's specific interests and commitments could be evaluated from an individual examination. However, this would be a significant administrative burden for the WTO, which WTO in its current form probably not would be able to address⁴⁰³. Overall, the rising powers of emerging markets have definitely been an important reason for the setbacks in the DN and there is no sign of these being here today and gone tomorrow. Actually, emerging markets such as China and India have economic growth rates that have already overtaken the positions of the US and the EU.

As globalisation has brought with it new high growth economies with increased powers confronting the hegemonic position of the US, the progresses and delays in the DN may also relate to the likely changes of the world order. Moreover, US' hegemonic role may have been challenged by its currently economic downturn as well as its invasions of Afghanistan and Iraq, which to some extent has resulted in a spread on anti-Americanisation. From these approaches, US's hegemonic position may have weakened as a consequence of the rising powers of emerging markets, its economic crisis as well as US's rising unpopularity worldwide among other because of the invasion of Iraq on false grounds and without UN-mandate. On the other hand, US's hegemonic role may have strengthened because of its extensive war on terrorism and strong effort to neutralise Islamic fundamentalism, which also has resulted in an increased security level of the US. It has been argued that a hegemony traditionally leads negotiations towards a positive result⁴⁰⁴ and the lack of a hegemony makes it difficult to enter agreements in the DN⁴⁰⁵. If the DR is to have a successful outcome, actors must take responsibility and leaders must lead. More specifically, the US must once again commit to its role as a hegemonic power in the trade negotiations with all that comes with it. The international system has changed, but the US is still the world's only hegemony: *"To avoid...a WTO failure, Washington should commit again to take leadership steps, and make concessions, that will put trade back on track"*⁴⁰⁶. Although the upcoming presidential election in the US makes it rather difficult for the US to lead with Bush's limited trade authority. Moreover, if a candidate of the Democrats becomes the next American president, this may result in a far less committed behaviour of the US.

⁴⁰² Dicken, Peter (2003). "Global Shift. Reshaping the Global Economic Map in the 21st Century". 4th Edition, New York: The Guilford Press.

⁴⁰³ Hockman, Bernard (March 2005). "Making the WTO more Supportive of Development". Working paper of Finance and Development, pp. 14-18.

⁴⁰⁴ Scott, Jeffrey J. (2000). "Prospects for New WTO Trade Negotiations", Cato Journal, vol. 19, no. 3.

⁴⁰⁵ Stein, Arthur A. (1984). "The hegemon's dilemma: Great Britain, The United States, and the international economic order", IO, vol. 38, no. 2.

⁴⁰⁶ Gordon, Bernard (2003). "Time for a Trade 'Hegemon'", Wall Street Journal, September 29 2003, p. A.18.

It has become clear from the empirical research and the analysis that different world affairs have also had an impact on the DN and vice versa. Currently, the international community is facing an oil and food crisis, which could have been avoided provided that the oil and gas industry was included in the WTO and further on the conditions that agriculture had been liberalised. In addition, the critical oil and food scenarios may cause further delays in the DN because of the increasing risk of protectionist measures to overcome the crisis. As to the interactions between international trade and civil wars, poor governance and corruption, it has been demonstrated that free and fair trade are not sufficient to ensure economic growth and development. Civil wars, poor governance and corruption may prevent a country from experiencing the economic gains of trade liberalisation as well as impeding that all parts of the population benefit from such development. It is truly a downward spiral. Critical circumstances of this character may be a hindrance to gain from free and fair trade and at the same time the economic growth that trade liberalisation may imply could reduce the risks of such conditions as well as end existing conflicts.

Post-9/11 has been referred to as a new era. The war on terrorism as well as the fear of terrorism have become two strong factors dominating the 21st century, which are argued to have affected the members' attitudes in the DN in certain respects. The fact that countries exposed to terror attacks experience a short-term decline in their trade may imply protectionist attitudes. Additionally, the fear of terrorism and the adopted terror laws to protect Western democracies may have increased nationalism, which may provide a breeding ground for trade protectionism. From this point of view, the rise of Islamic fundamentalism may involve delays in the DR. As to climate change, this has entered the top-ten on the international agenda. Coping with climate change is a costly and sensitively affair, which has affected the DN in terms of countries questioning if it is possible to address climate change and trade liberalisation simultaneity. The concern has primarily regarded that environmental restrictions adopted to fight climate change may turn out to be trade distorting. This could result in infringements of WTO-rules and obligations. The fight against climate change could therefore end-up at the expense of trade liberalisation.

The outcome of the DR is crucial. Not only as an important step towards free trade and a stronger MTS, but also in regards to the likely growth of developing countries, which will forgo if Doha fails. Growth that could lift about 150 million people out of poverty. If Doha succeeds, this could have significant consequences. First of all the economic gains from a free and fair Doha-agreement could imply a decisive development of poor countries. Moreover, the WTO-members and the international community in general may regain confidence in the WTO and the MTS. As to the rise of new powers, the strong attitudes of emerging markets will most likely continue and more countries will join G20. This may indicate that democracy will be further improved. The WTO may strengthen from such 'a best-case-scenario' and the possible spill-over effects of a successful Doha-conclusion could be negotiations and agreements covering more and new areas, a member-expansion as well as a re-evaluation of the WTO. Liberalisation talks on more areas would further increase global trade, boost economic wealth, reduce poverty and improve security. As to a higher membership, this would ensure that more countries involve in the free and fair trade negotiations and therefore more countries may

experience economic growth and eventually register as developed countries. Moreover, this harmonisation of trading rules could be particularly important for world peace. As to the positive re-evaluation of the WTO, this may imply innovative initiatives for an organisational development of the WTO. Additionally, the members may eventually decide to concede authority to the WTO, which could result in foundations of powerful supranational institutions as well as introducing QMV. If successfully developed, WTO could become an important and strong player in global governance. However, if considering the problematic process of the DR that has not even been concluded yet, such scenario seems more or less unlikely at this point.

