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Is a more multilateral trade policy possible?

WYN GRANT

D.A. Irwin, *Free Trade Under Fire* (Princeton, NJ: Princeton University Press, 2002), 257 pp.

F. Jawara and A. Kwa, *Behind the Scenes at the WTO: The Real World of International Trade Negotiations* (London, Zed Books, 2003), 329 pp.

Amrita Narlikar, *International Trade and Developing Countries: Bargaining Coalitions in the WTO* (London, Routledge, 2003), 238 pp.

American actions since the collapse of the trade talks at Cancún have suggested that trade conflicts can no longer be solved simply by a bilateral bargain with the EU that is then imposed, with a few side payments, on the other members of the WTO. The emergence of the G-21 (with its fluctuating membership) has at least opened up the possibility that trade negotiations may move away from the US–EU duopoly that has characterised them for so long towards a set of bargaining arrangements that are more multilateral. It may be that the real beneficiaries of these changes will be the emerging countries such as Brazil, China and India, all prominent in the leadership of the G-21, rather than the least developed countries. Thus, for example, opening up trade in sugar could benefit Brazil and harm Mauritius.

Considerable uncertainty remains about future developments and it can be expected that the United States will continue to get much of what it wants out of trade negotiations, while the EU will be able to continue to protect the main features of the Common Agricultural Policy (CAP). All of these books were completed before Cancún, but each of them has something distinctive to contribute to the continuing debate about trade policy. One (Irwin) is a robust economist's defence of the virtues of free trade. Jawara and Kwa offer an insider's account of the operations of the World Trade Organisation (WTO) written from a position sympathetic to the Global South. Narlikar is the only one of the books that systematically attempts to deploy and develop theoretical perspectives that will be familiar to analysts of international studies.

Narlikar's book is a sophisticated and well written analysis that represents a significant contribution to the literature on international trade negotiations. It is informed by a series of relevant theoretical perspectives, even if the book's contribution is largely in terms of building typologies. It is based on substantial empirical research and is clearly informed by a thorough understanding of the nature of international trade negotiations and the positions and interests of a wide range of countries. The author injects what can often be unavoidably weighty material with the occasional light touch as when she refers to 'sumo-style transatlantic confrontations over agriculture' (Narlikar, p. 120).

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One test of the utility of the book is to take the analysis developed at the end and apply it to the case of the G-21 which emerged after the book was written. The result is a good fit between G-21 and what is described as a 'type 1' coalition. 'These new coalitions are confined to smaller groups of developing countries. Rather than attempt to restrict themselves to a single issue, as was attempted by the services bloc, these blocs evolve common positions in different issue areas' (Narlikar, p. 201). Such groups benefit from log rolling that is not indiscriminate given that membership is restricted to a subset of countries sharing common problems or interests. 'When the large diversified developing countries are involved . . . the bloc in turn enjoys considerable bargaining power and is able to trade concessions across issue areas that can help in facilitating agreement' (Narlikar, p. 202). Nevertheless, such blocs may 'show a tendency to err on the side of blocking rather than mediating or negotiating' (Narlikar, p. 202). However, in line with the positive and cautiously optimistic tone of the book, the author suggests that such blocs may be on a learning curve with the problem of inflexibility overcome by a greater attention to strategy choice and process of negotiation.

As the number and institutionalisation of coalitions increases, however, there is a risk of stretching the limited resources of developing countries (a core theme of Jawura and Kwa's book) even further. Moreover, the efficacy of coalitions may be undermined if members have extreme differences of interest and commitment.

The book as a whole is concerned with 'the opportunities and constraints that developing countries have faced in the formation and maintenance of coalitions in trade in services' (Narlikar, p. 1). The opening up of trade in services is seen as offering new opportunities and challenges for developing countries, including the formation of coalitions that are different in character from those related to trade in goods. She is sensitive to the variability among developing countries. 'Developing countries discovered that their competitive advantage lies in services that can be labour-intensive, technology-intensive or based on geographic/strategic/cultural advantage' (Narlikar, p. 110). The book necessarily strays in to the area of agriculture, and does so very authoritatively, when it considers one of the most interesting 'crossover' coalitions between North and South, the Cairns Group. Sometimes the achievements of the Cairns Group are over-stated, but this error is avoided here. What is provided is a very careful analysis of the fissures within the Cairns Group and the particular circumstances that contributed to what were always qualified successes. It is interesting that Jawara and Kwa think that the Cairns Group has 'gone soft' on the question of subsidies post-Doha and attribute this to the eagerness of the group's leaders, Australia and New Zealand, to be on good terms with the United States.

The Cairns Group benefited from what was in effect an Australian secretariat, but in the book 'coalition' is used as an umbrella term used to describe a variety of alignment strategies. This allows the author to adopt an inclusive strategy in terms of the range of coalitions considered. Many of them have been ephemeral, highly informal and even secretive. Their names often conceal as much as they reveal, for example, 'the dirty dozen', the 'Tea Party Group' or 'Café au Lait' which refer to the Colombian and Swiss chairs. One of the author's central concerns is to develop a typology of these arrangements and their particular strengths and weaknesses, an important task given the shifting and complex nature of the coalitions and the lack of any consistent pattern that they display. She is generally successful in guiding the

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reader through what she rightly describes as 'a spaghetti bowl of coalition activity' (Narlikar, p. 177). It is pointed out that the shifting character of these coalitions has important policy implications as it creates conditions of greater uncertainty for smaller developing countries and imposes increasing transaction costs on most such countries.

The approach to theory taken in the book is an eclectic one. A more experienced author might have felt more confident in selecting preferred theories rather than falling back on the claim that 'Each of these theories explains a different part of reality' (Narlikar, p. 33) with the choice of theory determined by context. The reader has to infer for themselves that the author is more sympathetic to Realism and to constructivism than she is to neoliberal institutionalism or to public choice-derived theories of coalitions which are argued to miss out on some crucial issues. The book does assume that national interests are given and that national interests are more easily represented in a WTO context that in some international institutions. The book is thus mainly focused at an interstate level and such a simplifying assumption was probably necessary to make it manageable. However, the claim that the interests of states 'are found most easily in national statistics' (Narlikar, p. 14) is somewhat puzzling.

The central part of the book (chs. 3 to 7) is made up of a series of case studies 'which are organised in cumulative fashion on a time scale, where coalitions described in each succeeding chapter draw on the example and lessons of the preceding ones' (Narlikar, p. 7). Sometimes one is led to wonder if she exaggerates the extent of institutional memory in the world trade system, particularly given the regularity with which ambassadors from the Global South are replaced, sometimes as a result of American pressure according to Jawara and Kwa's account. Nevertheless, Narlikar assembles her evidence very carefully. She documents how larger states may have a number of incentives for contributing disproportionately to coalition building such as the way in which the diversity of their economies distributes their issue stakes over a number of areas, the international prestige that comes from leadership and pay-offs in completely different areas of international politics.

The G-10, a development from the Informal Group, is analysed principally as a means of demonstrating the costs and benefits of more traditional forms of diplomacy. The Informal Group is presented as a precarious and weak coalition that nevertheless lumbered on for thirty years. It was 'a product of diverse, individual aspirations that were logrolled together into an ambiguous, self-contradictory collective agenda' (Narlikar, p. 90). The attempts of the G-10 to resist attempts to include services in the Uruguay Round did not succeed and it produced a rift in the broader South coalition represented by the Informal Group. It is nevertheless interesting that the leading lights in G-10 are also now active in G-21 (apart from Yugoslavia).