If Doha fails to deliver, WTO will lose an important reason for its existence. In such case, it will be essential for the WTO to narrow down the real reasons for the breakdown rather than the members blaming and finger-pointing each other - or the WTO for that matter. If the real causes to a problem are unknown, any attempt to solve them may have critical consequences. If Doha breaks down for good, this may imply that WTO will lose importance and 'worst-case-scenario' turn around the key, as noted by Gary Hufbauer representing the Institute for International Economics: *(Failure) will essentially mark the end of the WTO's 50-year run as the lead engine of commercial liberalisation*⁴⁰⁷. On the other hand, WTO does include some features, which may secure its survival. The Dispute settlement is very appreciated by the members and considered one of the most important features of the WTO. The DSB will mostly likely continue to handle trade disputes, although a consequence could be that its ruling turns out to be completely ignored by the members. Additionally, a lack of reaching consensus on a Doha-package may consequently result in protectionist tendencies as well as regional and bilateral FTAs on a larger scale. If such scenario occurs, it will once again be the LDCs that become the losers since they have little to offer in FTAs⁴⁰⁸. This further underpins LDCs' strong dependence on a MTS. The question in terms of bilateral and regional FTAs opening a passage for free trade and a MTS - or the opposite - is largely debated. It may be interpreted that a MTS to some degree is realised by bilateral and regional FTAs. On the other hand, if states have already entered favourable FTAs, this may cause for countries "to settle with less" in terms of little or none political will to integrate in the MTS. In addition, regional FTAs may be considered protectionist trading-blocks. In this context, it may be argued that FTAs must not replace or block for the MTS since they only deliver a small part of the likely gains of free trade. Bilateral and regional agreements do not boost global welfare in the same manner as in the case of multilateral trade agreements⁴⁰⁹. A failure of Doha will most likely increase the level of FTAs, which in the long run could prevent a development of the MTS. The status of international trade will then be status quo because such scenario will mainly harm the LDCs. Moreover, if Doha breaks down, it is rather doubtful that such an ambitious trade round will be launched within nearest future.

⁴⁰⁷ Schifferes, Steve (27 April 2006). "Can the trade talks be revived?", BBC News, <http://news.bbc.co.uk/1/hi/business/4951588.stm>.

⁴⁰⁸ Jyllands-Posten (24 June 2006). "Leder: Frosset Frihandel", <http://jp.dk/morgenavisen/mening/article982002.ece>.

⁴⁰⁹ Anderson, Kym (2006). "How to spend 50 billion dollars to make the world a better place", New York: Cambridge University Press, Edited by Lomborg, Bjorn, ISBN: 978-0-521-86679-8, Chapter 9: Subsidies and trade barriers,

Obviously, the WTO General Director Lamy still has confidence in a positive conclusion of the DR: *“This is a task that has eluded us now for far too long. The differences between negotiating positions is not great. Technically, there is no doubt in my mind that it can be bridged. What we need, urgently, is political input from all of the key players to allow the bridges to be built...we are closer to achieving the major goal we all share establishing modalities in Agriculture and NAMA, which in turn would pave the way to the conclusion of the Round...I believe that we should be able to conclude the Round before the end of 2008⁴¹⁰”*. The fact that WTO operates with a consensus decision-making system, any WTO-member can theoretically veto the whole Doha-package agreement. Hopefully, none of the members will make use of this right – if the process will ever come that far - and rather show political willpower to build the bridges needed in order to conclude the DN in a satisfying and successfully manner. Although keeping in mind that the DR is a development round as underpinned by former UN Secretary-General Kofi Annan: *“...opening up global trade is essential, if we are to reach the Millennium Development Goals by 2015. That means seizing the Doha-Development Agenda as a historic opportunity to re-balance the rules of the trading system in favour of the poor. Setbacks in the Doha talks have led some to consider settling for something less than a true development round – or for no round at all. That must not happen⁴¹¹”*.

In general WTO finds that the problematic Doha-process should be considered a positive sign of democratic trade negotiations: *“Reaching compromise takes time and effort, and lengthy negotiations may be a sign of the system at work – not at fault⁴¹²”*. Therefore, the delays in the DN, which to a large extent have overshadowed the progresses, may not be a threat to the WTO and the MTS, but should rather be interpreted as a democratic development of the WTO as well as an indication of the WTO adapting to globalisation. In spite of the recent progresses in agriculture and NAMA, the real scenario for completing Doha may go beyond the upcoming election of the new American president, which will take the seat in the White House in January 2009. The prospects of a final Doha-conclusion seems to lean towards a less-ambitious Doha-light agreement in order to avoid the considerable consequences of a final breakdown of the international trade negotiations. However, a Doha-light agreement may still imply significant gains as well as opening a passage for further negotiations. At least it will not be a waste of 7 – or more – years of negotiations and the lessons learned could be used in a constructive manner to get the WTO on the right track.

⁴¹⁰ WTO News, 18 December 2007, “We are closer to our goal but it is not yet done”, GD Pascal Lamy, http://www.wto.org/english/news_e/news07_e/tnc_chair_report_dec07_e.htm

⁴¹¹ WTO (2007). “WTO Public Forum- What WTO for the XXIst Century?”, Summary.

⁴¹² WTO (2007). “World Trade Report 2007”, Summary.