Narlikar sees what began as the 'Jaramillo process' and became the Café au Lait/G-20 (later the G-48) in a much more favourable light. Possibly she exaggerates a little when she claims (p. 96) that 'Its draft provided the blueprint for the Punta del Este declaration. By helping resolve the impasse on services, the group had prevented the GATT bicycle from toppling over, saved the multilateral system and had also successfully expressed the voice of smaller developing countries in agenda-setting.' She attributes this success to the way in which evidence-based expertise, rigorous technical discussion and an openness to further discussion had given the group

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legitimacy, including implicit institutional support from the GATT. 'The G-20/Café au Lait visibly demonstrated the advantage of having a simple interest-oriented issue-specific coalition base that allowed flexibility and also fulfilled the interests of members' (Narlikar, p. 101). Thorough and scrupulous though the analysis undoubtedly is, does it sustain the author's claims that 'The successes of the G-20/Café au Lait were seen as discrediting not only the G-10, but the whole style of North versus South diplomacy that it represented' and 'that the era of mediating middle powers had begun'? (Narlikar, p. 103). As the author's chapter on the Cairns group amply demonstrates, a group led by two leading middle powers, Australia and Canada, quickly moved from an influence-maximising mediating position between the US and the EU to an influence-minimising position that was more driven by neoliberalism than that of the United States.

Chapter 7 provides a justifiably sceptical analysis of regional integration arrangements as a springboard for bargaining. 'Inefficiencies of regional groupings as bargaining platforms for developing countries have persisted in recent years' (Narlikar, p. 160). An interesting comparative analysis of MERCOSUR and ASEAN is presented with ASEAN seen as an exception to the theoretical and empirical difficulties with regional coalitions that in part arise from constraining structural features unique to the developing world. The conclusion reached is that 'Without intra-industry trade to promote regional commonalities and complementarities, however, regional integration is likely to generate more antagonism than cooperation' (Narlikar, p. 174).

The general conclusion reached is that 'only certain types of coalitions work for corresponding sets of countries (and often only under some specific circumstances)' (Narlikar, p. 196). Whether the classification of coalitions offered in the conclusion, carefully constructed and helpful though it undoubtedly is, meets the claim of offering 'a theory of coalition formation with special respect to developing countries' (Narlikar, p. 196) is questionable. It is perhaps a little trite to state that 'Coalitions must, first and foremost, fulfil the two conditions of internal coherence and external weight before they reach the stage of bargaining' (Narlikar, p. 208). However, even if the book does not meet all its stated theoretical ambitions, this is a valuable contribution to the literature on trade negotiations. It fills a gap in the literature and it fills it in an accomplished and convincing way.

Narlikar clearly believes that the best way for developing countries to maximise their influence in trade negotiations is to work within the constraints of the system. Hence, they should frame demands in the language of liberalisation, use blocking strategies sparingly, pursue research-based agenda formulation, have flexible agendas that facilitate negotiating manoeuvres and learn the lessons of *realpolitik*. (Narlikar, pp. 206–7). Jawara and Kwa's book is more concerned with the social injustice of the current world trade system and hence is a very different kind of book from the judicious academic analysis offered by Narlikar. The WTO 'brings increasing limitations on the ability of governments to enact policies in the interests of their own populations' (Jawara and Kwa, p. 5). 'The GATS is all about allowing big business to seize a far greater market share than before' (Jawara and Kwa, p. 32). 'What happens in the WTO is part of a broader pattern of neo-colonialism in the global economy' (Jawara and Kwa, p. 269). Neither of the authors is an academic and their values are far less submerged than would be the case in a typical academic book. However, the book is more than just a polemic. It is based on a substantial

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series of semi-structured interviews with members of Geneva-based missions and of the WTO secretariat.

What the book seeks to do is to explain 'how the political and decision-making processes of the WTO really work in terms of what happens behind the scenes' (Jawara and Kwa, p.1). It is in its accounts of behind-the-scenes negotiating tactics that the book is at its strongest, particularly the so-called 'green room' process. As the book makes clear, this process is alive and well with the 'facilitators' at Doha being renamed the 'green men'. This way of taking decisions is a violation of norms of transparency and reinforces the inevitable power asymmetries within the WTO. But in an organisation with as many members as the WTO, what is the alternative if agreement is ever to be reached? At least the 'green room' discussions should be inclusive as possible and on the evidence of this book there have been some moves in that direction.

A further strength of the book is that it resists the frequent temptation to compartmentalise trade policy, as so often happens. It is alert to crossovers between trade policy and security policy after 9/11. 'For some (particularly Muslim) countries there was an urgent political need to be seen by a suddenly belligerent US administration as being on their side. This was an important factor in neutralizing previously influential and independent voices such as Malaysia and Pakistan' (Jawara and Kwa, p. 272). This ability to think outside the usual trade policy box is offset by statements which reveal a lack of understanding of some of the subtleties of trade politics such as 'The differences in positions that do emerge between the USA and the EC are usually slight, and generally resolved behind the scenes' (Jawara and Kwa, pp. 57–8). Differences on agricultural trade have been far from slight and it has not been possible to resolve the dispute on genetically modified crops behind the scenes.

The authors argue that the least developed countries are often rewarded for their efforts at trade diplomacy with text rather than substance. They were as well prepared as they had ever been for the Doha conference, but divisions among them made them an easy target. The authors are rightly sceptical of the value of middle-income country leadership on the G-21 model. Although alliances with less developed countries are strategically attractive to them, the emerging countries have more to offer the Quad and may defect to conclude bilateral deals with them. In any case, as we have seen with G-21, the United States is able to successfully pressurise some members of such alliances to defect. The authors are surely right to argue that developing countries should avoid bilateral deals in which they have little leverage and should focus on multilateral processes. They also have a point when they argue that 'The accession process has been systematically abused by the powerful members to wring trade policy concessions out of developing country applicants that go far beyond what they would have been required to do had they been WTO members' (Jawara and Kwa, p. 292).

'The underlying structural problem, developing countries' economic dependency on the North, renders them extremely vulnerable to the power politics of the North, and the roots of this dependency lie largely in the global economic system itself' (Jawara and Kwa, p. 305). If matters are as bleak for the developing countries as they describe them, one wonders if there is any credible strategy that offers a way forward. Some of the solutions they offer – no mini-ministerials, no green room meetings and no negotiation by exhaustion – are unlikely to be adopted. There are

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other arguments than the ones they cite for getting rid of negotiating rounds, but such a procedural change would probably do little to help the Global South. A solution they particularly favour is allowing developing countries 'to determine the extent and terms of their integration or *non*-integration with the world economy' (Jawara and Kwa, p. 305). Is a return to autarky really the way forward? One of the most telling suggestions is made in a quotation from one of their interview respondents who points out, 'The WTO has become an institution, but has not developed the institutional modes of behaviour and institutional structures' (Jawara and Kwa, p. 382). The WTO has too many informal meetings, of which no proper records are kept, meaning that there is no one single negotiating process that can be properly tracked.

Jawara and Kwa's book is informative and well written and would be helpful reading for students who would hopefully be alert to the bias apparent in sub-headings such as 'The bullying hierarchy'. Much the same could be said of Irwin's book. It is well written and puts the case for free trade with vigour and clarity. It is, however, very much addressed to an American audience. Indeed, we are assured that 'The United States is admired around the world as a place of economic opportunity, where individuals are given an opportunity to succeed regardless of their background' (Irwin, p. 205). The US focus and perspective means that there is a long discussion of the role of trade in the US economy, but no balancing discussion of the EU.

The issues in the book are also 'examined mainly through the lens of economics' (Irwin, p. 2). One difficulty that the author then faces is 'the absence of a single variable that accurately measures trade policy' (Irwin, p. 41). Although he shows an awareness of political considerations, he is perhaps a little insensitive to the political pressures that social costs can generate in a democracy. 'The simple fact that the adjustment process sometimes operates slowly and with friction is insufficient grounds for intervention' (Irwin, p. 105) may constitute a good argument in economics, but would be regarded more sceptically by political analysts. Sometimes he does not seem aware of some of the relevant political science literature as when he argues 'that political economists have failed to answer basic questions about how firms achieve political influence' (Irwin, p. 145). There is a lively literature on this subject, for example, the work of David Coen. Irwin is at his most convincing when he fluently rehearses the traditional arguments for free trade in an accessible and persuasive way that stays the right side of polemic. However, even here he looks less secure when he steps on to less familiar ground, any argument being good enough to use. Thus, we are assured that McDonald's introduced the benefits of the queue to Korea and friendly service to Russia. He is on sounder ground when he provides a very good critique of anti-dumping procedures, one of the best succinct accounts of this topic that I have read. He argues that 'The antidumping process is riddled with subtle tricks and arbitrary biases that invariably favour the domestic petition, making it ironic that they are part of the "fair trade" laws' (Irwin, p. 123).

Irwin is right to argue that the case for what freer trade has accomplished needs to be made. Unfortunately, he tends to spoil his case by advancing dubious arguments. He argues that the low re-employment rate of workers from high import-share industries is down to the fact that these industries tend to employ a higher proportion of women. He argues that 'women in general tend to have lower reemployment rates after being laid off after any job. They may opt to leave the

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labor force, for example, or take more time off between jobs than men do' (Irwin, p. 102). Whether there is evidence to support these statements is unclear because it is not cited, but at a first reading it looks too much like old-fashioned sexism to be convincing.

Similarly, he offers an interesting critique of WTO panel judgements in the shrimp-turtle case, going on to argue that 'Simply banning trade is no substitute for strong domestic [environmental] measures, and a well-regulated and well-managed trade can prove better than import bans' (Irwin, p. 202). This ignores the point that an optimal policy mix is when measures in the two policy arenas are complementary, rather than trade policy overriding environmental considerations. Indeed, this is one of the sources of the 'globalization backlash' he identifies at the start of the book whereby trade measures start to intrude on internal regulatory policies. He seems to believe that it should be possible to form a global consensus in the WTO on whether discrimination in certain products was acceptable for environmental reasons. The view that 'There should be enough common ground between the trade policy and the environmental community to work out these differences' (Irwin, p. 203) does appear to be somewhat optimistic. More trade means more movement of goods, more pollution and more global warming. That fundamental conflict of priorities cannot be easily resolved.

Irwin is on strong ground when he criticises the overly legalistic character of the WTO which comes to look more and more like a 'House of Litigation' rather than an arena in which policy differences are explored and resolved through diplomacy and negotiation. One wonders, however, how much this trend is influenced by the domestic politics of the WTO's most influential member. Irwin admits (p. 65) that in the United States 'policy is largely producer-driven and lawyer-determined'. This would be a better book if Irwin could stand outside an American perspective and look critically at the United States more often than he does. A failure to be sensitive to the political costs of free trade can undermine what seems to be a straightforward economic case for less managed trade.

Is a more multilateral trade policy possible or will we revert to a world dominated by bilateral bargains? The United States and the EU member states between them meet two-thirds of the running costs of the WTO, reflecting their dominance of world trade. That dominance carries with it a responsibility to be sensitive to the concerns of countries that are disadvantaged by the current trade regime and do not have large, expert delegations at Geneva to press their case. This is not just a question of putting more resources into capacity building which, as Jawara and Kwa point out, has often been too concerned with compliance and not enough with providing advice on the national implications of trade policies.

Hopes for progress would seem to rest on at least four conditions being met. First, domestic politics in the US and the EU has to show a greater sensitivity to the Global South, not admittedly very likely. Second, a debilitating dispute between the US and the EU on, say, genetically modified crops has to be avoided. The US-EU duopoly may be weakening, but it is still crucially important. Third, non-governmental organisations have to continue to make their voice heard, but in a way that is constructively critical and recognises that there are some benefits to freer trade. Fourth, coalition arrangements like G-21 and Cairns have to balance an unavoidable internal hierarchy against an awareness of the concerns of their least advantaged members. Otherwise they will be little more than vehicles for diplomatic showboating

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by middle-sized powers which deliver benefits to emerging nations but not to least-developed countries. This is a formidable list of conditions and the most likely outcome is that we will see a continuation of protracted negotiations and hastily constructed and far from transparent last-minute deals, but possibly with more countries being significantly involved than in the past.

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